

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

July 1, 2025

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

Virtual Meeting Participation Information

Join Zoom Meeting:

- Use link:
<https://us06web.zoom.us/j/87258861725?pwd=6M2rTuIXVHjsavdow8bOD4N8g8R32h.1>
- Dial in: (253) 215-8782
- Meeting ID: 872 5886 1725
- Passcode: 735168

1. RECOGNITION/DECLARATIONS

- A. [Employee of the Month for July – Jeff Colon](#)

2. 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.”

3. CONSENT AGENDA

- A. [Approval of Minutes for the Regular Meeting of June 17, 2025](#)
B. [Bid Awards, Professional Services Contracts and Amendments](#)
C. [Consideration of Certification/Ratification and Approval of District Checks and Vouchers](#)

4. CEO/GENERAL MANAGERS BRIEFING AND STUDY SESSION

- A. Updates
 1. [Media](#)
 2. Other
B. [SnoSMART Quarterly Update](#)
C. [Interlocal Agreement Snohomish County Bridge 214 Amendment](#)
D. [Surplus of Arlington Community Office](#)
E. [Surplus and Sale of an Access Easement Across District Property](#)
F. [Connect Up – Quarterly Update](#)
G. [Washington’s Clean Fuels Program](#)

5. CEO/GENERAL MANAGER REPORT

Continued →

6. ITEMS FOR INDIVIDUAL CONSIDERATION

- A. Consideration of a Resolution Creating a Plan of Financing for the Acquisition and Construction of and Certain Additions, Betterments and Improvements to and Renewals, Replacements and Extensions of the District's Electric System; Authorizing the Issuance and Sale of not to Exceed \$450,000,000 Aggregate Principal Amount of Electric System Revenue and Refunding Bonds, Series 2025 in one or More Series; Providing for the Terms of the 2025 Bonds; Approving the Execution and Delivery of Certain Documents and Agreements; and Providing for Certain Other Matters Related Thereto
- B. Consideration of a Resolution Creating a Plan of Refinancing for the Acquisition and Construction of and Certain Additions, Betterments and Improvements to and Renewals, Replacements and Extensions of the District's Generation System; Authorizing the Issuance and Sale of not to Exceed \$55,000,000 Aggregate Principal Amount of Generation System Revenue Refunding Bonds, Series 2025 in one or More Series; Providing for the Terms of the 2025 Bonds; Approving the Execution and Delivery of Certain Documents and Agreements; and Providing for Certain Other Matters Related Thereto
- C. Consideration of a Resolution Amending the District's Customer Service Regulations for Electric Service

7. COMMISSION BUSINESS

- A. Commission Reports
- B. Commissioner Event Calendar
- C. May 2025 District Performance Dashboard
- D. 2025 Treasury, Budget, and Project Status Report – May
- E. 2026 Commission Budget

8. GOVERNANCE PLANNING CALENDAR

- A. Governance Planning Calendar

ADJOURNMENT

July 11, 2025:

Pacific Northwest Utilities Conference Committee (PNUCC) Meeting (Virtual)

The next scheduled regular meeting is July 15, 2025

Agendas can be found in their entirety on the Snohomish County Public Utility District No. 1 web page at www.snopud.com. For additional information contact the Commission Office at 425.783.8611.



BUSINESS OF THE COMMISSION

Meeting Date: July 1, 2025

Agenda Item: 1A

TITLE

Employee of the Month for July – Jeff Colon

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:

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

SUMMARY STATEMENT:

Identify the relevant Board policies and impacts:

Jeff Colon has been recognized as the Employee of the Month for his dedication and leadership at PUD. He started as an Engineer in Substation Engineering in 2016 and became a Professional Engineer in 2017.

In May 2020, he joined the Connect Up team as Project Manager for the AMI Network, coordinating effectively across departments for the site selection, design, permitting and construction of 148 AMI base stations. His leadership provided flexibility in AMI meter deployment planning and laid the groundwork for SnoSMART grid communications. Jeff was promoted to Principal Engineer in April 2022, it is the title he holds today.

Jeff will be presented by Tim Epp, Program Director.

List Attachments:

Employee Profile

Meet Jeff Colon, Our July Employee of the Month

When the Connect Up Program team needed someone to oversee the construction of their AMI Network from the ground up, they went a somewhat unconventional route, but one they knew would ensure a successful launch.

The solution resided in Substation Engineering. They tapped Jeff Colon, Principal Engineer (Civil), to oversee the planning and installation of 148 base stations throughout the PUD's service territory. The PUD's Connect Up program is a far-reaching project to install advanced meters to all 385,000 of our electric customers and 23,500 water customers. Connect Up has touched nearly every work group at the PUD. As a result, the role required working with countless departments including Line, Warehouse, Contracts and Purchasing, Telecom and Legal, just to name a few.

Jeff's leadership, flexibility and attention to detail has ensured our AMI Network is off to a fantastic start. Thanks to his efforts and additional responsibilities that he took on, as well as his trustworthiness and high quality of work, Jeff has been named the July Employee of the Month.

"Jeff stepped outside of his normal responsibilities to lead the AMI Network deployment," said Amy Carstens, Chief Operations Officer. "Jeff has continuously gone above and beyond while working on this project. He readily took on with a positive attitude and great leadership throughout the process."

"Jeff has been an integral part of the Connect Up program since day one," added Tim Epp, the Program Director for Connect Up. "He has done an outstanding job keeping his team informed and on task. He has worked with customers, vendors, consultants, external agencies, as well as numerous internal departments. He does a great job communicating across these diverse groups and making sure that everything is on track."

Thanks in large part to Jeff, 147 of the 148 base stations have been installed at sites from Lynnwood, to Index, to Camano Island, and everywhere in between. The first base station was installed in Brier in February 2022 and the last one should be finalized in the next few months.

A few hiccups arose over that final base station, but, once again, Jeff has shown his ability to problem solve and has a new plan in place to get that final base station erected.

"There were many snags to overcome in a project of this scale," Tim said. "There was one particular agency that was a little difficult to work with. Rather than waiting for the situation with that agency to resolve itself (which was outside of his control) Jeff brought an alternate plan to them. This gave our program team the flexibility to move ahead with the AMI network while preserving our negotiating position with that agency."

Jeff's calm demeanor and welcoming personality have shown through to everyone who worked with him on Connect Up or any other project he gets assigned to at the PUD.

"Jeff is one of the most hard-working, professional, organized and genuinely kind individuals I've had the pleasure to work with at the PUD," said Aziz Haq, Engineer, Transmission & Standards Engineering. "When I was pulled into the AMI project, I was excited and relieved to learn it was

Jeff who I would be working closely with. This AMI project was new across the board for the PUD, and I'm not sure if anyone else could have pulled it off the way Jeff did."

For Jeff, the chance to be a little more interactive with the work was a big appeal of the project when he was "asked" to take on this new workload in 2020.

"In the engineering world, we're not very hands on with equipment," Jeff said. "So having a chance to be up close and help evaluate how we're going to assemble, arrange and how we're going to deploy all of these base stations was a really fun, interesting challenge. At the start, we had the first base station here in the office with antennas and brackets. We had full size mockups trying to figure out how to piece all that together and build the thing."

The collaborative nature of the program, and getting to work with groups he previously hadn't, has also been a big source of joy for Jeff.

"It's been an amazing teamwork experience," Jeff said. "I got to know people in Telecom and the Warehouse, which I had never really ventured in there before. It's been fun to work with all of them. And then the Line Department. We met weekly with them as we started deploying, which is not something I would normally get to do."

"Jeff's contributions have been invaluable," said Scott Cashmore, Telecommunications Engineer. "His positive attitude and helpfulness have been a huge benefit to the Telecom team. I appreciate his creativity and commitment to excellent work product, especially when challenges arise. Jeff is a true asset to the team."

As can sometimes be the case with projects of this magnitude, the extra work has gone on longer than originally estimated. But Jeff hasn't complained and continues to show great leadership and dedication to making sure the PUD remains committed to having the strongest base station network it possibly can.

Jeff is a Snohomish County native, born in Everett and raised at Tulalip. Prior to joining the PUD, Jeff served as a U.S. Peace Corps Volunteer in Ecuador, worked for the Snohomish County Health District and spent 14 years in Railroad Engineering for BNSF, UP and others.

At home, Jeff and his wife enjoy tackling their own large-scale projects, including home remodels and landscaping endeavors. They have a small boat and enjoy exploring the beautiful waterways and lakes the Pacific Northwest has to offer.

Jeff is one of four Substation Civil Engineers at the PUD. That group works with Substation Electrical Engineers to design and permit new substations. He works to obtain permits and serve as a project manager for the grading, foundations, ground grid, fences, driveways, conduits and gravel surfacing.

He is excited to get back to his regular work but has had a great experience working on the Connect Up project, calling it his biggest success at the PUD.

"For me, the best part has been getting to know my co-workers in other departments and getting a deeper understanding of the amazing level of talent we have here," Jeff said. "I've also learned a

lot about the important roles each department plays in serving our customers. The success of the AMI Network Project exemplifies what's possible through teamwork and sharing of innovative ideas across multiple departments.

“It took everyone,” Jeff continued. “I'm grateful to the Connect Up Team, Telecom, Line, Water, Warehouse, Scheduling and Dispatch, Standards, Transportation, Tool Room, Facilities, Major Yard, Contracts and Purchasing, Metering, Substation Engineering, IT, Corp Comm, General Counsel and Government Affairs. Thank you all!”

COMMENTS FROM THE PUBLIC



BUSINESS OF THE COMMISSION

Meeting Date: July 1, 2025

Agenda Item: 3A

TITLE

Approval of the Minutes for the Regular Meeting of June 17, 2025

SUBMITTED FOR: Consent Agenda

<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:

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

SUMMARY STATEMENT:

Identify the relevant Board policies and impacts:

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

List Attachments:

Preliminary Minutes

**PRELIMINARY
SNOHOMISH COUNTY PUBLIC UTILITY DISTRICT**

Regular Meeting

June 17, 2025

The Regular Meeting was convened by President Sidney Logan at 9:00 a.m. Those attending were Tanya Olson, Vice-President; Julieta Altamirano-Crosby, Secretary; CEO/General Manager John Haarlow; Chief Legal Officer Colin Willenbrock; other District staff; members of the public; Senior Business Ops Coordinator Jennette Sutton; Paralegal Danielle Tovar; and Deputy Clerk of the Board Jenny Rich.

*** Items Taken Out of Order**

****Non-Agenda Items**

1. COMMENTS FROM THE PUBLIC

There were no comments from the public.

2. CONSENT AGENDA

- A. Approval of Minutes for the Regular Meeting of June 3, 2025
- B. Bid Awards, Professional Services Contracts and Amendments
- C. Consideration of Certification/Ratification and Approval of District Checks and Vouchers

Public Works Contract Award Recommendations:

Invitation to Bid No. 25-1574-KS with B & L Utility, Inc.

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:

Miscellaneous Contract No. CW2258824 with Northwest Fiber LLC dba Ziply Fiber

Interlocal Agreements and Cooperative Purchase Recommendation:

Contracts:

Purchase Order No. 4500099003 with Stertil-Koni USA 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:

Professional Services Contract No. CW2247494 with Morgan Lewis & Bockius LLP
Contract Acceptance Recommendations:

Public Works Contract No. CW2255982 with Reece Construction Company

A motion unanimously passed approving Agenda Items 2A – Approval of Minutes for the Regular Meeting of June 3, 2025; 2B – Bid Awards, Professional Services Contracts and Amendments; and 2C – Consideration of Certification/Ratification and Approval of District Checks and Vouchers.

3. CEO/GENERAL MANAGER BRIEFING AND STUDY SESSION

A. Updates

1. Other. There were no other updates

B. 2025 Financing Update

Manager, Treasury and Financial Risk Lauren Way provided an update to the Board on the Market and Debt Service Structure; 2025 New Money, Combined Electric and Generation 2010/2015 Refunding, and Aggregate Future Debt Service.

The next step would be to return at the July 1, 2025, Commission meeting for a briefing on the bond sales results.

C. Customer Service Regulations for Electric Service Update

Chief Customer Service Officer John Hoffman introduced Manager Customer Service Ryen Newby who informed the Board of the proposed changes to the Customer Service Regulations.

The next step would be consideration of a resolution at the July 1, 2025, Commission meeting.

D. Collection Contract & Process Changes

Chief Customer Service Officer John Hoffman provided the Board with the selection of Audit & Adjustment (A&A) to provide collections services for the next three years.

The next step would be consideration of approval at the July 1, 2025, Commission meeting.

The meeting recessed at 10:37 a.m. and reconvened at 10:47 a.m.

E. 2025 Integrated Resource Plan Phase 3 – Resource Options

Utility Analyst Kris Scudder and Program Manager Michael Coe provided a Phase 2 refresh, and Phase 3 Resource Options, including the Demand Side Resources, Supply Side Resources, and BPA Tier 2 information.

The next step would be a Phase 4 Optimization Briefing at the end of the summer 2025.

4. CEO/GENERAL MANAGER REPORT

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

5. PUBLIC HEARING AND ACTION

A. Disposal of Surplus Property – 3rd Quarter 2025

President Logan opened the public hearing.

There being no questions from the Board or the public, the public hearing was closed.

Based on staff's recommendations that the items were no longer necessary or useful to the District, a motion unanimously passed approving those items listed on Exhibit A and Exhibit B of the Third Quarter 2025 Surplus Disposition be declared surplus and be sold for high bid or disposed of according to the policy in the Third Quarter of 2025.

6. ITEMS FOR INDIVIDUAL CONSIDERATION

A. Consideration of a Resolution Authorizing the CEO/General Manager or his Designee, on Behalf of Public Utility District No. 1 of Snohomish County, to Execute an Agreement Assigning the District's PNW AC Transmission Service Rights Under the Pacific NW AC Intertie Capacity Ownership Agreement to Citadel Energy Marketing LLC

A motion passed unanimously approving Resolution No. 6225 authorizing the CEO/General Manager or his designee, on behalf of Public Utility District No. 1 of Snohomish County, to execute an agreement assigning the District's PNW AC Transmission Service Rights under the Pacific NW AC Intertie Capacity Ownership Agreement to Citadel Energy Marketing LLC.

- B. Consideration of a Resolution Authorizing the CEO/General Manager or his Designee, on Behalf of Public Utility District No. 1 of Snohomish County, to Execute a WSPP Agreement Schedule B Confirmation With Morgan Stanley Capital Group, Inc. for the District's Output Share of the Hay Canyon Wind Project

A motion unanimously passed approving Resolution No. 6226 authorizing the CEO/General Manager or his designee, on behalf of Public Utility District No. 1 of Snohomish County, to execute a WSPP Agreement Schedule B Confirmation with Morgan Stanley Capital Group, Inc. for the District's share of the Hay Canyon Wind Project.

- C. Consideration of a Resolution Authorizing the CEO/General Manager or his Designee, on Behalf of Public Utility District No. 1 of Snohomish County, to Execute a WSPP Agreement Schedule B Confirmation and a WSPP Schedule R Confirmation With Public Utility District No. 1 of Franklin County for the District's Output Share of the Wheat Field Wind Power Project

A motion unanimously passed approving Resolution No. 6227 authorizing the CEO/General Manager or his designee, on behalf of Public Utility District No. 1 of Snohomish County, to execute a WSPP Agreement Schedule B Confirmation with a WSPP Schedule R Confirmation with Public Utility District No. 1 of Franklin County for the District's Output share of the Wheat Field Wind Power Project.

7. COMMISSION BUSINESS

- A. Commission Reports

The Board reported on Commission related topics and Board related events.

- B. Commissioner Event Calendar

Commissioner Altamirano-Crosby requested to attend the Economic Alliance Snohomish County (EASC) Annual Port Report event on July 16, 2025.

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 June 17, 2025, adjourned at 11:26 a.m.

Approved this 1st day of July, 2025.

Secretary

President

Vice President



BUSINESS OF THE COMMISSION

Meeting Date: July 1, 2025

Agenda Item: 3B

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:

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

SUMMARY STATEMENT:

Identify the relevant Board policies and impacts:

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

The CEO/General Manager's Report of Public Works Contract Award Recommendations; 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);
Invitation to Bid No. 25-1579-KS with B & L Utility, Inc.

Formal Bid Award Recommendations \$120,000 and Over (Page 2);
Request for Quotation No. 25-1569-CS with Carlson Sales Metering Solutions, LLC
proposing GE Grid Solutions, LLC

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 3);
Contracts:
None
Amendments:
Outline Agreement No. 4600002393 with Nelson Distributing, Inc.

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 (Page 4);
Public Works Contract No. CW2247417 with Sam's Tree Care

Contract Acceptance Recommendations;
None

List Attachments:
July 1, 2025 Report

Public Works Contract Award Recommendation(s)
July 1, 2025

RFP No. 25-1579-KS

2025 Capital Improvement 74th Dr. NE
& 25th St. NE Water Main
Replacement Project

No. of Bids Solicited:	46	
No. of Bids Received:	5	
Project Leader & Phone No.:	Andrew Sics	Ext. 3032
Estimate:	\$380,000.00	

Description:

This work consists of the installation of approximately 902 linear feet of eight-inch ductile iron water main and associated fittings. Also included are the restoration of various surfaces, asphalt patching and overlay. Work location is 74th Drive NE and 25th Street NE near Lake Stevens.

<u>Contractor</u>	<u>Subtotal (w/o tax)</u>
Award To: B & L Utility, Inc.	\$269,374.80
D & G Backhoe, Inc.	\$274,668.17
TRICO Companies, LLC	\$349,382.00
Waeco Construction, LLC	\$373,275.00
SRV Construction, Inc.	\$378,093.00

Summary Statement: Staff recommends award to B & L Utility, Inc., the low evaluated bidder, in the amount \$269,374.80, plus tax.

The bid submitted by TRICO was in the amount of \$348,382.00. However, they did not meet the minimum bid requirement on Bid Item 21 of \$100/CY, which adds \$1,000.00 to their bid amount. After correcting their bid, B & L Utility, Inc. remains the apparent low bidder.

The bid submitted by Waeco was in the amount of \$371,025.00. However, they did not meet the minimum bid requirement on Bid Item 21 of \$100/CY, which adds \$2,250.00 to their bid amount. After correcting their bid, B & L Utility, Inc. remains the apparent low bidder.

**Formal Bid Award Recommendation(s) \$120,000 And Over
July 1, 2025**

RFQ No. 25-1569-CS

9- 115 kV Power Circuit Breakers

No. of Bids Solicited:	2	
No. of Bids Received:	1	
Project Leader & Phone No.:	Sanjeev Farwaha	x5502
Material Estimate:	\$2,200,000.00	

Seven of the 115 kV Power Circuit Breaker will be installed at the Getchell Switching Station, with two allocated for contingency spares. Power Circuit Breakers are used to isolate/switch and protect the 115 kV transmission lines going in and out of the substation.

	<u>Vendor</u>	<u>Subtotal (w/o tax)</u>
Award To:	Carlson Sales Metering Solutions, LLC proposing GE Grid Solutions, LLC	\$1,504,998.00

Summary Statement: Staff recommends award to Carlson Sales Metering, LLC proposing GE Grid Solutions, the low evaluated responsible bidder meeting the District's specification in the amount of \$1,504,998.00, plus tax.

Cooperative Purchase Recommendations July 1, 2025

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 amendments:

A. AMENDMENTS

Contractor/Consultant/Supplier: Nelson Distributing, Inc.

Outline Agreement 4600002393

Amendment No.: 4

Department of Enterprises (DES) Master Usage Agreement Number K2295

State Contract No. 02418

Contract for procurement of bulk lubricants used by the Transportation Department in ongoing maintenance of fleet vehicles.

Project Lead: Dyane Bouton, ext. 5508

Approximate Original Contract Amount:	\$111,000.00	
Present Contract Amount:	\$188,167.29	Original Start/End: 12/18/2018 – 8/18/2020
Amendment Amount:	\$ 75,000.00	Present Start/End: 12/18/2020 – 7/31/2026
Approximate New Contract Amount:	\$263,167.29	Current Start/End: 12/18/2018 – 7/31/2026

Summary of Amendments:

Amendment No. 1 dated 8/18/2020, validity date extended to 8/1/2021, no additional funds added.

Amendment No. 2 dated 6/4/2021, validity date extended to 8/1/2023, no additional funds added.

Amendment No. 3 dated 7/2/2023, added \$80,000 and extended validity date to 7/31/2026.

Formal Bid and Contract Amendment
July 1, 2025

PWC No. CW2247417
2022-2025 Unit Price Woody
Habitat Structure Creation

Contractor/Consultant/Supplier:	Sam's Tree Care	
Project Leader & Phone No.:	Mike Schutt	Ext. 1712
Amendment No.:	4	
Amendment:	\$93,400.00	

Original Contract Amount: \$239,700.00
Present Contract Amount: \$253,225.40
Amendment Amount: \$93,400.00
New Contract Amount: \$346,625.40

Original Start/End: 04/25/2022 / 04/24/2025
Present Start/End: 04/25/2022 / 04/24/2025
New End Date: 04/24/2026

Summary Statement: Staff recommends approval of Amendment No. 4 to increase the contract by \$93,400.00 to cover costs for work to be performed in 2025.

Amendment 1: 3.99% increase in Prevailing Wage rates. Contract increased by \$3,188.01

Amendment 2: 3.99% increase in Prevailing Wage rates. Contract increased by \$3,315.22.

Amendment 3: 8.125% increase in Prevailing Wage rates. Contract increased by \$7022.17.



BUSINESS OF THE COMMISSION

Meeting Date: July 1, 2025

Agenda Item: 3C

TITLE

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

SUBMITTED FOR: Consent Agenda

<u>General Accounting & 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 <input type="checkbox"/>

ACTION REQUIRED:

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

SUMMARY STATEMENT:

Identify the relevant Board policies and impacts:

Governance Process, Board Job Description: GP-3(4)(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 1st day of July 2025.

CERTIFICATION:

Certified as correct:

CEO/General Manager

Shawn Nunstock

Auditor

Jeff Bishop

Chief Financial Officer/Treasurer

RATIFIED AND APPROVED:

Board of Commissioners:

President

Vice-President

Secretary

TYPE OF DISBURSEMENT	PAYMENT REF NO.	DOLLAR AMOUNT	PAGE NO.
REVOLVING FUND			
Customer Refunds, Incentives and Other	1135016 - 1135120	\$21,639.66	2 - 5
Electronic Customer Refunds		\$5,114.04	6 - 7
WARRANT SUMMARY			
Warrants	8082802 - 8082941	\$2,872,063.71	8 - 12
ACH	6055919 - 6056226	\$4,988,486.48	13 - 22
Wires	7003666 - 7003682	\$21,876,475.39	23
Payroll - Direct Deposit	5300001292 - 5300001292	\$5,176,382.81	24
Payroll - Warrants	845481 - 845496	\$33,800.23	24
Automatic Debit Payments	5300001287 - 5300001296	\$4,062,029.20	25
	GRAND TOTAL	\$39,035,991.52	

Detailed Disbursement Report

Revolving Fund - Customer Refunds, Incentives and Other			
Payment Date	Payment Ref Nbr	Payee	Amount
6/9/25	1135016	TOLL BROS., INC.	\$215.18
6/9/25	1135017	STEVEN DUNN	\$594.41
6/9/25	1135018	JANET RICHARDS	\$150.00
6/9/25	1135019	JUDY HORVATH	\$5.97
6/9/25	1135020	ERP OPERATING LP	\$84.91
6/9/25	1135021	CHRIS WHITE	\$161.48
6/9/25	1135022	JIM SCHLEY	\$175.80
6/9/25	1135023	TRAXX APARTMENTS LLC	\$39.45
6/9/25	1135024	MSRCEDERHOMES29 LLC	\$290.43
6/9/25	1135025	GUILLERMO MENDOZA ZAVALA	\$31.27
6/9/25	1135026	DONALD NELSON	\$15.00
6/9/25	1135027	20225 BOTHELL, LLC	\$3,633.25
6/10/25	1135028	S3 INFRA, LLC	\$116.72
6/10/25	1135029	ANDREW FRANTSUZOV	\$2,332.05
6/10/25	1135030	VALLEY COMMONS APARTMENTS	\$79.47
6/10/25	1135031	CRAIG NIELSEN	\$11.49
6/10/25	1135032	HOUSING AUTHORITY OF SNO CO	\$7.20
6/10/25	1135033	SUMMIT BAJRACHARYA	\$56.62
6/10/25	1135034	BRIAN MALEK	\$1,198.38
6/10/25	1135035	KIRK JAMES	\$21.34
6/10/25	1135036	STAVAN PATEL	\$81.16
6/10/25	1135037	WATERFORD APARTMENTS ASPEN, LLC	\$29.46
6/11/25	1135038	CYNTHIA COX	\$72.65
6/11/25	1135039	IH6 PROPERTY WASHINGTON LP	\$22.35
6/11/25	1135040	BARRY THOMPSON	\$62.00
6/11/25	1135041	ASI EAGLES LANDING LLC	\$28.67
6/11/25	1135042	WJL HOMESERVICES LLC	\$20.55
6/11/25	1135043	HEATHERWOOD APARTMENTS	\$19.97
6/11/25	1135044	EGOR KOROTCHENKO	\$147.83
6/11/25	1135045	SHAUN HARRIS	\$48.75
6/11/25	1135046	ROBERT JORDAN	\$83.30
6/11/25	1135047	LORENZO SMITH	\$103.12

Detailed Disbursement Report

Revolving Fund - Customer Refunds, Incentives and Other			
Payment Date	Payment Ref Nbr	Payee	Amount
6/12/25	1135048	AMBAR VILLAMIZAR ROJAS	\$61.80
6/12/25	1135049	RHEANI MARTINEZ	\$70.12
6/12/25	1135050	BLAINE STEVENS	\$87.63
6/12/25	1135051	JUDY BRUMMOND	\$33.06
6/12/25	1135052	ANGELA ARBOLEDA	\$118.88
6/12/25	1135053	SUNIL JETHWANI	\$39.52
6/12/25	1135054	HOUSING HOPE	\$90.60
6/12/25	1135055	MYRA LUCKEY	\$108.04
6/12/25	1135056	BANYAN ROOTS PRESCHOOL AND CHILDCARE LLC	\$95.05
6/12/25	1135057	GARY WERNER	\$142.46
6/12/25	1135058	HOUSING HOPE	\$69.23
6/12/25	1135059	VICKIE MANTOOTH	\$195.00
6/12/25	1135060	SHEILA LAIR	\$1,369.76
6/12/25	1135061	STACEY HENNINGS	\$157.75
6/12/25	1135062	NICOLLE SCHULZ	\$63.28
6/12/25	1135063	ISAAC FRANZ	\$32.28
6/13/25	1135064	ALMA LORENA MARTINEZ GONZALEZ	\$24.79
6/13/25	1135065	ERP OPERATING LP	\$16.30
6/13/25	1135066	WILLIAM WILSON	\$22.73
6/13/25	1135067	LYNNWOOD OWNER LLC	\$13.30
6/13/25	1135068	BMCH WASHINGTON LLC	\$16.93
6/13/25	1135069	EUI-NAM HAN	\$47.49
6/13/25	1135070	NICOLE MCINTOSH	\$333.17
6/13/25	1135071	MARY HALLOWELL	\$39.39
6/13/25	1135072	ALDERWOOD LAND COMPANY LLC	\$1,250.20
6/13/25	1135073	TAYLOR WAGNER	\$27.02
6/13/25	1135074	KESHIA MILNE	\$121.67
6/13/25	1135075	PHILIP ARNDT	\$3,102.48
6/16/25	1135076	PATTI BERG	\$90.77
6/16/25	1135077	HELEN GILBERT	\$6.74
6/16/25	1135078	WILLIAM DAVIS	\$11.54
6/16/25	1135079	WEST EDGE DEVELOPMENT TWO LLC	\$27.61

Detailed Disbursement Report

Revolving Fund - Customer Refunds, Incentives and Other			
Payment Date	Payment Ref Nbr	Payee	Amount
6/16/25	1135080	SEARE SEILU	\$67.77
6/16/25	1135081	ERKEN	\$37.43
6/16/25	1135082	CORNERSTONE HOMES NW LLC	\$20.84
6/16/25	1135083	MAY AVENT ARNOLD	\$65.06
6/16/25	1135084	MARK RANZ	\$55.07
6/16/25	1135085	KAREN GIRARDIER	\$178.59
6/16/25	1135086	YESICA KARLA BARRAGAN FARIAS	\$77.66
6/17/25	1135087	GREENHAVEN OWNER, LLC	\$20.43
6/17/25	1135088	MICHELLE SCHRIRO-BETTMAN	\$81.74
6/17/25	1135089	NIGHTHAWK VACATION RENTALS LLC	\$40.05
6/17/25	1135090	MARYSVILLE 172ND PH 2 LLC	\$109.86
6/17/25	1135091	2018-3 IH BORROWER LP	\$15.78
6/17/25	1135092	IH6 PROPERTY WASHINGTON LP	\$36.11
6/17/25	1135093	ECHELBARGER HOMES, INC.	\$69.47
6/17/25	1135094	WILLIAMS INVESTMENTS	\$52.62
6/17/25	1135095	CHRISTOPHER ROWE	\$55.56
6/18/25	1135096	FRANK WILLIAMS	\$100.57
6/18/25	1135097	MARK DESYNADINOS	\$366.63
6/18/25	1135098	CHAIRTY MAY	\$117.91
6/18/25	1135099	REGINA LAUTEJ	\$368.45
6/18/25	1135100	JOSE FUENTES	\$120.73
6/18/25	1135101	PARTH ACHWAL	\$94.85
6/18/25	1135102	VALERIE BINGHAM LYON	\$254.58
6/18/25	1135103	WOODLAND GREENS GJJ LLC	\$55.33
6/18/25	1135104	WOODLAND GREENS GJJ LLC	\$72.81
6/18/25	1135105	TERRI KNIGHT	\$25.00
6/18/25	1135106	ACACIA TERRACE LLC	\$29.12
6/18/25	1135107	ACACIA TERRACE LLC	\$7.58
6/18/25	1135108	JEREMY ZARD	\$149.03
6/18/25	1135109	CLINT MULLINAX	\$106.05
6/18/25	1135110	MICHAEL PILKINGTON	\$62.02
6/18/25	1135111	NICKY TOMY JOSEPH	\$96.92

Detailed Disbursement Report

Revolving Fund - Customer Refunds, Incentives and Other			
Payment Date	Payment Ref Nbr	Payee	Amount
6/20/25	1135112	DARIN HANSEN	\$33.11
6/20/25	1135113	KELLY MCMAHON	\$51.75
6/20/25	1135114	WILLIAM SMITH	\$9.66
6/20/25	1135115	TNHC WASHINGTON LLC	\$238.33
6/20/25	1135116	WINIFRED LUDWIG	\$88.00
6/20/25	1135117	IH4 PROPERTY WASHINGTON, L.P.	\$129.24
6/20/25	1135118	TIMOTHY FRANCIS	\$184.79
6/20/25	1135119	BEXAEW BOTHELL RIDGE LP	\$27.18
6/20/25	1135120	WESTAR PROPERTIES	\$39.16
Total:			\$21,639.66

Detailed Disbursement Report

Revolving Fund - Electronic Customer Refunds			
Payment Date	Payment Ref Nbr	Payee	Amount
6/9/25	000530695907	JOHN MASSOUD	\$42.05
6/9/25	000530695908	CARLA HEINTZ	\$339.80
6/9/25	000530695909	JENNIFER ATCHISON-COOK	\$231.77
6/9/25	000530695910	NICCOLO GAUDIEL	\$152.74
6/12/25	000530729976	LUIS PICHARDO PEREZ	\$91.03
6/12/25	000530729977	DOMINGO PEREZ	\$90.33
6/16/25	000530755226	ANDREA PELLEGRINO	\$869.17
6/16/25	000530755227	SHERI DEVOS	\$214.86
6/16/25	000530755228	SANNA MASS	\$200.00
6/16/25	000530755229	CARMEN ALIK	\$496.00
6/17/25	000530759661	AMY BICE	\$169.00
6/17/25	000530759662	DAN SU	\$194.35
6/17/25	000530759663	JOEL NOBLES	\$172.93
6/17/25	000530759664	PAYTON HADLEY COMENOTE	\$608.04
6/17/25	000530759665	XIAOMEI CHEN	\$9.03
6/17/25	000530759666	KHOI-NGUYEN NGUYEN	\$62.21
6/17/25	000530759667	SANDRA DELANEY	\$75.00
6/17/25	000530759668	MIRANDA GALINDO	\$8.19
6/17/25	000530759669	BRUNA APARECIDA ALVES DA DILVA	\$24.10
6/17/25	000530759670	AMBER JAMES	\$263.00
6/17/25	000530759671	EDGAR ISRAEL VANEGAS RODRIGUEZ	\$57.72
6/17/25	000530759672	EDGAR ISRAEL VANEGAS RODRIGUEZ	\$63.86
6/18/25	000530770802	RENE SANCHEZ VALENZUELA	\$119.73
6/20/25	000530785033	YING LIANG	\$32.37
6/20/25	000530785034	ROY VANCE	\$44.23
6/20/25	000530785035	HYEONSEUNG GIM	\$56.70
6/20/25	000530785036	KAREN CROWDER	\$11.28
6/20/25	000530785037	RENE DE OLIVEIRA	\$5.01
6/20/25	000530785038	SINDI MARIELA RIVERA-MOLENA	\$118.76
6/20/25	000530785039	JAEL ZAMORA	\$39.82
6/20/25	000530785040	DOMINIQUE JARRED	\$62.99
6/20/25	000530785041	SVITLANA LEBID	\$27.97

Detailed Disbursement Report

Revolving Fund - Electronic Customer Refunds			
Payment Date	Payment Ref Nbr	Payee	Amount
6/20/25	000530785042	HYEONSEUNG GIM	\$160.00
Total:			\$5,114.04

Detailed Disbursement Report

Accounts Payable Warrants			
Payment Date	Payment Ref Nbr	Payee	Amount
6/10/25	8082802	STILLAGUAMISH TRIBE OF INDIANS	\$21,202.68
6/10/25	8082803	LAWRENCE K NORDELL	\$11,322.92
6/10/25	8082804	NOVOAGLOBAL INC	\$672.00
6/10/25	8082805	CITY OF EDMONDS	\$781.31
6/10/25	8082806	CITY OF EVERETT	\$244.40
6/10/25	8082807	IVANTI INC	\$13,566.57
6/10/25	8082808	GENUINE PARTS COMPANY	\$923.67
6/10/25	8082809	ON HOLD CONCEPTS INC	\$71.44
6/10/25	8082810	PAPE MACHINERY INC	\$495.57
6/10/25	8082811	RIVERSIDE TOPSOIL INC	\$262.00
6/10/25	8082812	SOUND PUBLISHING INC	\$117.60
6/10/25	8082813	UNUM LIFE INSURANCE CO OF AMERICA	\$37,270.80
6/10/25	8082814	STATE OF WASHINGTON	\$190.35
6/10/25	8082815	STATE OF WASHINGTON	\$5,197.73
6/10/25	8082816	AABCO BARRICADE CO INC	\$1,284.39
6/10/25	8082817	ALDERWOOD WATER & WASTEWATER DISTRI	\$96.60
6/10/25	8082818	BICKFORD MOTORS INC	\$1,835.44
6/10/25	8082819	CITY OF BRIER	\$136.50
6/10/25	8082820	EVERETT BAYSIDE MARINE INC	\$102.25
6/10/25	8082821	STANWOOD REDI MIX INC	\$9,502.60
6/10/25	8082822	VIBROSYSTEM INC	\$4,870.00
6/10/25	8082823	SNOHOMISH SCHOOL DISTRICT #201	\$405.00
6/10/25	8082824	STANLEY ROOFING COMPANY INC	\$7,478.20
6/10/25	8082825	BHC CONSULTANTS LLC	\$13,771.54
6/10/25	8082826	NW METAL FINISHING	\$382.90
6/10/25	8082827	BIO CLEAN INC	\$756.94
6/10/25	8082828	BACKFLOWS NORTHWEST INC	\$797.70
6/10/25	8082829	CONCENTRIC LLC	\$3,524.14
6/10/25	8082830	FERGUSON ENTERPRISES LLC	\$180.24
6/10/25	8082831	REECE CONSTRUCTION COMPANY	\$2,000.00
6/10/25	8082832	SNOHOMISH COUNTY	\$4.56
6/10/25	8082833	ARTHUR J GALLAGHER & CO	\$500.00

Detailed Disbursement Report

Accounts Payable Warrants			
Payment Date	Payment Ref Nbr	Payee	Amount
6/10/25	8082834	CAN-AM FABRICATION INC	\$218.80
6/10/25	8082835	FIVE9 INC	\$5.01
6/10/25	8082836	CINTAS CORPORATION NO 2	\$6,785.33
6/10/25	8082837	SCOTT COATINGS LLC	\$6,200.00
6/10/25	8082838	PRO BEL ENTERPRISES LIMITED	\$14,421.65
6/10/25	8082839	STALLION INFRASTRUCTURE SERVICES LL	\$3,693.12
6/10/25	8082840	UFP STRUCTURAL PACKAGING LLC	\$5,440.78
6/10/25	8082841	SOUTH FOREST PARK FOURPLEX LLC	\$2,500.00
6/10/25	8082842	ARROW INSULATION INC	\$799.00
6/10/25	8082843	CITY OF SNOHOMISH	\$94.94
6/10/25	8082844	AA REMODELING LLC	\$653.00
6/12/25	8082845	AT&T CORP	\$18,150.16
6/12/25	8082846	COMCAST HOLDING CORPORATION	\$897.07
6/12/25	8082847	ENVIRONMENTAL SYSTEMS RESEARCH INST	\$18,040.09
6/12/25	8082848	EVERETT COMMUNITY COLLEGE	\$21,481.20
6/12/25	8082849	CITY OF EVERETT	\$223.73
6/12/25	8082850	CORE & MAIN LP	\$406.59
6/12/25	8082851	ISLAND COUNTY	\$305.50
6/12/25	8082852	MUKILTEO WATER & WASTEWATER DIST	\$251.38
6/12/25	8082853	GENUINE PARTS COMPANY	\$432.86
6/12/25	8082854	OLYMPIC VIEW WATER SEWER	\$228.86
6/12/25	8082855	SOUND SECURITY INC	\$15,555.24
6/12/25	8082856	BICKFORD MOTORS INC	\$542.10
6/12/25	8082857	CAR WASH ENTERPRISES INC	\$384.00
6/12/25	8082858	JEFFREY HATHAWAY	\$51.60
6/12/25	8082859	GREYWARE AUTOMATION PRODUCTS INC	\$2,192.36
6/12/25	8082860	HARBOR MARINE MAINTENANCE & SUPPLY	\$171.80
6/12/25	8082861	GARY D KREIN	\$2,198.00
6/12/25	8082862	LAKEWOOD SCHOOL DISTRICT 306	\$105,373.00
6/12/25	8082863	LAMAR TEXAS LTD PARTNERSHIP	\$3,443.10
6/12/25	8082864	WARD INDUSTRIAL PROCESS AUTOMTN INC	\$13,766.34
6/12/25	8082865	JENNIFER DARLENE WENZEL	\$234.50

Detailed Disbursement Report

Accounts Payable Warrants			
Payment Date	Payment Ref Nbr	Payee	Amount
6/12/25	8082866	NORTHWEST FIBER LLC	\$5,562.08
6/12/25	8082867	FAIRBANKS ENERGY SERVICES LLC	\$4,045.79
6/12/25	8082868	REECE CONSTRUCTION COMPANY	\$175.00
6/12/25	8082869	IRIS GROUP HOLDINGS LLC	\$65.58
6/12/25	8082870	LISA D RYBA	\$750.00
6/12/25	8082871	CITY OF SNOHOMISH	\$759.07
6/12/25	8082872	SUPERIOR GLASS INSTALLATIONS INC	\$905.00
6/17/25	8082873	CLEAR WIRELESS LLC	\$32,716.39
6/17/25	8082874	COMCAST HOLDING CORPORATION	\$299.42
6/17/25	8082875	CO-OP SUPPLY INC	\$337.99
6/17/25	8082876	CITY OF DARRINGTON	\$7,513.70
6/17/25	8082877	CITY OF GOLD BAR	\$11,618.19
6/17/25	8082878	CITY OF GOLD BAR	\$569.20
6/17/25	8082879	CORE & MAIN LP	\$674.99
6/17/25	8082880	IRON MOUNTAIN QUARRY LLC	\$732.97
6/17/25	8082881	CITY OF MARYSVILLE	\$188,369.97
6/17/25	8082882	CITY OF MONROE	\$1,372.79
6/17/25	8082883	CITY OF MOUNTLAKE TERRACE	\$70,280.17
6/17/25	8082884	GENUINE PARTS COMPANY	\$671.90
6/17/25	8082885	CITY OF ARLINGTON	\$1,779.65
6/17/25	8082886	REPUBLIC SERVICES INC	\$2,905.45
6/17/25	8082887	RIVERSIDE TOPSOIL INC	\$170.00
6/17/25	8082888	ROGERS MACHINERY CO INC	\$4,578.75
6/17/25	8082889	CITY OF SEATTLE	\$61,958.00
6/17/25	8082890	SIX ROBBLEES INC	\$346.19
6/17/25	8082891	SOUND PUBLISHING INC	\$58.80
6/17/25	8082892	SOUND SECURITY INC	\$3,551.40
6/17/25	8082893	CITY OF SULTAN	\$32,027.80
6/17/25	8082894	US BANK NA	\$2,200.00
6/17/25	8082895	WAGNER SMITH EQUIPMENT CO	\$5,860.21
6/17/25	8082896	WASTE MANAGEMENT OF WASHINGTON INC	\$8,450.56
6/17/25	8082897	AAA OF EVERETT FIRE	\$1,015.48

Detailed Disbursement Report

Accounts Payable Warrants			
Payment Date	Payment Ref Nbr	Payee	Amount
6/17/25	8082898	ALDERWOOD WATER & WASTEWATER DISTRI	\$40.56
6/17/25	8082899	CITY OF ARLINGTON	\$124,417.45
6/17/25	8082900	BICKFORD MOTORS INC	\$2,080.23
6/17/25	8082901	CITY OF BOTHELL	\$113,162.60
6/17/25	8082902	CITY OF BRIER	\$16,222.19
6/17/25	8082903	EBEY HILL HYDROELECTRIC INC	\$85.21
6/17/25	8082904	CITY OF EDMONDS	\$150,523.85
6/17/25	8082905	EVERETT ENGINEERING INC	\$1,675.80
6/17/25	8082906	RYAN SCOTT FELTON	\$33.52
6/17/25	8082907	CITY OF INDEX	\$736.21
6/17/25	8082908	GARY D KREIN	\$1,538.60
6/17/25	8082909	CITY OF LAKE STEVENS	\$117,220.47
6/17/25	8082910	CITY OF LAKE STEVENS	\$53,003.63
6/17/25	8082911	LAKE STEVENS SEWER DIST	\$151.73
6/17/25	8082912	CITY OF MONROE	\$85,723.38
6/17/25	8082913	SNOHOMISH COUNTY	\$6,462.53
6/17/25	8082914	PUBLIC UTILITY DIST NO 1 OF	\$4,106.95
6/17/25	8082915	CITY OF STANWOOD	\$30,767.54
6/17/25	8082916	TOWN OF WOODWAY	\$5,297.43
6/17/25	8082917	WYNNE AND SONS INC	\$232.99
6/17/25	8082918	CITY OF GRANITE FALLS	\$15,740.40
6/17/25	8082919	NORTH SOUND AUTO GROUP LLC	\$414.32
6/17/25	8082920	THE PAPE GROUP INC	\$8,160.69
6/17/25	8082921	S-R BROADCASTING INC	\$440.00
6/17/25	8082922	CITY OF EVERETT	\$621,793.44
6/17/25	8082923	HARNISH GROUP INC	\$13,662.50
6/17/25	8082924	PNG MEDIA LLC	\$708.64
6/17/25	8082925	SOUTHWEST POWER POOL INC	\$12,420.00
6/17/25	8082926	SNOHOMISH COUNTY 911	\$2,546.46
6/17/25	8082927	WASHINGTON STATE DOT	\$160.26
6/17/25	8082928	PERFORMANCE VALIDATON INC	\$4,632.00
6/17/25	8082929	KENDALL DEALERSHIP HOLDINGS LLC	\$26.07

Detailed Disbursement Report

Accounts Payable Warrants			
Payment Date	Payment Ref Nbr	Payee	Amount
6/17/25	8082930	THE PAPE GROUP	\$278,716.19
6/17/25	8082931	IRIS GROUP HOLDINGS LLC	\$719.85
6/17/25	8082932	METER READINGS HOLDING I CORP	\$16,633.36
6/17/25	8082933	BARCODES LLC	\$1,291.45
6/17/25	8082934	TRUCKVAULT INC	\$3,739.75
6/17/25	8082935	QUILCEDA PAVING & CONSTS INC	\$17,498.41
6/17/25	8082936	AM TEST INC	\$255.00
6/17/25	8082937	CITY OF LYNNWOOD	\$194,843.97
6/17/25	8082938	CITY OF MUKILTEO	\$81,782.94
6/17/25	8082939	CITY OF SNOHOMISH	\$42,101.60
6/17/25	8082940	PARAGON HEATING AND HOME	\$2,875.00
6/17/25	8082941	MARY WICKLUND	\$6.90

Total: \$2,872,063.71

Detailed Disbursement Report

Accounts Payable ACH			
Payment Date	Payment Ref Nbr	Payee	Amount
6/9/25	6055919	CLATSKANIE PEOPLES UTILITY DISTRICT	\$2,900.00
6/9/25	6055920	CLEAN HARBORS ENVIRONMENTAL	\$126.18
6/9/25	6055921	GLOBAL RENTAL COMPANY INC	\$10,469.00
6/9/25	6055922	NORTHWEST SALES GROUP INC	\$966.53
6/9/25	6055923	ROBERT HALF INTERNATIONAL INC	\$5,060.00
6/9/25	6055924	ROMAINE ELECTRIC CORP	\$927.12
6/9/25	6055925	S&C ELECTRIC COMPANY	\$6,753.23
6/9/25	6055926	SHI INTERNATIONAL CORP	\$11,312.52
6/9/25	6055927	STAR RENTALS INC	\$7,334.04
6/9/25	6055928	TOPSOILS NORTHWEST INC	\$1,320.00
6/9/25	6055929	TRENCHLESS CONSTR SVCS LLC	\$153,094.84
6/9/25	6055930	VAN NESS FELDMAN LLP	\$5,417.00
6/9/25	6055931	WIDENET CONSULTING GROUP LLC	\$2,080.00
6/9/25	6055932	WILLIAMS SCOTSMAN INC	\$257.66
6/9/25	6055933	WW GRAINGER INC	\$1,034.30
6/9/25	6055934	DOBBS HEAVY DUTY HOLDINGS LLC	\$193.35
6/9/25	6055935	CHAMPION BOLT & SUPPLY INC	\$197.82
6/9/25	6055936	ENGINUIITY ADVANTAGE LLC	\$1,168.00
6/9/25	6055937	GENERAL PACIFIC INC	\$658.85
6/9/25	6055938	HERRERA ENVIRONMENTAL CONSULTANTS I	\$684.79
6/9/25	6055939	LENZ ENTERPRISES INC	\$112.09
6/9/25	6055940	NORTHWEST CASCADE INC	\$589.92
6/9/25	6055941	LOUIS F MATHESON CONSTRUCTION INC	\$1,798.85
6/9/25	6055942	ROHLINGER ENTERPRISES INC	\$11,167.34
6/9/25	6055943	SEATTLE AUTOMOTIVE DISTRIBUTING INC	\$193.73
6/9/25	6055944	SENSUS USA INC	\$107,427.69
6/9/25	6055945	SNOHOMISH COUNTY	\$37,876.12
6/9/25	6055946	WESTERN ELECTRICITY COORDINATING CO	\$145.80
6/9/25	6055947	WESTERN PACIFIC CRANE & EQUIP LLC	\$70.61
6/9/25	6055948	ZIPPER GEO ASSOCIATES LLC	\$34,083.31
6/9/25	6055949	GRAYBAR ELECTRIC CO INC	\$796.86
6/9/25	6055950	ALTEC INDUSTRIES INC	\$288.58

Detailed Disbursement Report

Accounts Payable ACH			
Payment Date	Payment Ref Nbr	Payee	Amount
6/9/25	6055951	ANIXTER INC	\$19,708.92
6/9/25	6055952	SEATTLE NUT & BOLT LLC	\$830.35
6/9/25	6055953	CONSOLIDATED PRESS LLC	\$3,999.30
6/9/25	6055954	MOTION & FLOW CONTROL PRODUCTS INC	\$12,131.59
6/9/25	6055955	GOLDFARB & HUCK ROTH RIOJAS PLLC	\$39,340.10
6/9/25	6055956	NEWSDATA LLC	\$18,737.95
6/9/25	6055957	OPENSQUARE HOLDINGS LLC	\$11,498.78
6/9/25	6055958	BORDER STATES INDUSTRIES INC	\$4,512.94
6/9/25	6055959	GLASS FIX LLC	\$988.01
6/9/25	6055960	RODDAN INDUSTRIAL LLC	\$1,318.80
6/9/25	6055961	QUALUS LLC	\$57,592.75
6/9/25	6055962	TOYOTA MATERIAL HANDLING NW INC	\$2,388.50
6/9/25	6055963	RADIAN GENERATION HOLDCO LLC	\$610.00
6/9/25	6055964	WASHINGTON WATER HEATERS	\$59,131.93
6/9/25	6055965	CASEY WRIGHT	\$17.94
6/9/25	6055966	SETH MACDUFF	\$15.40
6/9/25	6055967	DANIEL WOOLMAN	\$30.80
6/9/25	6055968	FREDERICK WILLENBROCK	\$336.90
6/9/25	6055969	TREVOR MAKI	\$141.25
6/10/25	6055970	CENTRAL WELDING SUPPLY CO INC	\$731.27
6/10/25	6055971	DAVID EVANS & ASSOCIATES INC	\$33,545.80
6/10/25	6055972	HOWARD INDUSTRIES INC	\$108,960.36
6/10/25	6055973	NORTH COAST ELECTRIC COMPANY	\$2,738.60
6/10/25	6055974	PARAMETRIX INC	\$6,562.50
6/10/25	6055975	PUGET SOUND ENERGY INC	\$20.78
6/10/25	6055976	ROMAINE ELECTRIC CORP	\$122.13
6/10/25	6055977	RWC INTERNATIONAL LTD	\$755.59
6/10/25	6055978	SHI INTERNATIONAL CORP	\$18,140.97
6/10/25	6055979	PROLEC-GE WAUKESHA INC	\$1,722.23
6/10/25	6055980	STELLAR INDUSTRIAL SUPPLY INC	\$1,565.56
6/10/25	6055981	SUBURBAN PROPANE LP	\$1,247.57
6/10/25	6055982	TOPSOILS NORTHWEST INC	\$264.00

Detailed Disbursement Report

Accounts Payable ACH			
Payment Date	Payment Ref Nbr	Payee	Amount
6/10/25	6055983	UNITED PARCEL SERVICE	\$86.52
6/10/25	6055984	WW GRAINGER INC	\$699.85
6/10/25	6055985	B&L UTILITY INC	\$1,793.00
6/10/25	6055986	COLEHOUR & COHEN INC	\$41,477.79
6/10/25	6055987	CUZ CONCRETE PRODUCTS INC	\$6,121.43
6/10/25	6055988	NORTHWEST CASCADE INC	\$838.10
6/10/25	6055989	BEN-KO-MATIC CO	\$3,828.43
6/10/25	6055990	ROHLINGER ENTERPRISES INC	\$21,685.69
6/10/25	6055991	WESTERN PACIFIC CRANE & EQUIP LLC	\$18,074.14
6/10/25	6055992	SAMPSA M WRIGHT	\$31,535.43
6/10/25	6055993	UNITED RENTALS NORTH AMERICA INC	\$754.18
6/10/25	6055994	GRAYBAR ELECTRIC CO INC	\$23,185.61
6/10/25	6055995	ALTEC INDUSTRIES INC	\$1,255.17
6/10/25	6055996	ANIXTER INC	\$82,039.78
6/10/25	6055997	TRAFFIC CONTROL PLAN CO OF WA LLC	\$3,500.00
6/10/25	6055998	CENVEO WORLDWIDE LIMITED	\$5,606.22
6/10/25	6055999	TARREN ACKERMANN	\$522.29
6/10/25	6056000	TRC ENGINEERS INC	\$60,115.65
6/10/25	6056001	RODDAN INDUSTRIAL LLC	\$7,995.40
6/10/25	6056002	TOYOTA MATERIAL HANDLING NW INC	\$2,565.25
6/10/25	6056003	MESA PRODUCTS INC	\$38,538.25
6/10/25	6056004	ENERGY WORKS LLC	\$2,875.00
6/10/25	6056005	HOME COMFORT ALLIANCE LLC	\$4,675.00
6/10/25	6056006	FWH ACQUISITION COMPANY LLC	\$295,340.29
6/10/25	6056007	HARTS PLUMBING & EXCAVATION LLC	\$101,154.73
6/10/25	6056008	JEFFREY KALLSTROM	\$357.47
6/11/25	6056009	CENTRAL WELDING SUPPLY CO INC	\$846.66
6/11/25	6056010	NORTH COAST ELECTRIC COMPANY	\$1,538.52
6/11/25	6056011	ROMAINE ELECTRIC CORP	\$131.66
6/11/25	6056012	SHI INTERNATIONAL CORP	\$8,011.83
6/11/25	6056013	STAR RENTALS INC	\$3,489.49
6/11/25	6056014	STELLAR INDUSTRIAL SUPPLY INC	\$3,869.99

Detailed Disbursement Report

Accounts Payable ACH			
Payment Date	Payment Ref Nbr	Payee	Amount
6/11/25	6056015	STELLA-JONES CORPORATION	\$36,867.11
6/11/25	6056016	TOPSOILS NORTHWEST INC	\$264.00
6/11/25	6056017	OLDCASTLE INFRASTRUCTURE INC	\$66,803.81
6/11/25	6056018	WILLIAMS SCOTSMAN INC	\$886.33
6/11/25	6056019	COLEHOUR & COHEN INC	\$129,807.08
6/11/25	6056020	HD FOWLER COMPANY INC	\$347.57
6/11/25	6056021	LENZ ENTERPRISES INC	\$899.59
6/11/25	6056022	BRIAN DAVIS ENTERPRISES INC	\$15,374.02
6/11/25	6056023	NORTHWEST HANDLING SYSTEMS INC	\$693.89
6/11/25	6056024	PACO VENTURES LLC	\$4,809.20
6/11/25	6056025	ROHLINGER ENTERPRISES INC	\$19,177.55
6/11/25	6056026	BRENT STAINER	\$200.00
6/11/25	6056027	TOOL WATCH LLC	\$13,696.10
6/11/25	6056028	TOTAL LANDSCAPE CORP	\$16,529.99
6/11/25	6056029	TYNDALE ENTERPRISES INC	\$14,853.80
6/11/25	6056030	ULINE INC	\$3,738.28
6/11/25	6056031	GRAYBAR ELECTRIC CO INC	\$966.35
6/11/25	6056032	ALTEC INDUSTRIES INC	\$198.19
6/11/25	6056033	MOTION & FLOW CONTROL PRODUCTS INC	\$485.65
6/11/25	6056034	AON CONSULTING INC	\$6,000.00
6/11/25	6056035	PURCELL TIRE & RUBBER COMPANY	\$1,859.78
6/11/25	6056036	XIOLOGIX LLC	\$18,942.52
6/11/25	6056037	WASHINGTON ENERGY SERVICES COMPANY	\$15,178.82
6/11/25	6056038	GREEN LIGHTING LLC	\$22,166.79
6/11/25	6056039	WASHINGTON WATER HEATERS	\$19,856.20
6/12/25	6056040	ASPLUNDH TREE EXPERT LLC	\$46,760.09
6/12/25	6056041	DAVID EVANS & ASSOCIATES INC	\$42,880.38
6/12/25	6056042	DOBLE ENGINEERING CO	\$2,154.04
6/12/25	6056043	RWC INTERNATIONAL LTD	\$283.21
6/12/25	6056044	TOPSOILS NORTHWEST INC	\$346.00
6/12/25	6056045	VAN NESS FELDMAN LLP	\$3,175.00
6/12/25	6056046	WEST COAST PAPER CO	\$1,381.77

Detailed Disbursement Report

Accounts Payable ACH			
Payment Date	Payment Ref Nbr	Payee	Amount
6/12/25	6056047	BENEFITFOCUS COM INC	\$6,510.80
6/12/25	6056048	B&L UTILITY INC	\$31,487.40
6/12/25	6056049	DESIGNER DECAL INC	\$1,721.03
6/12/25	6056050	GENERAL PACIFIC INC	\$30,629.13
6/12/25	6056051	L & S ELECTRIC INC	\$12,413.94
6/12/25	6056052	BEN-KO-MATIC CO	\$372.18
6/12/25	6056053	SOUND SAFETY PRODUCTS CO INC	\$4,976.22
6/12/25	6056054	ALTEC INDUSTRIES INC	\$1,455.49
6/12/25	6056055	REXEL USA INC	\$2,050.54
6/12/25	6056056	HARNISH GROUP INC	\$241.07
6/12/25	6056057	AMERICAN POWER SYSTEMS LLC	\$73.08
6/12/25	6056058	WELLNESS BY WISHLIST INC	\$1,671.39
6/12/25	6056059	PURCELL TIRE & RUBBER COMPANY	\$3,317.02
6/12/25	6056060	JAMIE KISS	\$624.10
6/12/25	6056061	MAPLE SYSTEMS INC	\$13,427.51
6/12/25	6056062	REFINED CONSULTING GROUP	\$2,500.00
6/12/25	6056063	DAMON SPRAGUE	\$424.00
6/12/25	6056064	SIDNEY LOGAN	\$247.80
6/13/25	6056065	IVOXY CONSULTING INC	\$43,080.80
6/13/25	6056066	LAKESIDE INDUSTRIES INC	\$1,793.42
6/13/25	6056067	MYCOFF FRY PARTNERS LLC	\$3,242.70
6/13/25	6056068	PITNEY BOWES PRESORT SERVICES LLC	\$238.08
6/13/25	6056069	WIDENET CONSULTING GROUP LLC	\$2,080.00
6/13/25	6056070	DICKS TOWING INC	\$287.11
6/13/25	6056071	LOUIS F MATHESON CONSTRUCTION INC	\$4,134.85
6/13/25	6056072	VERTIV CORPORATION	\$10,698.77
6/13/25	6056073	SAN JUAN MARINE FREIGHT & SERVICES	\$6,662.00
6/13/25	6056074	HP INC	\$6,950.07
6/13/25	6056075	JEFFREY FINCH	\$185.00
6/16/25	6056076	DAVID EVANS & ASSOCIATES INC	\$4,143.40
6/16/25	6056077	ITRON INC	\$6,135.00
6/16/25	6056078	JACO ANALYTICAL LAB INC	\$62.93

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Accounts Payable ACH			
Payment Date	Payment Ref Nbr	Payee	Amount
6/16/25	6056079	MR TRUCK WASH INC	\$1,131.97
6/16/25	6056080	NORTH COAST ELECTRIC COMPANY	\$60,647.20
6/16/25	6056081	NORTHWEST POWER POOL CORP	\$7,448.46
6/16/25	6056082	ROBERT HALF INTERNATIONAL INC	\$5,060.00
6/16/25	6056083	SHI INTERNATIONAL CORP	\$4,480.67
6/16/25	6056084	STAR RENTALS INC	\$1,337.96
6/16/25	6056085	SNOHOMISH COUNTY SOCIETY OF	\$3,700.00
6/16/25	6056086	TOPSOILS NORTHWEST INC	\$704.92
6/16/25	6056087	GORDON TRUCK CENTERS INC	\$51.64
6/16/25	6056088	WEST COAST PAPER CO	\$1,381.77
6/16/25	6056089	WASHINGTON ST NURSERY & LANDSCAPE A	\$1,980.00
6/16/25	6056090	ENGINUIITY ADVANTAGE LLC	\$1,200.00
6/16/25	6056091	NORTHWEST CASCADE INC	\$479.42
6/16/25	6056092	DAVID JAMES PERKINS	\$3,120.00
6/16/25	6056093	RUBATINO REFUSE REMOVAL LLC	\$8,647.52
6/16/25	6056094	SENSUS USA INC	\$233,630.92
6/16/25	6056095	TYNDALE ENTERPRISES INC	\$389.00
6/16/25	6056096	GRAYBAR ELECTRIC CO INC	\$646.10
6/16/25	6056097	ALTEC INDUSTRIES INC	\$21,047.20
6/16/25	6056098	ANIXTER INC	\$31,526.40
6/16/25	6056099	TRAFFIC CONTROL PLAN CO OF WA LLC	\$350.00
6/16/25	6056100	WILLDAN ENERGY SOLUTIONS INC	\$107,244.78
6/16/25	6056101	ADCOMM ENGINEERING LLC	\$617.50
6/16/25	6056102	K&D SERVICES INC	\$3,692.64
6/16/25	6056103	BORDER STATES INDUSTRIES INC	\$944.26
6/16/25	6056104	AMBERBOX INC	\$11,252.50
6/16/25	6056105	ZONES IT SOLUTIONS INC	\$45,010.63
6/16/25	6056106	AALBU BROTHERS	\$287.02
6/16/25	6056107	TOYOTA MATERIAL HANDLING NW INC	\$1,181.62
6/16/25	6056108	KEITHLY BARBER ASSOCIATES INC	\$945.00
6/16/25	6056109	DAVID CROSS	\$527.01
6/16/25	6056110	JULIE MAINSTONE	\$109.89

Detailed Disbursement Report

Accounts Payable ACH			
Payment Date	Payment Ref Nbr	Payee	Amount
6/16/25	6056111	CARRIE TRIMBLE	\$98.96
6/16/25	6056112	TRACY ANDERSON	\$462.20
6/16/25	6056113	DAVID KRUEGER	\$607.72
6/16/25	6056114	ROBERT ASAY	\$538.73
6/16/25	6056115	LUKE FREIMARK	\$54.60
6/17/25	6056116	ALS GROUP USA CORP	\$110.00
6/17/25	6056117	AVISTA CORPORATION	\$7,500.00
6/17/25	6056118	CONSOLIDATED ELECTRICAL DISTRIBUTOR	\$34,302.54
6/17/25	6056119	DOBLE ENGINEERING CO	\$378.00
6/17/25	6056120	FASTENAL COMPANY	\$274.75
6/17/25	6056121	NORTHWEST POWER POOL CORP	\$16,679.45
6/17/25	6056122	PORTLAND GENERAL ELECTRIC CO	\$36,742.50
6/17/25	6056123	PUGET SOUND ENERGY INC	\$24,929.00
6/17/25	6056124	STELLAR INDUSTRIAL SUPPLY INC	\$11,418.59
6/17/25	6056125	STELLA-JONES CORPORATION	\$39,344.09
6/17/25	6056126	TOPSOILS NORTHWEST INC	\$528.00
6/17/25	6056127	TFS ENERGY LLC	\$925.00
6/17/25	6056128	TULLETT PREBON AMERICAS CORP	\$1,000.00
6/17/25	6056129	TURLOCK IRRIGATION DIST	\$1,625.00
6/17/25	6056130	UNITED PARCEL SERVICE	\$466.09
6/17/25	6056131	GORDON TRUCK CENTERS INC	\$37.59
6/17/25	6056132	WILLIAMS SCOTSMAN INC	\$1,855.86
6/17/25	6056133	OTC GLOBAL HOLDINGS LP	\$799.00
6/17/25	6056134	AABCO BARRICADE CO INC	\$3,049.89
6/17/25	6056135	RS AMERICAS INC	\$114.01
6/17/25	6056136	CELLCO PARTNERSHIP	\$64,966.99
6/17/25	6056137	OTC GLOBAL HOLDINGS LP	\$75.00
6/17/25	6056138	GENERAL PACIFIC INC	\$236.20
6/17/25	6056139	PACO VENTURES LLC	\$4,744.94
6/17/25	6056140	QUALCO ENERGY	\$12,408.55
6/17/25	6056141	T-MOBILE USA INC	\$856.02
6/17/25	6056142	UNITED RENTALS NORTH AMERICA INC	\$568.37

Detailed Disbursement Report

Accounts Payable ACH			
Payment Date	Payment Ref Nbr	Payee	Amount
6/17/25	6056143	ALTEC INDUSTRIES INC	\$1,031.63
6/17/25	6056144	ANIXTER INC	\$20,677.96
6/17/25	6056145	TRAFFIC CONTROL PLAN CO OF WA LLC	\$700.00
6/17/25	6056146	ARNETT INDUSTRIES LLC	\$4,588.02
6/17/25	6056147	BORDER STATES INDUSTRIES INC	\$585.55
6/17/25	6056148	NOKIA OF AMERICA CORP	\$169,312.71
6/17/25	6056149	NORTHWESTERN COPORATION	\$1,800.00
6/17/25	6056150	KPOCH INTERMEDIATE INC	\$1,725.00
6/17/25	6056151	EUROFINS ENVR TESTING AMERICA HOLDI	\$312.00
6/17/25	6056152	SEPTIC SOLUTIONS LLC	\$534.11
6/17/25	6056153	LOGAN FORBIS	\$37.80
6/18/25	6056154	BENTLEY SYSTEMS INC	\$80,076.44
6/18/25	6056155	CDW LLC	\$74,264.93
6/18/25	6056156	CENTRAL WELDING SUPPLY CO INC	\$381.27
6/18/25	6056157	IBEW LOCAL 77	\$103,361.52
6/18/25	6056158	MR TRUCK WASH INC	\$3,681.65
6/18/25	6056159	NORTH COAST ELECTRIC COMPANY	\$14,044.32
6/18/25	6056160	NORTHSTAR CHEMICAL INC	\$4,760.00
6/18/25	6056161	ROMAINE ELECTRIC CORP	\$1,117.10
6/18/25	6056162	RWC INTERNATIONAL LTD	\$1,666.24
6/18/25	6056163	TOPSOILS NORTHWEST INC	\$264.00
6/18/25	6056164	UNITED PARCEL SERVICE	\$119.49
6/18/25	6056165	DOBBS HEAVY DUTY HOLDINGS LLC	\$594.21
6/18/25	6056166	ACCESS ASSOCIATES INC	\$2,186.00
6/18/25	6056167	CHAMPION BOLT & SUPPLY INC	\$703.49
6/18/25	6056168	NORTHWEST CASCADE INC	\$517.75
6/18/25	6056169	LOUIS F MATHESON CONSTRUCTION INC	\$3,439.44
6/18/25	6056170	SENSUS USA INC	\$453.63
6/18/25	6056171	WALTER E NELSON CO OF WESTERN WA	\$5,910.53
6/18/25	6056172	TRAFFIC CONTROL PLAN CO OF WA LLC	\$525.00
6/18/25	6056173	CENVEO WORLDWIDE LIMITED	\$5,761.51
6/18/25	6056174	HARMSSEN LLC	\$3,712.50

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Accounts Payable ACH			
Payment Date	Payment Ref Nbr	Payee	Amount
6/18/25	6056175	ARNETT INDUSTRIES LLC	\$14,503.61
6/18/25	6056176	UTILITY TRAILER & EQUIP SALES NW LL	\$1,281.90
6/18/25	6056177	ELEVATOR SUPPORT COMPANY LLC	\$3,181.61
6/18/25	6056178	TESSCO TECHNOLOGIES INC	\$1,731.30
6/18/25	6056179	EUROFINS ENVR TESTING AMERICA HOLDI	\$260.00
6/18/25	6056180	COHEN VENTURES INC	\$98,554.69
6/18/25	6056181	HOME COMFORT ALLIANCE LLC	\$2,875.00
6/18/25	6056182	FWH ACQUISITION COMPANY LLC	\$77,346.87
6/18/25	6056183	KEVIN LUONG	\$1,518.29
6/18/25	6056184	JULIETA ALTAMIRANO-CROSBY	\$515.88
6/20/25	6056185	ALS GROUP USA CORP	\$110.00
6/20/25	6056186	ASPLUNDH TREE EXPERT LLC	\$49,139.01
6/20/25	6056187	HOWARD INDUSTRIES INC	\$97,381.29
6/20/25	6056188	IVOXY CONSULTING INC	\$4,068.26
6/20/25	6056189	MR TRUCK WASH INC	\$2,673.51
6/20/25	6056190	NORTH COAST ELECTRIC COMPANY	\$9,362.88
6/20/25	6056191	PUGET SOUND ENERGY INC	\$1,820.05
6/20/25	6056192	RWC INTERNATIONAL LTD	\$434.19
6/20/25	6056193	SCHWEITZER ENGINEERING LAB INC	\$1,752.77
6/20/25	6056194	SOUTHERN ELECTRICAL EQUIPMENT CO IN	\$98,173.89
6/20/25	6056195	SHI INTERNATIONAL CORP	\$20,615.05
6/20/25	6056196	STELLA-JONES CORPORATION	\$35,078.62
6/20/25	6056197	TOPSOILS NORTHWEST INC	\$528.00
6/20/25	6056198	WIDENET CONSULTING GROUP LLC	\$2,080.00
6/20/25	6056199	DOBBS HEAVY DUTY HOLDINGS LLC	\$461.60
6/20/25	6056200	BENEFITFOCUS COM INC	\$8,569.56
6/20/25	6056201	BRAKE & CLUTCH SUPPLY INC	\$2,852.34
6/20/25	6056202	CELLCO PARTNERSHIP	\$80.71
6/20/25	6056203	ECOLIGHTS NORTHWEST LLC	\$2,295.07
6/20/25	6056204	HD FOWLER COMPANY INC	\$93.36
6/20/25	6056205	LENZ ENTERPRISES INC	\$549.00
6/20/25	6056206	LOUIS F MATHESON CONSTRUCTION INC	\$2,640.49

Detailed Disbursement Report

Accounts Payable ACH			
Payment Date	Payment Ref Nbr	Payee	Amount
6/20/25	6056207	SOUND SAFETY PRODUCTS CO INC	\$820.68
6/20/25	6056208	TYNDALE ENTERPRISES INC	\$831.00
6/20/25	6056209	WALTER E NELSON CO OF WESTERN WA	\$2,628.81
6/20/25	6056210	GRAYBAR ELECTRIC CO INC	\$801.58
6/20/25	6056211	MOTION & FLOW CONTROL PRODUCTS INC	\$7,837.78
6/20/25	6056212	OPENSQUARE HOLDINGS LLC	\$14,676.79
6/20/25	6056213	QCL INC	\$2,319.00
6/20/25	6056214	BORDER STATES INDUSTRIES INC	\$86,194.57
6/20/25	6056215	PACHECOS LANDSCAPING LLC	\$20,919.78
6/20/25	6056216	CUSTOM TRUCK ONE SOURCE INC	\$1,747.07
6/20/25	6056217	FS COM INC	\$1,626.52
6/20/25	6056218	EUROFINS ENVR TESTING AMERICA HOLDI	\$260.00
6/20/25	6056219	COHEN VENTURES INC	\$662,970.66
6/20/25	6056220	SHARON REIJONEN	\$439.27
6/20/25	6056221	STEVEN MARQUISS	\$360.00
6/20/25	6056222	JENNIFER RICH	\$258.00
6/20/25	6056223	ANGELICA HODGES-MCGILL	\$1,045.77
6/20/25	6056224	JEROME DRESCHER	\$118.30
6/20/25	6056225	JEFFREY BISHOP	\$580.00
6/20/25	6056226	AMY CARSTENS	\$60.20

Total: \$4,988,486.48

Detailed Disbursement Report

Accounts Payable Wires			
Payment Date	Payment Ref Nbr	Payee	Amount
6/9/25	7003666	WHEAT FIELD WIND POWER PROJECT LLC	\$1,925,137.19
6/10/25	7003667	US BANK NA	\$2,867,355.77
6/10/25	7003668	ICMA-RC	\$112,250.00
6/10/25	7003669	CRAWFORD & COMPANY	\$4,178.40
6/16/25	7003670	THE ENERGY AUTHORITY INC	\$58,000.00
6/17/25	7003671	US POSTAL SVC	\$100,000.00
6/17/25	7003672	CITADEL ENERGY MARKETING LLC	\$11,300,000.00
6/18/25	7003673	US DEPARTMENT OF ENERGY	\$40,734.25
6/18/25	7003674	ICMA-RC	\$289,834.72
6/18/25	7003675	PUBLIC UTILITY DIST NO 1 OF SNOHOMI	\$24,038.83
6/18/25	7003676	ICMA-RC	\$800,757.98
6/20/25	7003677	PUBLIC UTILITY DIST NO 1 OF CHELAN	\$20,216.00
6/20/25	7003678	THE ENERGY AUTHORITY INC	\$152,262.00
6/20/25	7003679	CITY OF SEATTLE	\$382,910.62
6/20/25	7003680	LL&P WIND ENERGY INC	\$448,406.77
6/20/25	7003681	WHEAT FIELD WIND POWER PROJECT LLC	\$2,242,740.46
6/20/25	7003682	AVANGRID POWER HOLDINGS INC	\$1,107,652.40

Total: \$21,876,475.39

Detailed Disbursement Report

Payroll			
Period End Date	Payment Ref Nbr	Payee	Amount
6/17/25	5300001292	PUD EMPLOYEES - DIRECT DEPOSIT	\$5,176,382.81
6/20/25	845481 - 845496	PUD EMPLOYEES - WARRANTS	\$33,800.23

Detailed Disbursement Report

Automatic Debit Payments			
Payment Date	Payment Ref Nbr	Payee	Amount
6/11/25	5300001287	STATE OF WA DEPT OF RETIR	\$2,346,951.63
6/11/25	5300001288	US POSTAL SVC	\$110,000.00
6/11/25	5300001289	US POSTAL SVC	\$10,000.00
6/13/25	5300001290	WELLNESS BY WISHLIST INC	\$12,844.85
6/13/25	5300001291	LIBERTY MUTUAL GROUP DBA	\$18,073.14
6/17/25	5300001292	ADP INC	\$1,331,403.48
6/20/25	5300001293	WELLNESS BY WISHLIST INC	\$10,866.09
6/20/25	5300001294	STATE OF WA DEPT OF RETIR	\$210,455.34
6/20/25	5300001295	WELLNESS BY WISHLIST INC	\$9,945.60
6/20/25	5300001296	LIBERTY MUTUAL GROUP DBA	\$1,489.07
Total:			\$4,062,029.20



BUSINESS OF THE COMMISSION

Meeting Date: July 1, 2025

Agenda Item: 4

TITLE

CEO/General Manager's Briefing and Study Session

SUBMITTED FOR: Briefing and Study Session

CEO/General Manager	John Haarlow	8473
Department	Contact	Extension
Date of Previous Briefing:		
Estimated Expenditure:		Presentation Planned <input type="checkbox"/>

ACTION REQUIRED:

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

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



Energizing Life In Our Communities

Media Report

Aaron Swaney, Manager Corporate Communications

July 1, 2025



Media Coverage

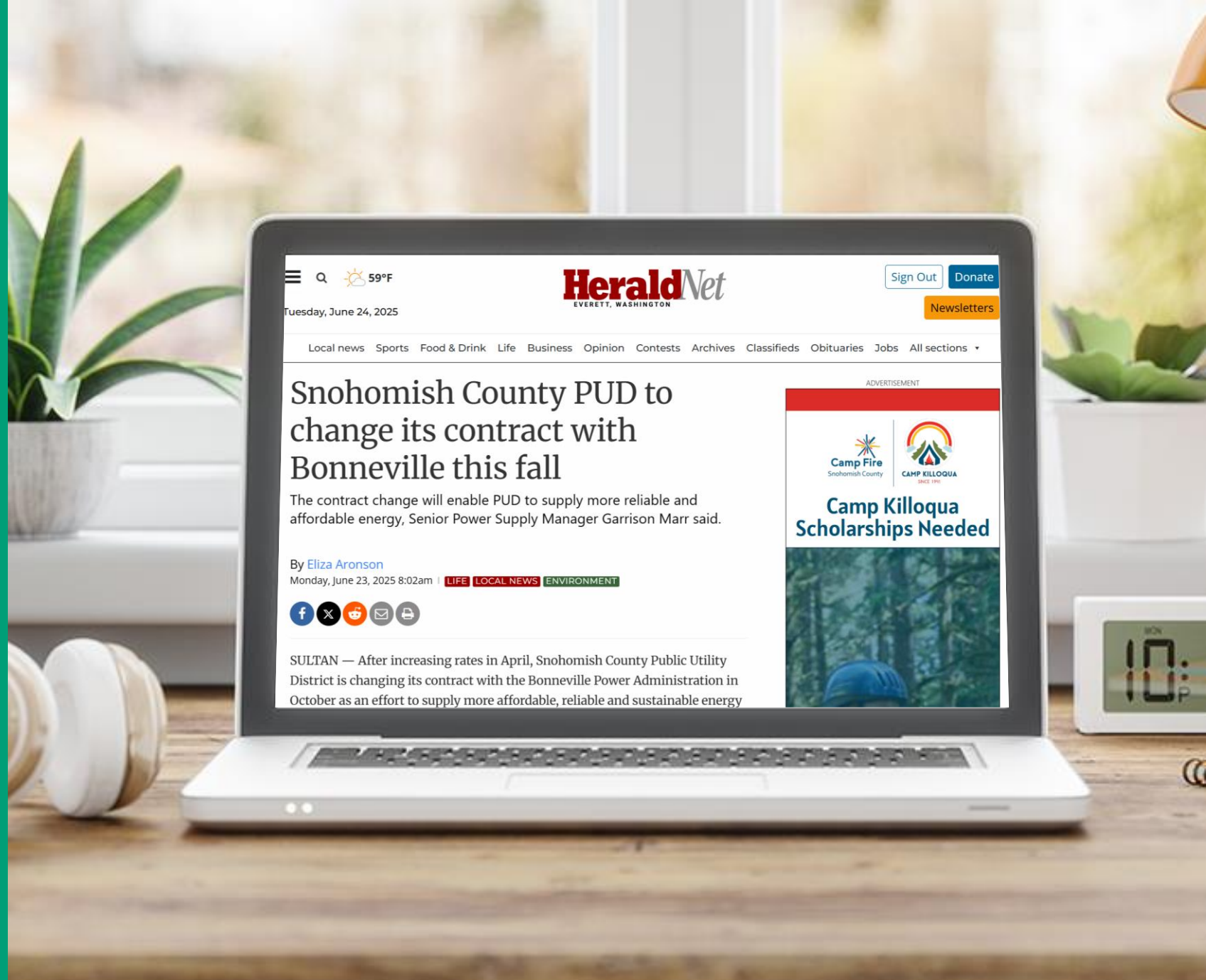
SNOHOMISH
PUD
Energizing Life In Our Communities

MEDIA COVERAGE

BPA Contract Change

Everett Herald story focused on
PUD energy supply contract
change, river and fish health

Story highlighted benefits of
going to load-following as more
stability, increased reliability,
continued sustainability



MEDIA COVERAGE

Ex-PUD Employee Theft

Snohomish Tribune covered the arrest of former PUD employee allegations of stealing electronic equipment

Worked closely with Everett Police and State Auditor's Office on investigation



Media Coverage

APPA Feature on New Chair

Highlighted John Haarlow's speech on building a positive safety culture

APPA also published story on John taking over as Chair

TREE Power Deadline

Local coverage on deadline for TREE Power applications

Program received four applications

BPA Selects Markets+

RTO Insider story included quote from PUD's Adam Cornelius on BPA's decision-making process



Publications

SNOHOMISH
PUD
Energizing Life In Our Communities

PUBLICATION NWPPA Feature on Mental Health

Column focused on importance of
mental health for May's NWPPA
Bulletin magazine

David Krueger worked with HR and
Wellness Coordinator Jenni Harrington
to write the story

HUMAN RESOURCES

THE IMPORTANCE OF POSITIVE MENTAL HEALTH

By David Krueger

At Snohomish County PUD, safety is at the heart of everything we do. Like many of our peer utilities, we have an abundance of programs, policies, and procedures in place to ensure everyone does all they can to get back home to their families in the same condition they left in.

In recent years, safety has evolved. No longer is it just about employees' physical safety. It's also their mental well-being. Snohomish PUD has purposefully adopted a more holistic approach to safety, taking into account the mental health and wellness of employees and customers.

This has become more important than ever. The world continues to deal with the aftermath of the COVID-19 pandemic, forcing workers to navigate the changing world of hybrid work and altered work habits. In addition, the anxieties that come with the pressure of day-to-day life make it imperative to ensure employees take care of their mental health and physical wellness so they can bring their best selves to the workplace.

Mental health is as important as physical safety

May is National Mental Health Awareness Month, the perfect time to shine a spotlight on the critical importance of mental health in the workplace. Just as utilities diligently prioritize physical safety, mental health deserves similar attention and care.

But how do utilities strike that balance successfully? At Snohomish PUD, all aspects of safety are highlighted. Last year, the PUD hired Jenni Harrington to a newly created position of wellness coordinator. The role was designed to help employees take advantage of the numerous benefits and programs that safeguard positive mental health. PUD leaders greenlit the position after employees shared that they didn't always feel like their mental health and wellness were a priority.

Harrington, who previously worked at Puget Sound aerospace giant Boeing, brought her energy and expertise to the PUD and made an immediate impact. She attends monthly safety meetings to promote wellness programs, meets with employees, and has led activities like her impromptu noon walks and Wellness Wednesday stretching sessions. Her initiatives have improved individual health and workplace culture alike.

"Jenni has been nothing short of phenomenal since she joined Team PUD. From the moment she arrived, she has brought an incredible amount of energy, passion, and expertise to her role—she is the perfect fit for the job," said PUD HR Senior Manager Dana Pollow, who oversees Harrington and her initiatives. "Her ability to engage employees and create a supportive environment has made a significant impact on our organization. Jenni's dedication to promoting mental health and well-being has not only improved individual employee health but has also contributed to a more positive and productive workplace culture."



Snohomish PUD Wellness Coordinator Jenni Harrington leads a stretching exercise with employees.

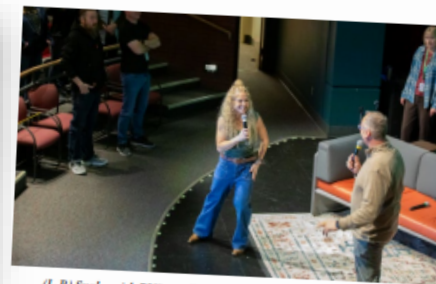
Harrington has formal and informal programs to help Snohomish PUD ensure it has the healthiest workforce possible. She's led Wellness Wednesday stretching meetings on Teams; promoted her five Transmission Towers of Wellness; and provided ad hoc wellness consultations, where she does everything from helping people with minor tweaks that bother them to offering nutritional guidance.

"Mental health profoundly influences employees' ability to perform their duties effectively," Harrington said. "Neglecting mental health can lead to increased absenteeism, reduced productivity, and higher turnover rates. On the other hand, a workplace that champions mental health fosters a culture of well-being, resilience, and engagement."

A commitment to mental health

Snohomish PUD is resolute in its dedication to promote mental health and well-being through a variety of wellness initiatives. Some recent programs include:

- **Wellness challenges:** These run the gamut from Planksgiving—a holiday-themed planking competition this past November—to friendly 5K training competitions. Other offerings include stations for checking blood pressure, SMART goal challenges, and health screenings, all to encourage employees to engage in healthy activities and foster a sense of community and motivation.
- **Monthly mental health focus:** The PUD highlights aspects of mental health with resources and tips through its communication channels.



(L-R) Snohomish PUD Wellness Coordinator Jenni Harrington and CEO/General Manager John Harlowe talk during an employee wellness event.

The PUD has great mental health resources through the SupportLine employee assistance program, Doctors on Demand, insurance coverage that is above industry standards, and up-to-date mental health resources. In addition, financial health advisers regularly make onsite visits for one-on-one meetings to help ensure strong financial health for employees.

Employees take advantage of these services. The PUD's employee assistance program received 137 service contacts in 2023 and 120 in 2024. Those included information calls, counseling referrals, work-life referrals, and supervisor referrals.

Most reasons cited for counseling sessions for the past two years were "relationship related." Other heavily used categories were anxiety, depression, family-related concerns, and individual mental health. In all, the PUD had 1,750 unique page visits to the employee assistance program website in 2024, down slightly from 2,064 in 2023.

Sara Kurtz, PUD chief human resources officer, said the utility's executive leadership team believes ensuring employees have access to more robust resources for their mental health and wellness is imperative.

"It is so important to take care of your mental health as well as your physical health, both at work and at home," Kurtz said. "Day-to-day life and work can get overwhelming. It is crucial for us to provide the resources for all of our employees to get assistance or advice if they need it. And to know that if they do need help, that's OK."

A vital link between mental health and workplace safety

It's clear there is a distinct relationship between the mental health of employees and their physical safety. The two go together in creating a healthy, secure workforce. As organizations and utilities address mental health and wellness, efforts can enhance employees' concentration, improve decision-making, and increase reaction times, all in an effort at reducing accident risks.

"Mental health and workplace safety are fundamentally intertwined," Harrington said. "By prioritizing mental well-being, we create a supportive, productive, and safe environment for all employees. Together, we can make a difference and foster a culture of health and wellness." NWPPA

David Krueger is a communications and marketing specialist at Snohomish County PUD who has benefited from the Team PUD Wellness Camp initiative. He can be contacted at dakrueger@snopud.com.

PUBLICATION

The Wire

JUNE:

Cover story focused on Community Energy Fund and raising donations for PUD's customer-funded bill assistance program. Also, wildfire info and Connect Up update.

JULY:

Information on summer projects happening around the county and celebrating our linemen. Also, info on water conservation and peak energy education.



Helping Your Neighbors Keep the Lights On

As your not-for-profit public utility with a 75-year history, caring about community is core to our mission. Our Community Energy Fund, founded in 1982, is our customer-funded bill assistance program that helps thousands of your friends and neighbors in Snohomish County and Camano Island.

Unfortunately, due to high demand our Community Energy Fund is running short of funds each month. Without that help, some of our most vulnerable customers may find themselves unable to pay their PUD bill.



Energy assistance for neighbors in need

I just wanted to extend our heartfelt thanks for paying our PUD bill. We are so thankful and can breathe a little easier now.

— Community Energy Fund recipient

It's easy to donate today:

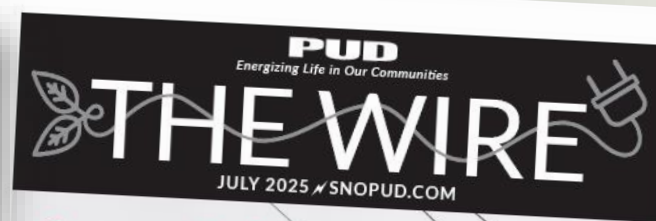
- Use the QR code or visit snopud.com/cef to donate using our online form. It's easy! You can set up recurring monthly contributions or make a one-time donation.
- If you still receive a paper bill (Go paperless today at snopud.com/growpaperless!), we include a Community Energy Fund donation slip in each one.
- Send a check payable to "Community Energy Fund" to St. Vincent de Paul, P.O. Box 2269 Everett, WA 98213.



Need help with your bill?

- Community Energy Fund is managed by our partners at St. Vincent de Paul. To see if you qualify for assistance, call 425-374-1243.
- Income-qualified customers can receive 25 or 50% rate discounts. Learn more and see if you qualify at snopud.com/discounts
- Make bill payments the same year round with the PUD's Budget Payment Plan. Learn more at snopud.com/bpp

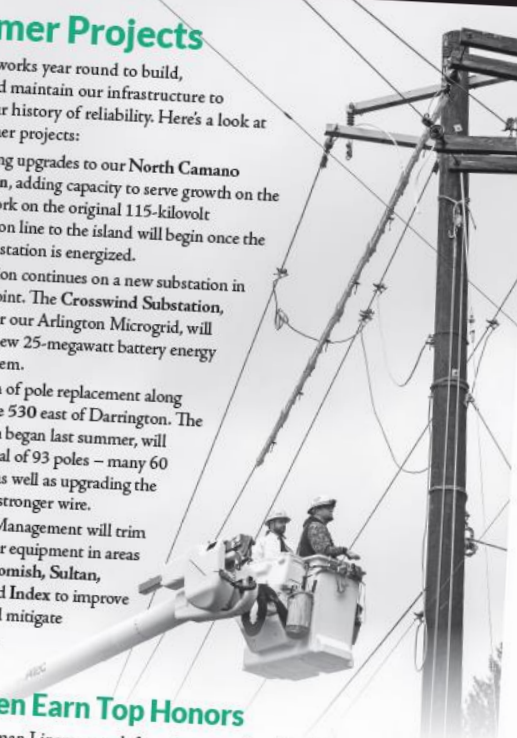
View/report outages at OUTAGEMAP.SNOPUD.COM or report at 425-783-1001



Summer Projects

The PUD works year round to build, upgrade and maintain our infrastructure to continue our history of reliability. Here's a look at some summer projects:

- Completing upgrades to our North Camano Substation, adding capacity to serve growth on the island. Work on the original 115-kilovolt transmission line to the island will begin once the rebuilt substation is energized.
- Construction continues on a new substation in Smokey Point. The Crosswind Substation, located near our Arlington Microgrid, will support a new 25-megawatt battery energy storage system.
- Completion of pole replacement along State Route 530 east of Darrington. The work, which began last summer, will replace a total of 93 poles – many 60 years old – as well as upgrading the circuit with stronger wire.
- Vegetation Management will trim trees near our equipment in areas east of Snohomish, Sultan, Gold Bar and Index to improve reliability and mitigate wildfire risks.



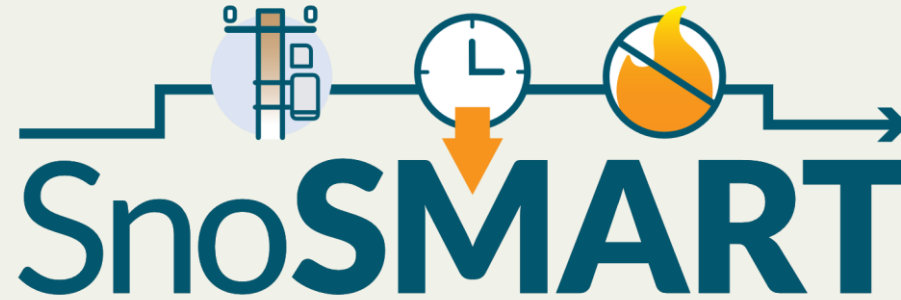
PUD Linemen Earn Top Honors

Three PUD Journeyman Linemen took first place overall at May's Los Angeles Lineman's Rodeo, one of the most prestigious in the country. Kyle Fitzhugh, Travis Witters and Miguel Mena outperformed 30 teams in categories including 16KV Insulator Change, 4.8KV Jumper Change and 4.8KV Crossarm Change.

Apprentice Lineman Jared Hoidal took second place in the Apprentice Pole Climb competition.



View/report outages at OUTAGEMAP.SNOPUD.COM or report at 425-783-1001



Snohomish County PUD's Secure Modern Automated and Reliable Technology Project

Commission Quarterly Update

Kevin Lavering – Program Director

Suzy Oversvee – Program Manager IV

July 1, 2025

Last Update – March 18, 2025



Commission Presentation



Purpose of Presentation:

- Provide the quarterly program update to the Commission

Expectations of the Board:

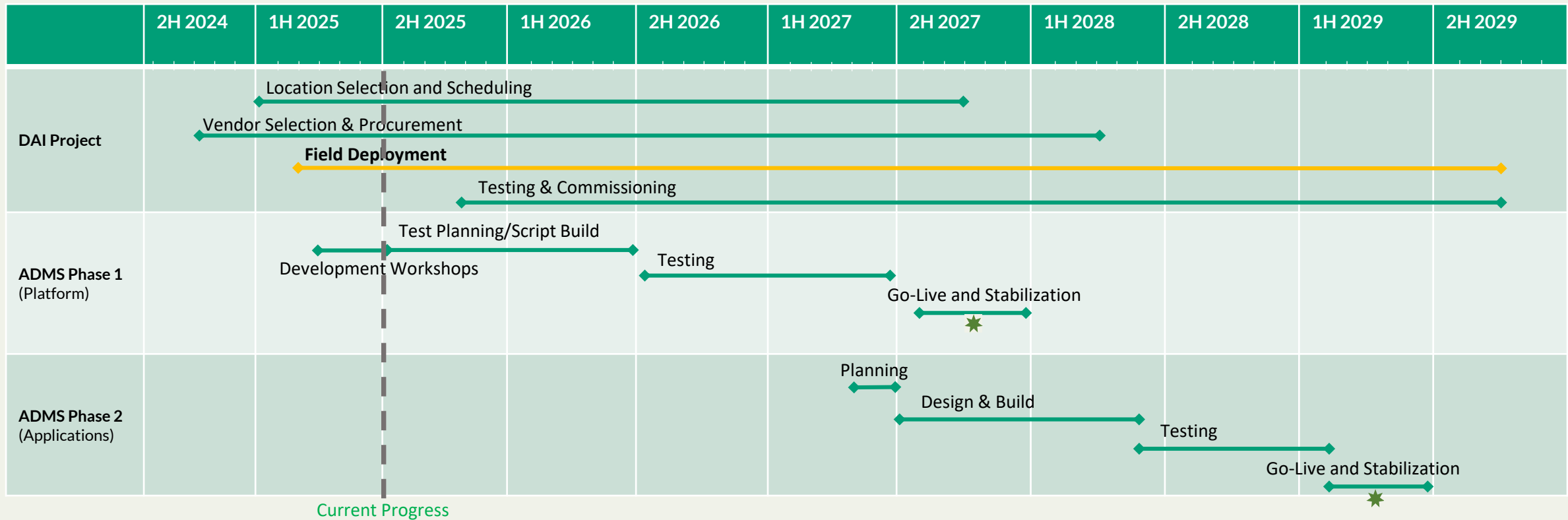
- Be informed of the program's current status and next steps



Agenda

- Program Updates:
 - Schedule
 - Status
 - Budget and Tariff Assessment
- Project Updates:
 - Distribution Automation Infrastructure (DAI)
 - Advanced Distribution Management Systems (ADMS)
 - Corporate Historian
 - External Relations Plan
- Next Steps

Program Schedule



DAI = Distribution Automation Infrastructure (smart grid devices)
 ADMS = Advanced Distribution Management Systems (software)

Program Status

Current Status



Program is on schedule
Submitted Quarterly Reports on 4/30/2025 to the Department of Energy (DOE)
Received 2nd cost share reimbursement from DOE
Completed recent DOE Data Request
Reviewing Grid Modernization (GridMod) approach

Upcoming Activities

Continue to monitor potential Tariff impacts
Receive feedback on DOE Data Request
Plan for DOE Yearly Review in September 2025
Continue biweekly check-in meetings with DOE

Budget

Budget*	\$74.2M
Projected Cost Through End of 2029	\$75.0M
Over (Under)	\$800k
Current Spend	\$3.76

*\$30M funded by DOE and \$45M funded by the District

Tariff Assessment

Equipment Type	Tariff Assessment
3-Phase Reclosers - Eaton (Manufacturer), Wesco (Distributor)	Manufacturer and Distributor are not seeing significant impacts due to Tariffs at this time and aren't planning to pass on additional costs customers.
Sensus Radios	Sensus product information notifications called for a \$20.86 increase in cost of radios due to Tariffs. With 800-900 radios required for project, the cost increase would be approximately \$18,000.
Single Phase Recloser	TBD - The team is in the process of evaluating the equipment for ease of use, reliability, and how it integrates with our equipment/warehousing/programming/installation processes. The manufacturers under consideration come from multiple countries.
Computer and Telecom Equip	Not anticipating any impact from Tariffs.

DAI Project Update

Current Status

DAI System handed over to Energy Control Center (ECC) with full Supervisory Control and Data Acquisition (SCADA) control
First 3-phase reclosers delivered in early June 2025
Initial engineering design is 85% complete; Outer office input on 33%
Consultant contract nearing signature



Upcoming Activities

Dedicated communication circuit between District and Sensus data centers
Test single-phase reclosers for upcoming wildfire mitigation deployment
Onboard and train consultant on district standards
Deploy equipment

ADMS Project Update

Current Status

Completed Milestone 2 - Design Workshops for System Hardware & Architecture, and SCADA Alarm

Beginning Mobility outer office roadshows

Geographic Information System (GIS) analysis completed



Upcoming Activities

Design Workshops – GIS, Interface Design, Chronus, Networking/Security, Distribution Management System (DMS) & Energy Management System (EMS)

Mobility outer office roadshows continue

Corporate Historian Project Update

Current Status

Pre-environment setup (IT backend servers/environments)

Design discussions – Data Governance, Production Support, Training Plan, Asset Framework

Contract Negotiations – Complete (received Commission approval 6/3/2025)



Upcoming Activities

Complete pre-environment setup (IT backend servers/environment)

Detailed installation planning with vendor

AVEVA system install – July 2025

External Relations

Current Status

PUD Block Party
North County Ribbon Cutting
Snohomish County Department of Emergency Management Community Wildfire Workshops
Java Jive (Customer and Energy Services Presentation)



Upcoming Activities

Community outreach through Public Safety Power Shutoff Engagement
Tulalip Tribes leadership update
Demand Voltage Reduction program development

Next Steps

- 07/2025 – DOE Quarterly Reports
- 09/2025 – DOE Yearly Review
- 09/23/2025 – SnoSMART Program Commission Quarterly Update





Thank you!

Questions?





Interlocal Agreement

Snohomish County Bridge 214

Amendment

July 1, 2025

Presented by:
Jeff Kallstrom – Chief Water Operations Officer

Amendment No. 1

Purpose

The purpose of this presentation is to familiarize the Board of Commissioners with Amendment No. 1 to the Interlocal Agreement with Snohomish County for the relocation/replacement of water utility infrastructure for the Snohomish County Jordan Creek Bridge 214 Replacement Project.

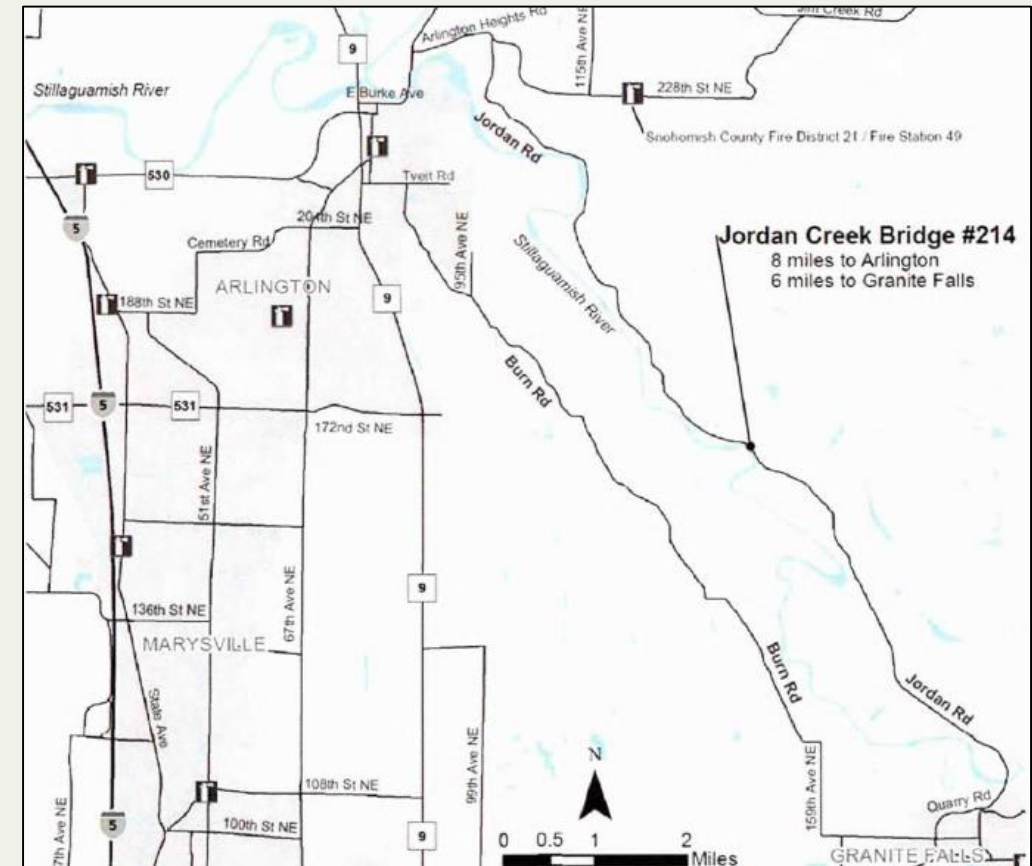
Expectations of the Board

Request future approval authorizing the District's CEO/General Manager to execute Amendment No. 1 to the Interlocal Agreement with Snohomish County concerning water utility infrastructure relocation/replacement associated with the Jordan Creek Bridge 214 Replacement Project.

Project Location

3

Jordan Creek Bridge 214 is located approximately 6 miles NW of Granite Falls on the Jordan Road over the Jordan Creek.



3

Amendment No. 1 Main Points

- The District has an existing 12” insulated HDPE (High Density Polyethylene) water main crossing the existing bridge which was installed in 1994 and along with the supply across the South Fork of the Stillaguamish River on Swinging Bridge serves approximately 40 water customers.
- The County bridge replacement project requires the District to replace the impacted water mains and appurtenances.
- The District holds franchises for occupancy of public road rights-of-way and is required, as a condition of its franchises and state law, to relocate its facilities at its own expense to accommodate public road improvements.
- The District executed Resolution No. 6130, dated July 25, 2023, for the relocation/replacement of the impacted water mains and appurtenances in an amount estimated at \$242,400.
- Section 5.1 of the ILA, identifies that the estimated project costs will be revised based on the proposal from the successful Bidder.
- The project recently bid with the selected Bidder’s total in the amount of \$348,106.56. Cost increase due to final Project design, final bid quantities and delay in bidding the Project nearly two-years from the executed ILA date. Additionally, final design resulted in increased scope, materials and cost from the initial estimates provided in Exhibit B of the ILA.
- Request the Board of Commissioners consider a future Resolution Authorizing the CEO/General Manager of Public Utility District No. 1 of Snohomish County to Execute Amendment No. 1 to the Interlocal Agreement between Snohomish County and the District concerning Water Utility construction associated with the Jordan Creek Bridge 214 replacement project.

Next Steps

- July 15, 2025: Request Board approval of a resolution authorizing the District's CEO/General Manager to execute Amendment No. 1 with Snohomish County water utility infrastructure relocation with the Jordan Creek Bridge 214 Replacement project.
- 2025 Project Construction.

Questions?



Surplus of Arlington Community Office

Maureen Barnes, Manager Real Estate Services

July 1, 2025

Access Easement Presentation

- The purpose of this presentation is to:
 - Inform the Board of an upcoming request to declare surplus the former Arlington Community Office, located at 210 Division Street, Arlington.
 - Answer any questions regarding the transaction.
- This action will be brought to Commission for a public hearing and vote by resolution at the July 15, 2025, Commission meeting.

Arlington Office - Background

- The District purchased the Arlington Community Office site in February 1957.
- The property totals 0.38 acre or 16,553 sq. ft. and is zoned Old Town Business District-1 (OTBD-1) by the City of Arlington.
- The building is single story and consists of an office and warehouse which is approximately 3,000 sq. ft. and was also built in 1957.
- As the North County Community Office has opened all staff, internal fixtures and warehouse materials have been relocated.



Facts and Next Steps

- The property was appraised by an outside appraiser July 2024 and valued at \$760,000.
- If declared surplus, staff would move forward in listing the property for sale with an approved real estate broker.
- District staff have reviewed and approved this request.
- July 15, 2025, Commission will hold a public hearing and vote on this resolution.

Any
Questions



Surplus and Sale of an Access Easement Across District Property

Maureen Barnes, Manager Real Estate Services

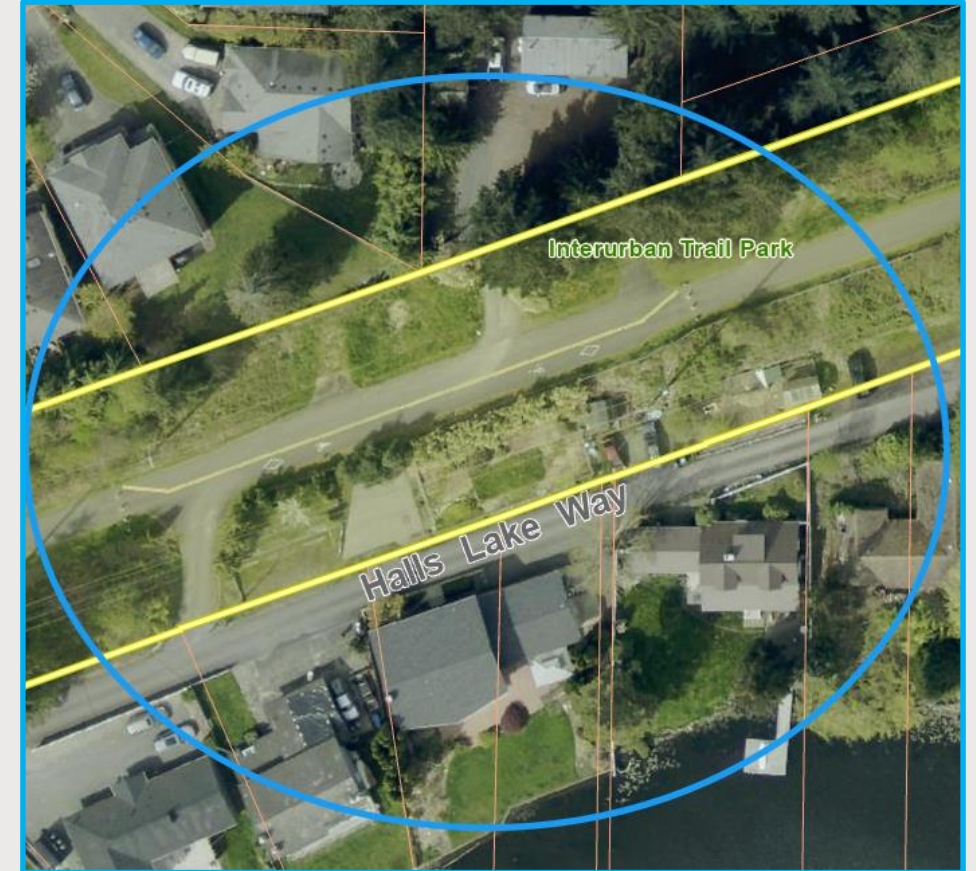
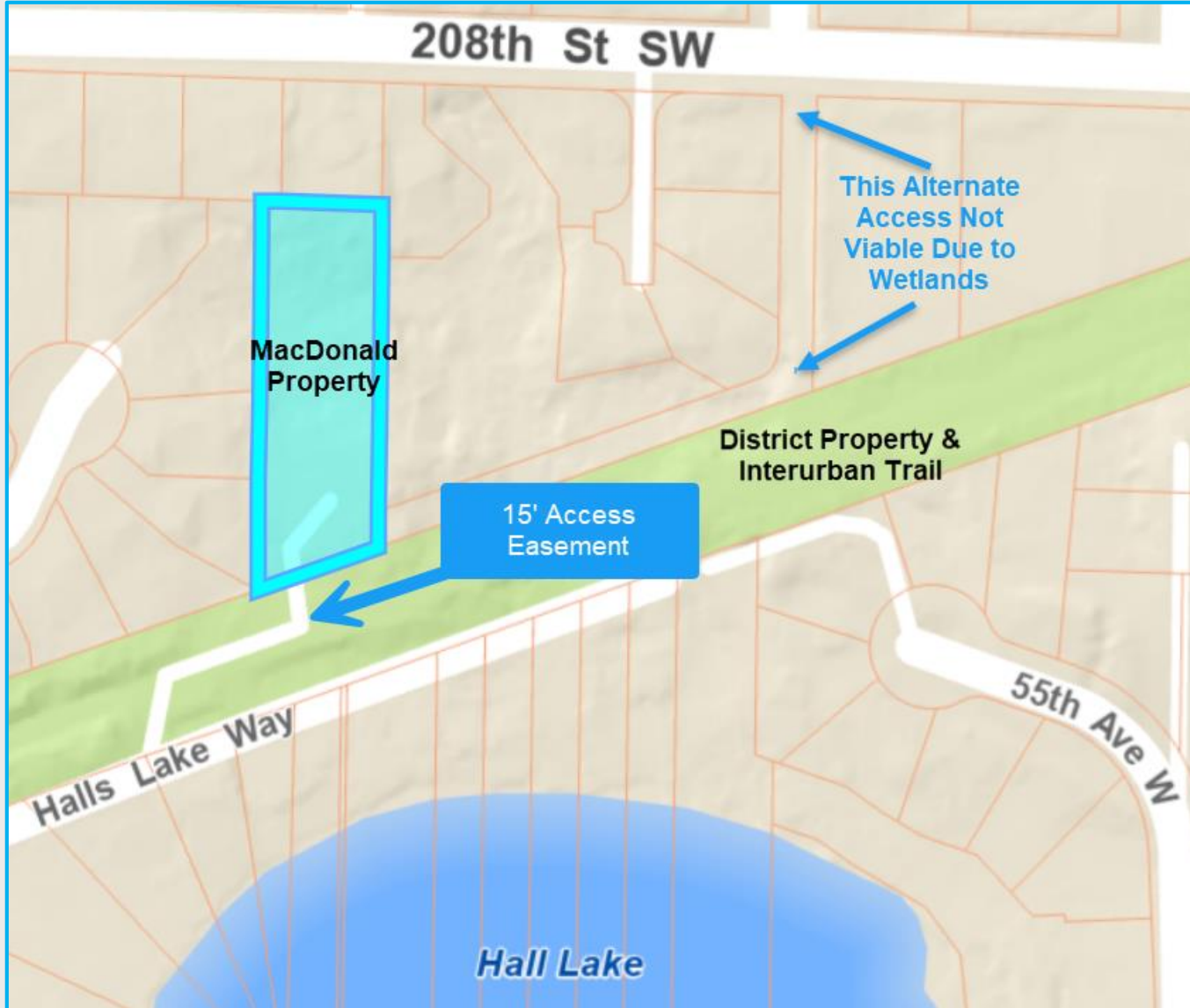
July 1, 2025

Access Easement Presentation

- The purpose of this presentation is to:
 - Inform the Board of an upcoming request to declare surplus a portion of District fee owned land, in Lynnwood, and allow the sale of an easement to Ian MacDonald, an adjacent property owner.
 - Answer any questions regarding the transaction.
- The easement document will be brought to Commission for a public hearing and vote by resolution at the July 15, 2025, Commission meeting.

Access Easement - Background

- Access to 5701 Halls Lake Way (MacDonald property) has been across the Pacific Northwest Traction Company (PNT) Right-of-Way (ROW) since the home was constructed in 1946.
- The District acquired the ROW from Puget Sound Power & Light Company in 1963, and the property owner was issued a Limited Use Permit (LUP) to continue the use.
- Subsequent owners were also issued LUP's for access purposes.
- Mr. MacDonald purchased the property in 2012 and is requesting permanent access via an easement.



Cones and signage have been placed by the City of Lynnwood to warn pedestrians of potential vehicle traffic.

Access Easement

- Mr. MacDonald received access easements from the City of Lynnwood and various homeowners to utilize the private roads in the Halls Lake subdivision to access 212th Street SW, Lynnwood.
- The proposed easement is 15 feet wide and consists of approximately 2,000+/- square feet.
- An in-house appraisal was completed by staff, which determined the value at approximately \$5,500.00.

Facts and Next Steps

- No District equipment, facilities or access will be impacted.
- District staff have reviewed and approved this request.
- Use is for ingress/egress only and Mr. MacDonald shall work with the City of Lynnwood regarding maintenance and replacement of warning devices.
- July 15, 2025, Commission will hold a public hearing and vote on this resolution.

Any
Questions



Connect Up Program

Commission Quarterly Update

July 1, 2025

Tim Epp, Program Director
Last Update: March 18, 2025

Connect Up Program Quarterly Update

- Purpose of Presentation: Progress update of the Connect Up Program
- Expectation of the Board: Informational Only

Topics

1. Overall Program Status
2. Meter Deployment Status
3. Advanced Metering Infrastructure (AMI) Network Status
4. Milestone: Initial Deployment Area Testing
5. Connect Up 2.0: Tamper Alarm
6. Q&A

Overall Program Status

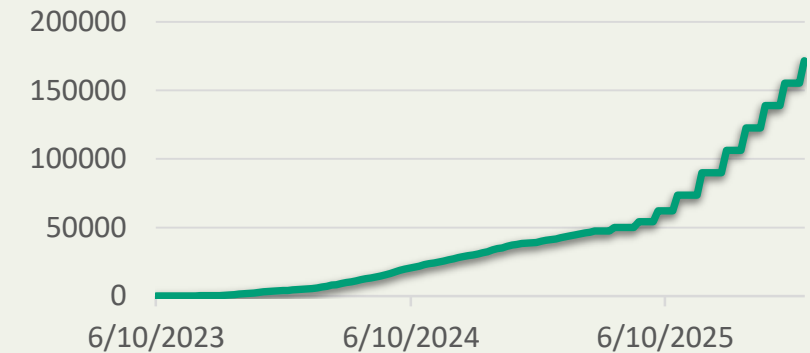
- Cost Status/Projection: Under budget
 - Projected = \$92M (\$54.9M spent through 5/31/25)
 - Original Budget = \$93.2M
- Meter Supply Projections:
 - Electric:
 - 2025: 215k
 - 2026: 100k
 - Water:
 - All Meters Received
- Top Risks/Issues:
 - Meter Supply
 - Potential Import Tariffs



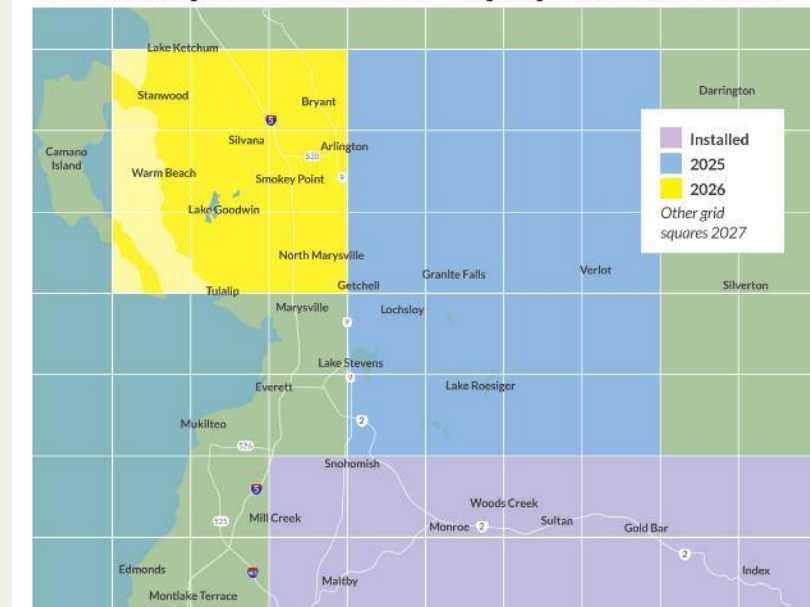
Meter Deployment Status

- Electric = 70k installed (~18% of total):
 - Rate = 2,000 per week (Target = 4,000 per week by July)
- Water = 15k installed (~64% of total):
 - Rate = 70-150 per week (Target = 250 per week)
 - Projected completion = Q2 2026
- Opt Out rate = 0.31% (0.5% planned).
- Deployment focus area: SE County, Snohomish, Three Lakes.

Total Electric Meters Installed Through 2025



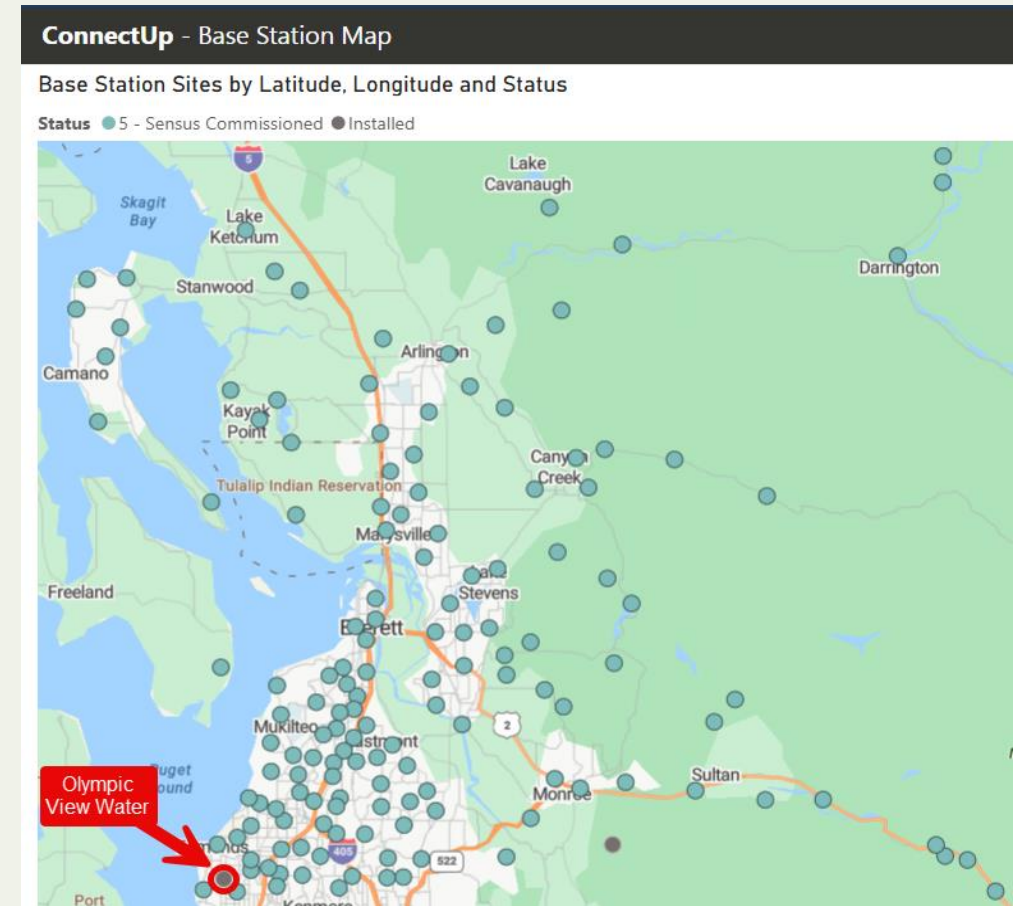
Connect Up Electric Meter Deployment Schedule



*Map is subject to change due to weather, inventory and staffing availability.

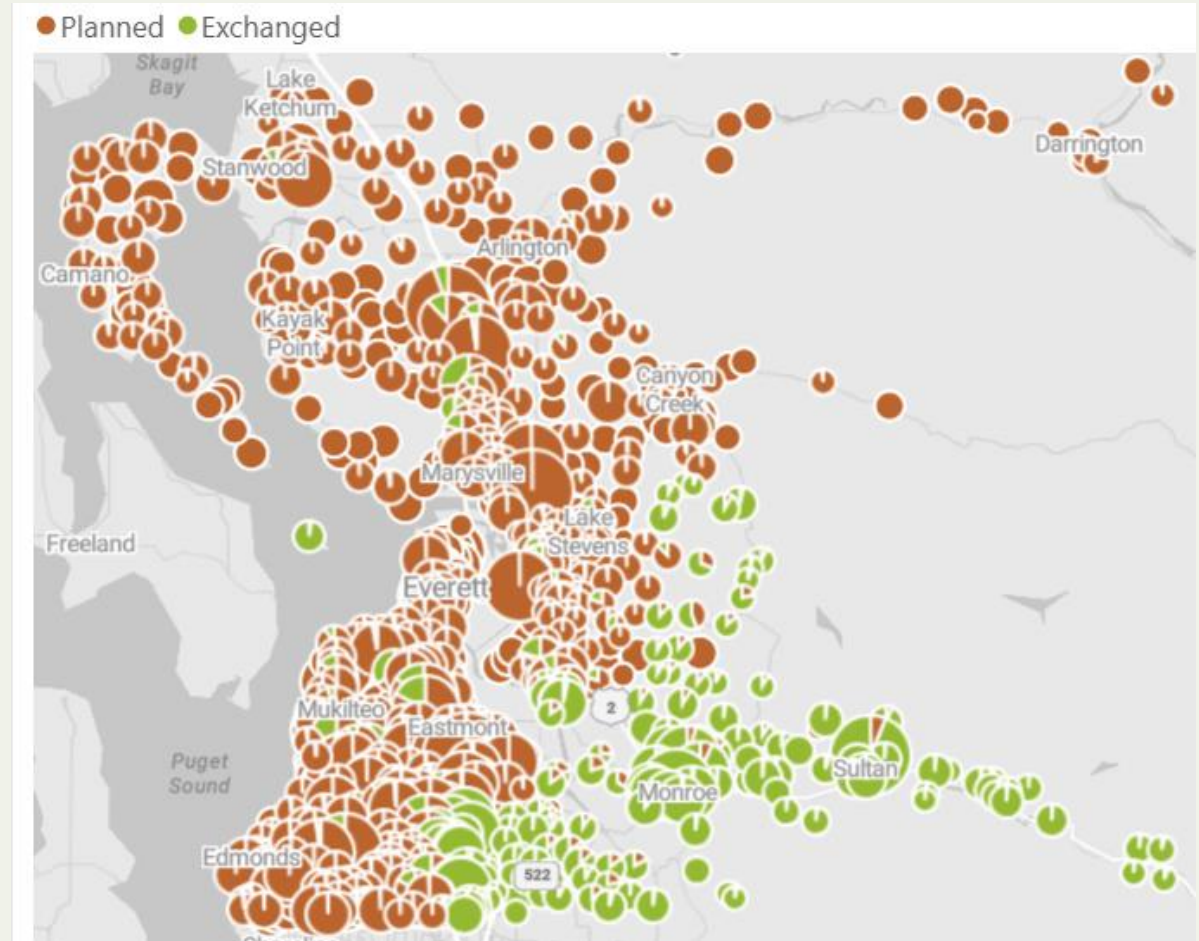
AMI Network Deployment

- Base Stations Installed = 147 out of 148 (99% complete):
 - Target for completion: Q3 2025
- Transition to daily operations and regular maintenance.

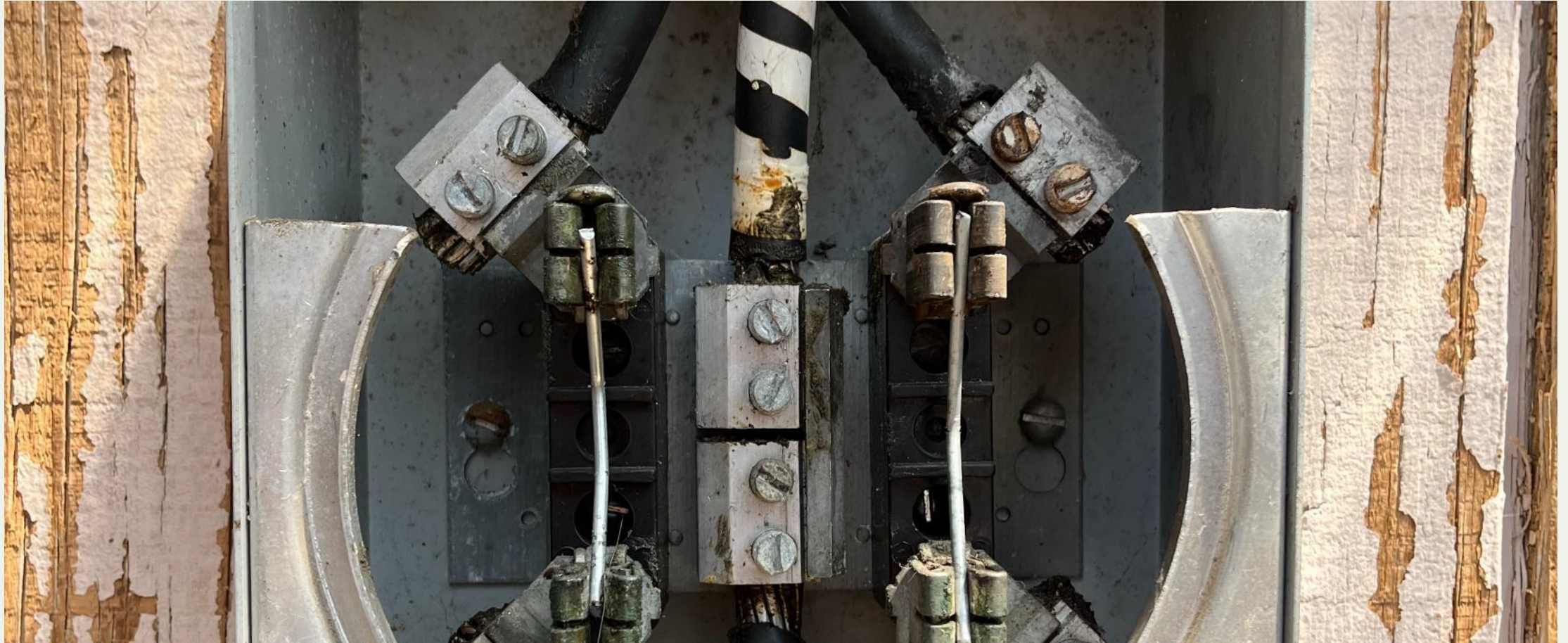


Milestone: Initial Deployment Area Testing

- Contract Milestone for Technical, Functional, & Performance testing
- Testing underway
- Vendor to resolve any issues discovered



Connect Up 2.0: Tamper Alarm



Questions?





Washington's Clean Fuels Program

July 1, 2025

Suzanne Frew, Program Manager IV

Purpose of this Presentation

- Inform the Commission of Washington's Clean Fuels Program.

Actions Requested of the Commission

- This presentation is for informational purposes.

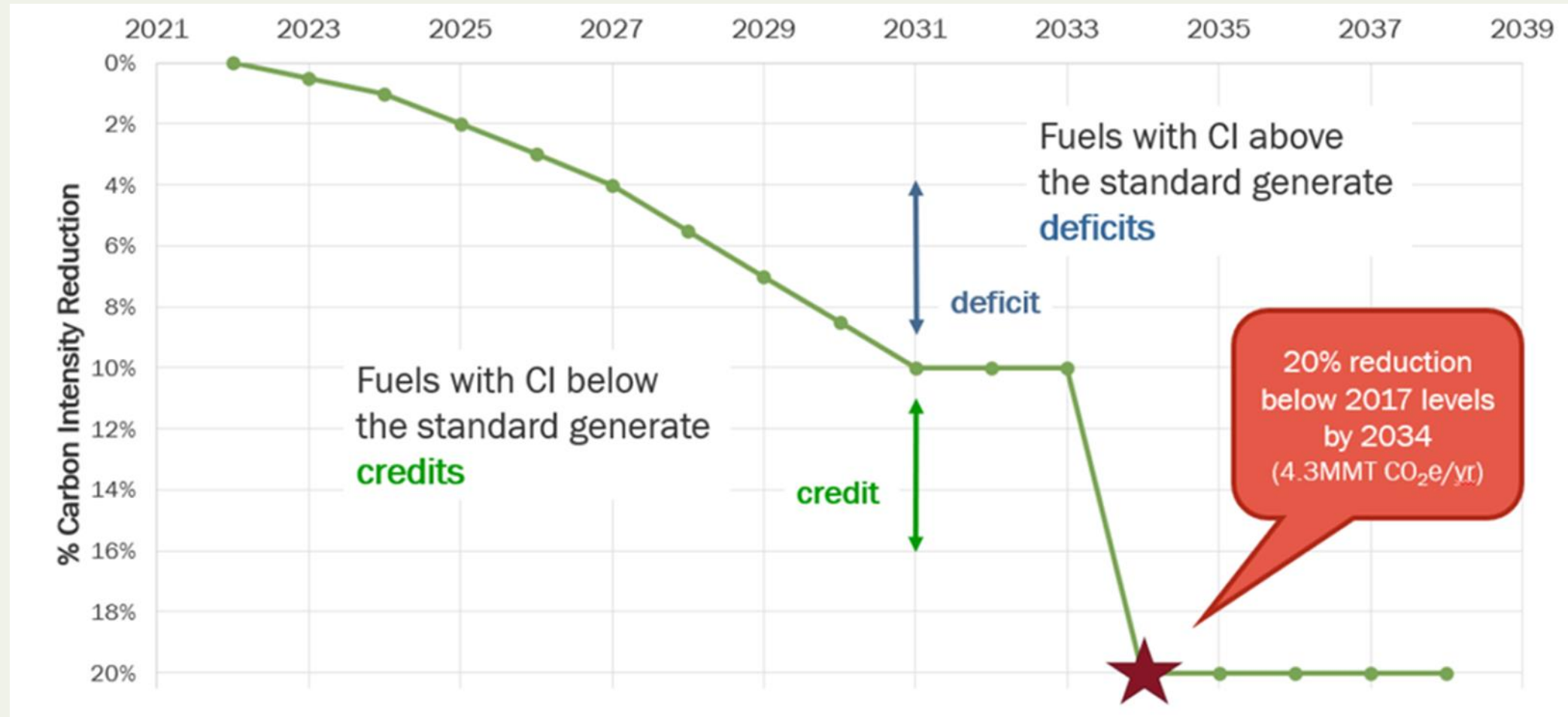
Agenda

- Clean Fuels Program (CFP) Legislation and Overview
- Credit Allocation
- Expenditure Requirements
- Current State
- Implementation Team
- What's Next

HB1091/1409 Clean Fuels Standard

- Established standards that reduce Carbon Intensity (CI) in transportation fuels used in Washington State through 2038.
- Established a market-based credit program with requirements for utility spending and coordination with California and Oregon programs.
- Similar West Coast programs in place:
 - California Low Carbon Fuel Standard (LCFS)
 - Oregon Clean Fuels Program (CFP)
 - British Columbia LCFS
 - New Mexico CFP
- 2024-25 Legislative session passed HB 1409 resulting in accelerated carbon intensity limits, extended program term and modified penalties.

CFP Carbon Reduction Goals (HB1091)



Credit Allocation and Sales

- **Commercial credits** (from PUD owned chargers):
 - *Applied* for quarterly
 - Issued by Ecology quarterly
 - Banked in Ecology's credit tracking system
- **Residential credits** (based on SnoPUD territory registered EVs):
 - *Calculated* by Ecology
 - Allocated by Ecology twice a year
 - Banked in Ecology's credit tracking system
- Credits can be sold at any time and recorded in Ecology's credit system.
- Credits Banked as of 6/17/25:
 - 178,168
 - Conservative Market Value: \$20/credit (\$3.6M)
 - Credit sales: \$260,000
- Anticipate credit sales in the once-a-year Credit Clearance Market for deficit holders to meet compliance obligations.

Expenditures From Credit Revenue

- **Commercial credit** revenue can be spent on electric transportation related expenditures.
- **Residential credit** revenue must be spent in legislation defined transportation electrification expenditure categories:
 - 50% from list of types of programs/projects
 - 30% benefitting non-attainment areas
 - 20% electric transportation related
- Department of Ecology (DOE) required reporting:
 - Credit Transactions
 - Residential Expenditures (by category)
 - Customer Programs (by project/program)

Expenditure Requirements

- All net revenue from CFP residential EV charging credits invested in transportation electrification:
 - Category 1 – Minimum 50% revenue:
 - From Ecology's list of greenhouse emissions reducing project types:
 - Examples: EV rolling stock and EV chargers.
 - Category 2 – Minimum 30% revenue:
 - Within or benefitting communities designated by Environmental Protection Agency (EPA), Washington Department of Health (DOH) or Washington Department of Ecology (Ecology):
 - Examples: community engagement and delivery vehicle electrification.
 - Category 3 – Maximum 20% revenue:
 - General transportation electrification projects:
 - Examples: customer make-ready and infrastructure projects.

Current State of Program Development

- District is registered in Ecology's system and claiming Commercial credits quarterly.
- Residential credits received for years 2023 and 2024:
 - Q1/Q2 2025 credits will allocate in July 2025
- Accounting categories and tracking of revenue and expenditures established (in compliance w/ DOE requirements).
- Credit sales process developed and executed:
 - Power Supply
 - Treasury
- Quarterly and annual reporting underway.
- Customer programs under development.

Implementation Team

- **Adam Cornelius** - Power Supply
 - Credit transactions
- **Nathan Rhoades** -Treasury
 - Financial transactions
- **Michael Bixler and MasterData Team** - Finance
 - Accounting and compliance
- **Sheri Miller, Shane Frye, Suzanne Frew** – Strategic Partnerships
 - Customer Programs and reporting
 - Compliance, Policy and Ecology relationship

What's Next?

- Customer grant program under development for residential credit revenue expenditures:
 - Expected launch date of Fall 2025
- Continued credit sales generating revenue for programs.
- Draft rulemaking process delayed for HB 1409 (passed) and anticipate finalizing Fall 2025.
- Additional rulemaking in early fall for HB1409 changes effective January 2026.
- Expect ongoing changes tracking to activity in CA and OR.
- Commission presentation on customer program launch Fall 2025.
- Commission presentation aligning with annual Ecology reporting.

Questions?



BUSINESS OF THE COMMISSION

Meeting Date: July 1, 2025

Agenda Item: 5

TITLE

CEO/General Manager's Report

SUBMITTED FOR: CEO/General Manager Report

CEO/General Manager	John Haarlow	8473
<i>Department</i>	<i>Contact</i>	<i>Extension</i>
Date of Previous Briefing:		
Estimated Expenditure:		Presentation Planned <input type="checkbox"/>

ACTION REQUIRED:

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

SUMMARY STATEMENT:

Identify the relevant Board policies and impacts:

The CEO/General Manager will report on District related items.

List Attachments:
None



BUSINESS OF THE COMMISSION

Meeting Date: July 1, 2025

Agenda Item: 6A

TITLE

Consideration of a Resolution Creating a Plan of Financing for the Acquisition and Construction of and Certain Additions, Betterments and Improvements to and Renewals, Replacements and Extensions of the District's Electric System; Authorizing the Issuance and Sale of not to Exceed \$450,000,000 Aggregate Principal Amount of Electric System Revenue and Refunding Bonds, Series 2025 in one or More Series; Providing for the Terms of the 2025 Bonds; Approving the Execution and Delivery of Certain Documents and Agreements; and Providing for Certain Other Matters Related Thereto

SUBMITTED FOR: Items for Individual Consideration

<u>Treasury & Financial Risk Management</u>	<u>Lauren Way</u>	<u>8042</u>
<i>Department</i>	<i>Contact</i>	<i>Extension</i>
Date of Previous Briefing:	<u>July 17, 2025</u>	
Estimated Expenditure:	<u></u>	Presentation Planned <input type="checkbox"/>

ACTION REQUIRED:

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

SUMMARY STATEMENT:

Identify the relevant Board policies and impacts:

Utilities are provided at the lowest possible cost consistent with sound business principles (Ends Policy Section VI.5).

On June 3, 2025, and June 17, 2025, the Board received presentations on the financing plan that, in part, included issuing Electric System Revenue and Refunding bonds in order to fund capital improvements in the District's Electric System and to refund the District's Electric System Revenue Bonds, Series 2010A Taxable Build America Bond (Direct Pay) and Series 2015.

The attached resolution approves and authorizes the distribution of one or more preliminary official statements for the District's proposed Electric System Revenue and Refunding Bonds, Series 2025 in one or more series; (the Bonds) substantially in the form provided to the Commissioners, with any changes from the form provided being approved by the CEO/General Manager, Chief Financial Officer or Treasurer (following consultation with the Chief Legal Officer); and the execution of various other documents and agreements related to the issuance and sale of the Bonds, including the bond purchase agreement.

Staff will brief the Commission on the results of the pricing at the August 5, 2025, Commission meeting.

List Attachments:

Resolution

Preliminary Official Statement for the Electric System Revenue and Refunding Bonds,
Series 2025

Form of Bond Purchase Agreement

RESOLUTION NUMBER ____

A RESOLUTION CREATING A PLAN OF FINANCING AND REFINANCING FOR THE ACQUISITION AND CONSTRUCTION OF AND CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO AND RENEWALS, REPLACEMENTS AND EXTENSIONS OF THE DISTRICT'S ELECTRIC SYSTEM; AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$450,000,000 AGGREGATE PRINCIPAL AMOUNT OF ELECTRIC SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2025 IN ONE OR MORE SERIES; PROVIDING FOR THE TERMS OF THE 2025 BONDS; APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS AND AGREEMENTS; AND PROVIDING FOR CERTAIN OTHER MATTERS RELATED THERETO

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RESOLUTION NO. ____

A RESOLUTION CREATING A PLAN OF FINANCING AND REFINANCING FOR THE ACQUISITION AND CONSTRUCTION OF AND CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO AND RENEWALS, REPLACEMENTS AND EXTENSIONS OF THE DISTRICT'S ELECTRIC SYSTEM; AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$450,000,000 AGGREGATE PRINCIPAL AMOUNT OF ELECTRIC SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2025 IN ONE OR MORE SERIES; PROVIDING FOR THE TERMS OF THE 2025 BONDS; APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS AND AGREEMENTS; AND PROVIDING FOR CERTAIN OTHER MATTERS RELATED THERETO

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

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

WHEREAS, pursuant to the Master Resolution, as supplemented and amended, including as supplemented by Resolution No. 5497, adopted on April 20, 2010, the District issued its Electric System Revenue Bonds Series 2010A Taxable Build America Bonds (Direct Pay) (the "2010A Bonds"), currently outstanding in the aggregate principal amount of \$115,995,000; and

WHEREAS, pursuant to the Master Resolution, as supplemented and amended, including as supplemented by Resolution No. 5720, adopted on May 26, 2015, the District issued its Electric System Revenue Bonds, Series 2015 (the "2015 Bonds"), currently outstanding in the aggregate principal amount of \$119,475,000; and

WHEREAS, the District now desires to issue its Electric System Revenue and Refunding Bonds, Series 2025, in one or more series (as further defined herein, the "2025 Bonds") for the purposes of (i) financing additions, betterments and improvements to and renewals, replacements and extensions of the Electric System, (ii) refunding all or a portion of the outstanding 2010A Bonds and the 2015 Bonds, and (iii) paying costs of issuing the 2025 Bonds; and

WHEREAS, the 2025 Bonds will be issued and secured under the Master Resolution as supplemented by this Thirteenth Supplemental Resolution;

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

ARTICLE I

DEFINITIONS; STATUTORY AUTHORITY AND FINDINGS

Section 1.01. Supplemental Resolution. This Thirteenth Supplemental Resolution is supplemental to Resolution Nos. 3602, 3603, 4862, 5077, 5156, 5227, 5497, 5503, 5505, 5558, 5604, 5720, 5973, 6014 and 6067 is adopted in accordance with Article IX and Article XVI of the Master Resolution (as defined herein).

Section 1.02. Definitions.

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

(b) In this Thirteenth Supplemental Resolution:

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

“Authorized Officer” means the President, Vice President or Secretary of the Commission, the Chief Executive Officer/General Manager, Chief Financial Officer or 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 2025 Bonds.

“Bondowner” means any person who shall be the registered owner of any 2025 Bond.

“Bond Purchase Contract” means one or more bond purchase contracts entered into between the Underwriters and the District, providing for the purchase of one or more series of the 2025 Bonds.

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

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

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

“Conditional Redemption” has the meaning assigned to such term in Section 3.04(a).

“Date of Issuance” means the date of original issuance and delivery of a series of 2025 Bonds.

“DTC” means The Depository Trust Company, New York, New York, as depository for the 2025 Bonds, or any successor or substitute depository for the 2025 Bonds.

“Escrow Agreement” means one or more Escrow Agreements, if any, to be dated the Date of Issuance of the related 2025 Bonds, between the District and U.S. Bank Trust Company, National Association, related to one or more series of the Refunded Bonds.

“Interest Payment Date” means each June 1 and December 1, commencing December 1, 2025, or such other date as provided in a 2025 Delivery Certificate.

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

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

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

“Official Statement” has the meaning given to such term in Section 5.02(b) hereof.

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

“Preliminary Official Statement” has the meaning given to such term in Section 5.02(a) hereof.

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

“Refunded Bonds” means the District’s outstanding 2010A Bonds and 2015 Bonds, if any, specified as such in a 2025 Delivery Certificate.

“Registrar” means U.S. Bank Trust Company, National Association, its assigns and successors, which shall also act as the Trustee and the Paying Agent for the 2025 Bonds.

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

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

“Secretary” has the meaning given to such term in Section 5.01 hereof.

“Subsidy Payments” has the meaning given to such term in Section 1.08 hereof.

“Tax Certificate” means one or more certificates delivered by the District regarding compliance with applicable provisions of the Code in connection with the issuance of any series of 2025 Bonds issued on a tax-exempt basis.

“Tax Law Change” has the meaning given to such term in Section 1.08 hereof.

“Thirteenth Supplemental Resolution” means this Resolution No. _____, adopted by the District’s Commission on July 1, 2025, and any amendments, modifications or supplements hereto.

“Underwriters” shall mean Raymond James & Associates, Inc. and Goldman Sachs & Co. LLC, as the underwriters for the 2025 Bonds.

“2010A/B Delivery Certificate” has the meaning given to such term in Section 1.08 hereof.

“2025 Bonds” means the District’s Electric System Revenue and Refunding Bonds, Series 2025, to be issued in one or more series pursuant to the Master Resolution and this Thirteenth Supplemental Resolution.

“2025 Construction Account” has the meaning given to such term in Section 4.04(b) hereof.

“2025 Costs of Issuance Account” has the meaning given to such term in Section 4.04(c) hereof.

“2025 Delivery Certificate” means one or more written certificates of the District executed by an Authorized Officer and delivered at the time of issuance of the related 2025 Bonds and/or one or more resolutions of the Commission adopted by the Commission prior to or at the time of issuance of the related 2025 Bonds setting forth certain terms with respect to the related 2025 Bonds as provided in this Thirteenth Supplemental Resolution.

“2025 Rebate Account” has the meaning given to such term in Section 4.04(a) hereof.

“2025 Reserve Account” has the meaning given to such term in Section 4.04(d) hereof.

“2025 Reserve Requirement” means \$0, unless otherwise specified in the applicable 2025 Delivery Certificate.

Section 1.03. Compliance with the Master Resolution. The Commission hereby finds that this Thirteenth Supplemental Resolution contains the provisions required by Sections 9.2, 9.5 and 12.3(a)(iii) of the Master Resolution. All of the conditions required by Sections 9.2, 9.5 and 9.3 or 9.4, as applicable, of the Master Resolution for the 2025 Bonds to be issued on a parity with the Outstanding Bonds have been met or will be met by the related Date of Issuance.

Section 1.04. Due Regard. The Commission hereby finds that due regard has been given to the cost of the operation and maintenance of the Electric System and that it has not obligated the District to set aside into the Bond Fund for the account of the 2025 Bonds a greater amount of the revenues and proceeds of the Electric System that, in its judgment, will be available over and above such cost of maintenance and operation and the amount of such revenues and proceeds previously pledged.

Section 1.05. Plan and System. The District hereby specifies and adopts the plan and system for financing and refinancing repairs, replacements, renewals, extensions, additions, improvements and betterments to the Electric System, including the refunding of the Refunded Bonds, which plan and system constitutes a portion of the District's estimated capital requirements with respect to the Electric System for 2025 through 2029.

In connection with the plan and system, the District shall (a) apply a portion of the proceeds of the 2025 Bonds to refund the Refunded Bonds in accordance with the provisions hereof, the Escrow Agreement, if any, and the 2025 Delivery Certificate and (b) acquire and construct all or any portion of certain additions, betterments and improvements to and renewals, replacements and extensions of the Electric System, all as set forth in the capital plan and budgets adopted from time to time by the Commission and shall cause to be made any and all surveys and appraisals and financial and engineering studies and investigations and shall cause to be performed any and all fiscal, engineering, accounting, legal and other services necessary or incidental to implementation thereof.

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

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

- (a) the public interest, welfare, convenience and necessity require the District to implement the plan and system described in Section 1.05;
- (b) the implementation of the plan and system described in Section 1.05 is for lawful purposes of the District and will further the purpose of supplying the District and the inhabitants thereof and any other persons, including public and private corporations, within or without its limits, with electricity for all uses and purposes;
- (c) the implementation of the plan and system is economically sound; and
- (d) the plan and system will contribute properly and advantageously to the conduct of the business of the District and its Electric System.

Section 1.07. Cost of Plan and System. The cost of the plan and system herein specified and adopted for the financing and refinancing of the acquisition and construction of and certain additions, betterments, and improvements to and renewals, replacements, and extensions of the Electric System, including as a part of such cost funds necessary for the payment of expenses and

obligations heretofore incurred, is hereby declared, as near as may be, to be no less than \$450,000,000.

Section 1.08. Extraordinary Optional Redemption of the 2010A Bonds – Determination of Tax Law Change. Pursuant to the extraordinary optional redemption provisions of the 2010A Bonds established pursuant to the Master Resolution, as amended and supplemented, including as supplemented by Resolution No. 5497, adopted by the Commission on April 20, 2010, and by the 2010A/B Delivery Certificate, executed and delivered by the District on May 25, 2010 (the “2010A/B Delivery Certificate”), the District has determined that legislation has been enacted by the Congress of the United States, the effect of which is to suspend, reduce or terminate the timely payment from the United States Treasury to the District with respect to the 2010A Bonds pursuant to Sections 54AA or 6431 of the Code of an amount equal to at least 35% of the interest due thereon on each interest payment date (the “Subsidy Payments”) and that such suspension, reduction or termination of the Subsidy Payments is not due to a failure by the District to comply with the requirements under the Code to receive such Subsidy Payments (a “Tax Law Change”). In accordance with such determination of the occurrence of a Tax Law Change, at the determination of the Authorized Officers in accordance with the provisions hereof, the 2010A Bonds may be redeemed pursuant to the extraordinary optional redemption provisions of the 2010A/B Delivery Certificate.

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

ARTICLE II

AUTHORIZATION OF 2025 BONDS

Section 2.01. Authorization of the 2025 Bonds. Pursuant to the provisions of the Master Resolution, another series of Bonds of the Electric System entitled to the benefit, protection and security of such provisions is hereby authorized and shall be distinguished from the Bonds of all other series by the title, “Electric System Revenue and Refunding Bonds, Series 2025”. The 2025 Bonds shall be issued in the aggregate principal amount of up to \$450,000,000, and shall be sold by negotiated sale. Notwithstanding the foregoing, the issuance of the 2025 Bonds authorized to be issued under this Thirteenth Supplemental Resolution shall be at the option of the District (subject to the Bond Purchase Contract referred to in Section 5.01 below), and the District shall confirm the issuance of such 2025 Bonds and the terms thereof in a 2025 Delivery Certificate. The Authorized Officers (as defined herein) may, in consultation with the District’s investment bankers, municipal advisors, general counsel and Bond Counsel, establish one or more additional series of 2025 Bonds and may issue the 2025 Bonds on one or more dates, provided that the aggregate principal amount of all series of 2025 Bonds issued pursuant to this Thirteenth Supplemental Resolution does not exceed the authorized principal amount of the 2025 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 2025 Bonds and the terms thereof in a 2025 Delivery Certificate.

Section 2.02. Authentication of the 2025 Bonds. The 2025 Bonds shall be issued as hereinafter provided. The Registrar shall authenticate and deliver a series of 2025 Bonds upon receipt of all of the following:

(a) A 2025 Delivery Certificate signed by an Authorized Officer specifying (A) the series designation and principal amounts of the 2025 Bonds to be issued, (B) the dated date and maturity dates of the 2025 Bonds to be issued, (C) the interest rates to be borne by the 2025 Bonds to be issued, (D) the initial 2025 Reserve Requirement for such 2025 Bonds, if different from the amount specified in this Thirteenth Supplemental Resolution, (E) direction as to the deposit of the proceeds of the sale of the 2025 Bonds to be issued, including the amount, if any, deposited in the Reserve Account, (F) the optional redemption provisions and mandatory sinking fund redemption provisions of the 2025 Bonds to be issued and (G) any other additions or changes to this Thirteenth Supplemental Resolution and such other matters as may be deemed necessary or desirable in the opinion of the Authorized Officer executing the 2025 Delivery Certificate, after consultation with general counsel to the District, to effect the issuance of the 2025 Bonds and further the purposes of this Thirteenth Supplemental Resolution;

(b) An opinion of Bond Counsel acceptable to the District and the Registrar, addressed to the District, to the effect that (i) the 2025 Bonds to be issued are legal, valid and binding obligations of the District, and (ii) if any of the 2025 Bonds are issued on a tax-exempt basis, that interest on such 2025 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code; and

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

Section 2.03. Terms of the 2025 Bonds. The 2025 Bonds shall be issued in the form of fully registered bonds only, shall be dated and shall bear interest from the related 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 related 2025 Delivery Certificate. The true interest cost on any series of 2025 Bonds shall not exceed 5.5% per annum. The final maturity date for the 2025 Bonds shall not be later than December 1, 2055. Interest shall be computed on the basis of a 360-day year consisting of twelve (12) 30-day months.

Section 2.04. Registration, Exchange and Payments.

(a) Registrar/Bond Register. The Registrar shall keep, or cause to be kept, at its principal corporate trust office, the Bond Register for the 2025 Bonds, which shall be open to inspection by the District. The Registrar is authorized, on behalf of the District, to authenticate and deliver 2025 Bonds transferred or exchanged in accordance with the provisions of such 2025 Bonds and this Thirteenth Supplemental Resolution and to carry out all of the Registrar's powers and duties under this Thirteenth Supplemental Resolution.

(b) Method of Payment. The principal of and redemption premium, if any, on any 2025 Bond will be payable to the Bondowner thereof at the corporate office of the Registrar.

Interest on the 2025 Bonds will be payable by the Registrar on each Interest Payment Date by check or draft mailed to each Bondowner as of the Record Date, at the most recent address shown on the Bond Register; provided, however, that payment of interest to each Bondowner who owns of record \$1,000,000 or more in aggregate principal amount of 2025 Bonds may be made to such Bondowner by wire transfer to such wire address within the United States as that Bondowner may request in writing prior to the Record Date; provided, the cost of such wire transfer shall be paid by such Bondowner.

(c) Denominations; Medium of Payment. The 2025 Bonds shall be issued in fully registered form in Authorized Denominations. The 2025 Bonds shall be payable with respect to interest, principal and redemption premium, if any, in any coin or currency of the United States of America that, at the time of payment, is legal tender for the payment of public and private debts. Each 2025 Bond shall bear interest until the principal sum thereof has been paid; provided, however, that if at the maturity date of any 2025 Bond, funds are available for the payment thereof in full in accordance with the terms of Section 12.4 of the Master Resolution, such 2025 Bond shall then cease to bear interest.

(d) Registered Ownership. The District and the Registrar may deem and treat the Bondowner of each 2025 Bond as the absolute owner for all purposes, and neither the District nor the Registrar shall be affected by any notice to the contrary. Payment of any such 2025 Bond shall be made only as described in Section 2.04(b) hereof, but such registration may be transferred as herein provided. All such payments made as described in Section 2.04(b) shall be valid and shall satisfy the liability of the District upon such 2025 Bond to the extent of the amount or amounts so paid.

(e) Book-Entry System. Except as provided in subparagraph (d) of this Section 2.04, all of the 2025 Bonds shall be registered in the name of Cede. So long as Cede is the Bondowner, payment of semi-annual interest for any 2025 Bond shall be made by transfer of same day funds to the account of Cede on the Interest Payment Date for the 2025 Bonds at the address indicated for Cede in the Bond Register kept by the Registrar.

The 2025 Bonds shall be initially issued in the form of a single fully registered bond for each series, maturity and interest rate. Upon initial issuance, the ownership of such 2025 Bonds shall be registered in the Bond Register kept by the Registrar in the name of Cede, as nominee of DTC. With respect to 2025 Bonds registered in the Bond Register kept by the Registrar in the name of Cede, as nominee of DTC, the District and the Registrar shall have no responsibility or obligation to any Participant or to any Beneficial Owner. Without limiting the immediately preceding sentence, the District and the Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any Participant with respect to any ownership interest in the 2025 Bonds, (ii) the delivery to any Participant, any Beneficial Owner or any other person, other than DTC, of any notice with respect to the 2025 Bonds, including any notice of redemption, or (iii) the payment to any Participant, any Beneficial Owner or any other person, other than DTC, of any amount with respect to the principal of, premium, if any, or interest on the 2025 Bonds. With respect to 2025 Bonds registered in the Bond Register in the name of Cede, as nominee of DTC, the District and the Registrar may treat as and deem DTC to be the absolute owner of each 2025 Bond for the purpose of payment of the principal of, premium, if any, and interest on such 2025 Bonds, for the purpose of giving notices of redemption and other matters

with respect to such 2025 Bonds, for the purpose of registering transfers with respect to such 2025 Bonds, and for all other purposes whatsoever. The Registrar shall pay all principal of and premium, if any, and interest on such 2025 Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to the principal of, and premium, if any, and interest on the 2025 Bonds to the extent of the sum or sums so paid. Payments of principal may be made without requiring the surrender of such 2025 Bonds, and the District and the Registrar shall not be liable for the failure of DTC or any successor thereto to indicate properly on the 2025 Bonds the payment of such principal. No person other than DTC shall receive any such 2025 Bond evidencing the obligation of the District to make payments of principal of, premium, if any, and interest on such 2025 Bonds pursuant to this Thirteenth Supplemental Resolution. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions hereof, the word "Cede" in this Thirteenth Supplemental Resolution shall refer to such new nominee of DTC.

(f) (i) DTC may determine to discontinue providing its services with respect to the 2025 Bonds at any time by giving written notice to the District and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is not a successor securities depository), certificates representing the 2025 Bonds will be delivered as described in this Thirteenth Supplemental Resolution.

(ii) The District, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the 2025 Bonds if the District determines that: (a) DTC is unable to discharge its responsibilities with respect to the 2025 Bonds, or (b) a continuation of the requirement that all of the Outstanding 2025 Bonds be registered in the Bond Register in the name of Cede, as nominee of DTC, is not in the best interest of the District or the Beneficial Owners of the 2025 Bonds. In the event that no securities depository is found by the District or restricted registration is no longer in effect, certificates representing the 2025 Bonds will be delivered as described in the Resolution.

(iii) Upon the termination of the services of DTC with respect to the 2025 Bonds pursuant to subsection (f)(ii)(b) hereof, or upon the discontinuance or termination of the services of DTC with respect to the 2025 Bonds pursuant to subsection (f)(i) or subsection (f)(ii)(a) hereof and for which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the District, is willing and able to undertake such functions upon reasonable and customary terms, the 2025 Bonds shall no longer be restricted to being registered in the Bond Register in the name of Cede as nominee of DTC, but may be registered in whatever name or names Bondowners transferring or exchanging 2025 Bonds shall designate, in accordance with the provisions of the Resolution.

(g) Notwithstanding any other provision of this Thirteenth Supplemental Resolution to the contrary, so long as any 2025 Bond is registered in the name of Cede, as nominee of DTC, all payments with respect to the principal of, premium, if any, and interest on such 2025 Bond and all notices with respect to such 2025 Bond shall be made and given, respectively, to DTC as provided in the Letter of Representations, heretofore executed.

(h) In connection with any notice or other communication to be provided to Bondowners of the 2025 Bonds pursuant to the Resolution with respect to any consent or other action to be taken by the Bondowners of the 2025 Bonds, the District or the Registrar, as the case may be, shall establish a consent date for such consent or other action and give DTC notice of such date not less than 15 calendar days in advance of such date to the extent possible.

Section 2.05. Form of 2025 Bonds. The 2025 Bonds shall be in substantially the form set forth in Section 17.1 of the Master Resolution.

Section 2.06. Appointment of Registrar. U.S. Bank Trust Company, National Association, is hereby appointed as Trustee, Registrar and Paying Agent for the 2025 Bonds.

ARTICLE III

REDEMPTION PROVISIONS FOR THE 2025 BONDS

Section 3.01. Optional Redemption. The 2025 Bonds shall be subject to redemption prior to maturity at the option of the District as provided in the related 2025 Delivery Certificate.

Section 3.02. Mandatory Sinking Fund Redemptions. The 2025 Bonds shall be subject to mandatory sinking fund redemptions, if any, as provided in the related 2025 Delivery Certificate.

Section 3.03. Partial Redemption of the 2025 Bonds. Unless otherwise provided in the related 2025 Delivery Certificate, if less than all of the 2025 Bonds of a series shall be called for redemption under Section 3.01 of this Thirteenth 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 Thirteenth Supplemental Resolution. The portion of any 2025 Bond to be redeemed shall be an Authorized Denomination, and in selecting 2025 Bonds for redemption, each 2025 Bond shall be considered as representing that number of 2025 Bonds that is obtained by dividing the principal amount of such 2025 Bond by the minimum Authorized Denomination thereof. If for any reason the principal amount of 2025 Bonds called for redemption would result in a redemption of 2025 Bonds in an amount that is less than an Authorized Denomination, the Registrar, to the extent possible within the principal amount of 2025 Bonds to be redeemed, is hereby authorized to adjust the selection of 2025 Bonds of the same series and maturities for such purpose to minimize any such redemption. Notwithstanding the foregoing, while the 2025 Bonds are held by DTC as book-entry bonds, if fewer than all of the 2025 Bonds of a series and maturity are called for redemption, the selection of the 2025 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 2025 Bond is to be called for redemption, then, upon notice of intention to redeem such portion, the Bondowner of such 2025 Bond shall surrender such 2025 Bond to the Registrar for (i) payment to such Bondowner of the redemption price of the portion of principal amount called for redemption and (ii) delivery to such Bondowner of a new 2025 Bond or 2025 Bonds at the option of the

Bondowner in the aggregate principal amount of the unredeemed balance of the principal amount of such 2025 Bond. New 2025 Bonds representing the unredeemed balance of the principal amount of such 2025 Bond shall be issued to the Bondowner thereof in accordance with Section 11.4 of the Master Resolution. If the Bondowner of any such 2025 Bond shall fail to present such 2025 Bond to the Registrar for payment and exchange as aforesaid, such 2025 Bond nevertheless shall become due and payable on the date fixed for redemption to the extent of the portion of the principal amount called for redemption (and to that extent only) as provided herein.

Section 3.04. Notice of Redemption of the 2025 Bonds.

(a) Written notice of any redemption of 2025 Bonds shall be given by the Registrar on behalf of the District by first class mail, postage prepaid, not less than 20 days nor more than 60 days before the date fixed for redemption to the registered owners of 2025 Bonds that are to be redeemed at their last addresses shown on the Bond Register. So long as the 2025 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 2025 Bonds are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the 2025 Bonds to be redeemed, (iv) that on the date fixed for redemption the redemption price will become due and payable upon each 2025 Bond or portion called for redemption, and that interest shall cease to accrue from the date fixed for redemption, (v) that the 2025 Bonds are to be surrendered for payment at the principal office of the Registrar, (vi) the CUSIP numbers of all 2025 Bonds being redeemed, (vii) the dated date, series designation and stated maturity date of the 2025 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 2025 Bonds being redeemed.

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

If notice is given as stated in this subsection, failure of any Bondowner to receive such notice, or any defect in the notice, shall not affect the redemption or the validity of the proceedings for the redemption of the 2025 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 2025 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 2025 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 2025 Bonds called for redemption and not so paid remain Outstanding.

Section 3.05. Effect of Redemption of Bonds. Notice of redemption having been duly given as aforesaid, the 2025 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 2025 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 2025 Bonds so called for redemption shall cease to accrue on such date and said 2025 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Resolution (except for payment of particular 2025 Bonds for which moneys are being held by the Registrar and which money shall be pledged to such payment), and the owners of said 2025 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 2025 Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by series, maturity and interest rate, the 2025 Bonds being redeemed with the proceeds of such check or other transfer.

Section 3.06. Purchase at Any Time. The District reserves the right to purchase any of the 2025 Bonds, at public or private sale, at any price deemed reasonable by the District at any time.

ARTICLE IV

APPLICATION OF PROCEEDS OF THE 2025 BONDS;

2025 RESERVE REQUIREMENT; TAX COVENANTS ; ESTABLISHMENT OF FUNDS
AND ACCOUNTS

Section 4.01. Application of Proceeds of the 2025 Bonds. The proceeds of the sale of a series of the 2025 Bonds shall be deposited as required by Sections 9.4, 9.8 and 12.4 of the Master Resolution and shall be applied as provided in the related 2025 Delivery Certificate.

Section 4.02. 2025 Reserve Requirement. The 2025 Bonds shall not be secured by the Reserve Account. The 2025 Reserve Requirement shall be as set forth in the related 2025 Delivery Certificate.

Section 4.03. Tax Covenants. If any 2025 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 2025 Bonds, including compliance with the provisions of the Tax Certificate.

Section 4.04. Establishment of Funds and Accounts.

(a) Establishment and Application of 2025 Rebate Account. If any 2025 Bonds are issued on a tax-exempt basis, to ensure proper compliance with the tax covenants contained in Section 4.03 of this Thirteenth Supplemental Resolution and with the covenants contained in the Tax Certificate, the District shall establish and shall maintain within the Bond Fund an account separate from any other fund or account established and maintained under the Resolution to be known as the “Public Utility District No. 1 of Snohomish County, Washington Electric System Revenue and Refunding Bonds, 2025 Rebate Account” (the “2025 Rebate Account”). The District may establish within the 2025 Rebate Account such additional subaccounts as are specified in a 2025 Delivery Certificate as may be determined by the District to be necessary or convenient. All money at any time deposited in the 2025 Rebate Account in accordance with the provisions of the related 2025 Tax Certificate shall be held by the Treasurer for the account of the District in trust for payment to the federal government of the United States of America, and neither the District nor the owner of any 2025 Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the 2025 Rebate Account shall be governed by the Resolution and by the related 2025 Tax Certificate. The Treasurer shall invest all amounts held in the 2025 Rebate Account in accordance with the Resolution and the related 2025 Tax Certificate. Money shall not be transferred from the 2025 Rebate Account except in accordance with the Resolution and the related 2025 Tax Certificate. The 2025 Rebate Account and the amounts on deposit therein shall not be subject to the pledge of Section 9.1(c) of the Resolution for the benefit of the owners of the 2025 Bonds.

(b) Establishment of 2025 Construction Account. There is hereby created a special fund of the District to be known as the “Public Utility District No. 1 of Snohomish County, Washington, Electric System Revenue and Refunding Bonds, Series 2025 Construction Account” (the “2025 Construction Account”) within the Construction Fund of the District established pursuant to the Resolution. All amounts on deposit in the 2025 Construction Account shall be applied to pay the costs of financing the additions, betterments and improvements to and renewals,

replacements and extensions of the Electric System financed with the proceeds of the 2025 Bonds, except, if any 2025 Bonds are issued on a tax-exempt basis, as provided in the Tax Certificate.

(c) Establishment of 2025 Costs of Issuance Fund. There is hereby created a special fund of the District to be known as the “Public Utility District No. 1 of Snohomish County, Washington, Electric System Revenue and Refunding Bonds, Series 2025 Costs of Issuance Account” (the “2025 Costs of Issuance Account”) to be held by the Trustee. All amounts on deposit in the 2025 Costs of Issuance Account shall be applied to pay costs of issuing the 2025 Bonds, except, if any 2025 Bonds are issued on a tax-exempt basis, as provided in the Tax Certificate.

(d) Establishment of 2025 Reserve Account. There is hereby created a special fund of the District to be known as the “Public Utility District No. 1 of Snohomish County, Washington, Electric System Revenue and Refunding Bonds, Series 2025 Reserve Account” (the “2025 Reserve Account”) pursuant to the Resolution. If the 2025 Reserve Requirement is greater than \$0, the 2025 Delivery Certificate shall provide for the terms applicable to the 2025 Reserve Account.

ARTICLE V

SALE OF 2025 BONDS; APPROVAL OF DOCUMENTS

Section 5.01. Approval of Bond Purchase Contract. 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 one or more Bond Purchase Contracts 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 the District’s general counsel, such approval to be evidenced conclusively by his or her execution thereof, as so added to or changed. Subject to the conditions set forth in this Section 5.01, the 2025 Bonds shall be sold to the Underwriters pursuant to a Bond Purchase Contract at a purchase price equal to the principal amount of the 2025 Bonds less any original issue discount and plus any original issue premium, and less an Underwriters’ discount not to exceed 0.5% of the aggregate principal amount of the 2025 Bonds sold pursuant to such Bond Purchase Contract.

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

(a) Preliminary Official Statement. One or more preliminary official statements with respect to the 2025 Bonds (the “Preliminary Official Statement”), in substantially the form presented to and considered at this meeting, which is on file with the Secretary, shall be and is hereby authorized and approved and shall be delivered to the Underwriters with such changes therein from the form presented to this meeting as shall be deemed appropriate and in the best interests of the District, upon consultation with the District’s general counsel, by one or more Authorized Officers, such approval to be evidenced conclusively by the delivery of the Preliminary Official Statement to the Underwriters, as so added to or changed. The Underwriters are hereby authorized to distribute the Preliminary Official Statement in connection with the offer and sale of

a series of 2025 Bonds. The Authorized Officers, each acting singly, shall be and each of them is hereby authorized, empowered and directed to deem a Preliminary Official Statement final as of its date for purposes of the Rule, such action to be conclusively evidenced by delivery of the Preliminary Official Statement to the Underwriters.

(b) Official Statement. The Authorized Officers, each acting singly, shall be and each of them is hereby authorized, empowered and directed to execute and deliver one or more final official statements (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 the District’s general counsel, such approval to be evidenced conclusively by his or her execution thereof, as so added to or changed. The Underwriters are hereby authorized to distribute the Official Statement in connection with the offer and sale of a series of 2025 Bonds.

Section 5.03. Approval of the 2025 Delivery Certificate. The Authorized Officers, each acting singly, shall be and each of them is hereby authorized, empowered and directed to execute and deliver a 2025 Delivery Certificate upon the issuance and delivery of a series of 2025 Bonds, including such changes or additions to this Thirteenth Supplemental Resolution as shall be necessary or desirable and consistent with the intents and purposes hereof, upon consultation with the District’s general counsel.

Section 5.04. Approval of the Continuing Disclosure Certificate. The Authorized Officers, each acting singly, shall be and each of them is hereby authorized, empowered and directed to execute and deliver a Continuing Disclosure Certificate upon the issuance, delivery and sale of a series of 2025 Bonds with such terms and provisions as such officer shall deem appropriate and in the best interests of the District, upon consultation with the District’s general counsel.

Section 5.05. Redemption of the Refunded Bonds. The Authorized Officers, each acting singly, shall be and each of them is hereby authorized and empowered to determine whether to redeem all or a portion of the Refunded Bonds, to execute and deliver such documents, certificates, consents or notices as are necessary or desirable in order to effect the redemption of each such series.

ARTICLE VI

MISCELLANEOUS

Section 6.01. 2025 Bonds Subject to Resolution. Except as expressly provided in this Thirteenth Supplemental Resolution, every term and condition contained in the Master Resolution shall apply to this Thirteenth Supplemental Resolution and to the 2025 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 Thirteenth Supplemental Resolution.

Section 6.02. Severability of Invalid Provisions. If any one or more of the provisions contained in this Thirteenth Supplemental Resolution or in the 2025 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 Thirteenth Supplemental Resolution, such invalidity, illegality or unenforceability shall not affect any other provision of this Thirteenth Supplemental Resolution, and this Thirteenth Supplemental Resolution shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 6.03. Thirteenth Supplemental Resolution as Contract. In consideration of the acceptance of the 2025 Bonds by the Owners thereof, the provisions of this Thirteenth Supplemental Resolution shall be deemed to be and shall constitute a contract between the District and the Owners of the 2025 Bonds to secure the full and final payment of the principal of, and interest on, the 2025 Bonds, subject to the conditions, covenants and terms contained herein and in the Master Resolution.

Section 6.04. Holidays. If the last day of any period of grace, or the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Thirteenth Supplemental Resolution, is not a Business Day, the last day of such period of grace shall be deemed to be, and such payment may be made or act performed or right exercised, with the same force and effect as if done on the nominal date provided in this Thirteenth Supplemental Resolution, on, the next succeeding Business Day, and no interest shall accrue for the period after such nominal date.

Section 6.05. Further Action. The Authorized Officers, each acting singly, and the other officers, agents and employees of the District shall be and each of them is hereby authorized, empowered and directed to execute and deliver such other documents and agreements, in addition to those enumerated herein, and to take such other actions as they deem necessary or advisable in order to carry out and perform the purposes of this Thirteenth Supplemental Resolution and in connection with the sale, issuance and ongoing management of the 2025 Bonds. All actions taken by the Authorized Officers and the other officers, agents and employees of the District pursuant to or anticipation of the adoption of this Thirteenth Supplemental Resolution but prior to its effective date are hereby ratified, confirmed and approved.

Section 6.06. Effective Date. This Thirteenth Supplemental Resolution shall become effective upon its adoption.

Adopted by the Commission of Public Utility District No. 1 of Snohomish County,
Washington this 1st day of July 2025.

PUBLIC UTILITY DISTRICT NO. 1 OF
SNOHOMISH COUNTY, WASHINGTON

President

Vice President

Secretary

CLERK'S CERTIFICATE

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

1. That the attached Resolution No. _____ (herein called the "Resolution") is a true correct copy of a resolution of the Commission, as finally adopted at a regular meeting of the Commission held on the 1st day of July 2025 and duly recorded in my office.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 1st day of July 2025.

Clerk of the Commission

PRELIMINARY OFFICIAL STATEMENT DATED [____], 2025

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 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 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the 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 Bonds. See "TAX MATTERS."

**NEW ISSUE
BOOK-ENTRY ONLY**

See "RATINGS"

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

\$283,695,000*

**ELECTRIC SYSTEM REVENUE AND
REFUNDING BONDS, SERIES 2025A
(TAX-EXEMPT)**

Dated: 2025A Date of Delivery

Due: December 1, as shown on the inside cover

\$107,665,000*

**ELECTRIC SYSTEM REVENUE REFUNDING
BONDS, SERIES 2025B
(TAX-EXEMPT)**

Dated: 2025B Date of Delivery

Due: December 1, as shown on the inside cover

The Electric System Revenue and Refunding Bonds, Series 2025A (Tax-Exempt) (the "2025A Bonds") of Public Utility District No. 1 of Snohomish County, Washington (the "District") and the Electric System Revenue Refunding Bonds, Series 2025B (Tax-Exempt) (the "2025B Bonds") and together with the 2025A Bonds, the "Bonds") will be issued as fixed rate bonds maturing in the amounts and bearing interest at the rates set forth on the inside front cover of this Official Statement, payable June 1 and December 1 of each year, commencing December 1, 2025.

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

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

The 2025A Bonds are being issued to (i) finance additions, betterments and improvements to and renewals, replacements and extensions of the Electric System; (ii) depending on market conditions, refund all or a portion of the District's outstanding Electric System Revenue Bonds, Series 2010A Taxable Build America Bonds (Direct Pay); and (iii) pay costs of issuance of the 2025A Bonds. The 2025B Bonds are being issued to (i) depending on market conditions, refund all or a portion of the District's outstanding Electric System Revenue Bonds, Series 2015; and (ii) pay costs of issuance of the 2025B Bonds. See "PURPOSE AND APPLICATION OF BOND PROCEEDS."

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

MATURITY SCHEDULE — See Inside Front Cover

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

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

The Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Seattle, Washington, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by its General Counsel, F. Colin Willenbrock, Esq. Certain legal matters will be passed upon for the Underwriters by their special counsel, Foster Garvey P.C. Certain legal matters will be passed upon by Orrick, Herrington & Sutcliffe LLP, Seattle, Washington, as Disclosure Counsel to the District. It is expected that delivery of the Bonds will be made through the facilities of DTC in New York, New York, by Fast Automated Securities Transfer (FAST), on or about _____, 2025.

RAYMOND JAMES

GOLDMAN SACHS & CO. LLC

* Preliminary, subject to change.
4153-8525-6541.7

MATURITY SCHEDULE

\$283,695,000*

**PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON
ELECTRIC SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2025A
(TAX-EXEMPT)**

Maturity Year (December 1)*	Principal Amount*	Interest Rate	Yield	CUSIP Number** (833102)
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\$___*___% Term Bonds due December 1, 20___ Priced to Yield ___%[†] (CUSIP No. 833102___**)

* Preliminary, subject to change.

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MATURITY SCHEDULE

\$107,665,000*

**PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON
ELECTRIC SYSTEM REVENUE REFUNDING BONDS, SERIES 2025B
(TAX-EXEMPT)**

Maturity Year (December 1)*	Principal Amount*	Interest Rate	Yield	CUSIP Number** (833102)
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\$____* ____% Term Bonds due December 1, 20__ Priced to Yield ____%[†] (CUSIP No. 833102__**)

* Preliminary, subject to change.

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No dealer, broker, salesperson or other person has been authorized by the District or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the 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 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

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

In connection with the offering of the Bonds, the Underwriters may over allot or effect transactions that stabilize or maintain the market price of the 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 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 Bonds.

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

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

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

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

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

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

www.snopud.com^(*)

BOARD OF COMMISSIONERS

**PRESIDENT
Sidney “Sid” Logan**

**VICE PRESIDENT
Tanya “Toni” Olson**

**SECRETARY
Julieta Altamirano-Crosby**

ADMINISTRATIVE MANAGEMENT

John Haarlow, Chief Executive Officer/General Manager

F. Colin Willenbrock, Chief Legal Officer

Jeff Bishop, Chief Financial Officer

Angela Johnston, Treasurer

Jason Zyskowski, Chief Energy Resources Officer

Amy Carstens, Chief Operations Officer

Kristi Sterling, Chief Information Officer

John Hoffman, Chief Customer Officer

CONSULTANTS

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

^(*) 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 Bonds.

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

THE DISTRICT'S SERVICE AREA

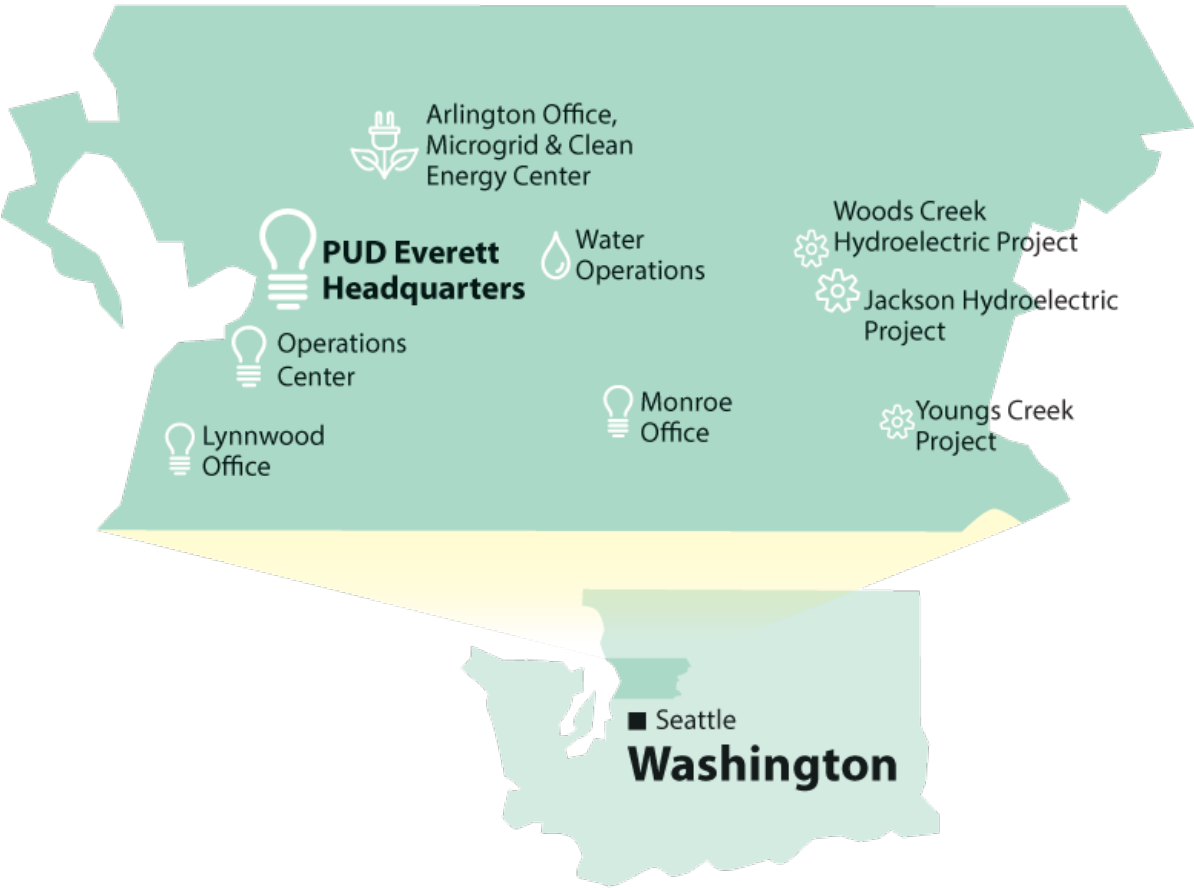


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CERTIFICATE..... F-1

OFFICIAL STATEMENT

PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON

\$283,695,000*
ELECTRIC SYSTEM REVENUE AND
REFUNDING BONDS, SERIES 2025A
(TAX-EXEMPT)

\$107,665,000*
ELECTRIC SYSTEM REVENUE
REFUNDING BONDS, SERIES 2025B
(TAX-EXEMPT)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, inside cover page and appendices, is to provide information concerning Public Utility District No. 1 of Snohomish County, Washington (the “District”), its Electric System, its Generation System and its proposed \$283,695,000* Electric System Revenue and Refunding Bonds, Series 2025A (Tax-Exempt) (the “2025A Bonds”) dated as of their date of delivery, which is expected to be July 29, 2025* (the “2025A Date of Delivery”) and \$107,665,000* Electric System Revenue Refunding Bonds, Series 2025B (Tax-Exempt) dated as of their date of delivery, which is expected to be September 3, 2025* (the “2025B Date of Delivery”). The 2025A Bonds and the 2025B Bonds, are referred to herein as the “Bonds.”

The Bonds are to be issued pursuant to Chapter 1 of the Laws of Washington, 1931, as amended and supplemented, constituting Title 54 of the Revised Code of Washington, Chapter 167 of the Laws of Washington, 1983, as amended and supplemented, constituting Chapter 39.46 of the Revised Code of Washington (collectively, the “Enabling Act”) and Resolution No. 3602, adopted by the Commission of the District (the “Commission”) on May 16, 1991 (the “Master Electric System Resolution”), as supplemented and amended, including as supplemented by Resolution No. [___], adopted by the Commission on July 1, 2025 (the “Thirteenth Supplemental Resolution”). The Master Electric System Resolution, as amended and supplemented, including as supplemented by the Thirteenth Supplemental Resolution, is hereinafter collectively referred to as the “Electric System Bond Resolution.”

The District previously issued its Electric System Revenue Bonds, Series 2010A Taxable Build America Bond (Direct Pay) (the “2010A Bonds”), of which \$115,995,000 remains outstanding, its Electric System Revenue Bonds, Series 2015 (the “2015 Bonds”) of which \$119,475,000 remains outstanding, its Electric System Revenue Refunding Bonds, Series 2020A (the “2020A Bonds”) of which \$24,975,000 remains outstanding, its Electric System Revenue Bonds, Series 2021A (the “2021A Bonds”) of which \$78,685,000 remains outstanding, and its Electric System Revenue Bonds, Series 2022A (the “2022A Bonds”) of which \$61,050,000 remains outstanding. The 2010A Bonds, the 2015 Bonds, the 2020A Bonds, the 2021A Bonds and the 2022A Bonds are collectively referred to herein as the “Outstanding Bonds,” of which, collectively, \$400,180,000 remains outstanding. The Outstanding Bonds, the Bonds and any future bonds issued under the Electric System Bond Resolution, are collectively referred to herein as the “Electric System Bonds.” The Bonds are special limited obligations of the District payable solely from and secured by the income, revenues and receipts derived by the District from the ownership and operation of the Electric System. See “SECURITY FOR THE BONDS.”

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

* Preliminary, subject to change.

C—SUMMARY OF CERTAIN PROVISIONS OF THE GENERATION SYSTEM BOND RESOLUTION—Definitions.”

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

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

In the preparation of the forecasts and projections in this Official Statement, the District has made various assumptions with respect to conditions that may occur in the future. While the District believes these assumptions are reasonable for the purpose of the forecasts and projections, they depend upon future events, and actual conditions likely will differ from those assumed. The District does not represent or guarantee that actual results will replicate the forecasts and projections in this Official Statement. Potential purchasers of the 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.

PURPOSE AND APPLICATION OF BOND PROCEEDS

General

The proceeds of the 2025A Bonds will be used to (i) finance additions, betterments and improvements to and renewals, replacements and extensions of the Electric System, (ii) depending on market conditions, refund all or a portion of the outstanding 2010A Bonds; and (iii) pay costs of issuing the 2025A Bonds.

The proceeds of the 2025B Bonds will be used to (i) depending on market conditions, refund all or a portion of the outstanding 2015 Bonds; and (ii) pay costs of issuing the 2025B Bonds.

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Estimated Sources and Uses of Funds

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

Sources of Funds	2025A Bonds	2025B Bonds
Principal Amount of the Bonds		
[Net] Original Issue [Premium/Discount]		
Available Funds of the District ⁽¹⁾		
Total Sources:		
Uses of Funds		
Deposit to Construction Fund		
Deposit to Redemption Account		
Deposit to Escrow Fund		
Costs of Issuance ⁽²⁾		
Total Uses:		

⁽¹⁾ Includes funds held in the Bond Fund for the payment of the principal of and interest on the Refunded Bonds.

⁽²⁾ Includes fees of bond counsel and disclosure counsel, municipal advisor and rating agency, printing costs, underwriters' discount, refunding fees, if any, and other costs associated with issuing the Bonds and the refunding of the Refunded Bonds.

Refunding Plan*

Depending on market conditions on the day of pricing, a portion of the net proceeds of the 2025A Bonds will be used to refund all or a portion of outstanding maturities of the 2010A Bonds and a portion of the net proceeds of the 2025B Bonds will be used to refund all or a portion of the outstanding maturities of the 2015 Bonds, as set forth below (as selected on the day of pricing, "Refunded 2010A Bonds," the "Refunded 2015 Bonds" and collectively, the "Refunded Bonds"). The issuance of the 2025A Bonds to refund the 2010A Bonds and the issuance of the 2025B Bonds to refund the 2015 Bonds is subject to market conditions. The 2010A Bonds to be refunded with proceeds of the 2025A Bonds are being redeemed pursuant to the Extraordinary Optional Redemption provisions of the 2010A Bonds.

TABLE 1
REFUNDED BONDS*

Series	Year (December 1)	Principal Amount	Interest Rate	Redemption Date	Redemption Price	CUSIP No. 833102
2010A**	2029	\$29,565,000	5.580%	7/29/2025	% ⁽¹⁾	XD3
2010A**	2035	86,430,000	5.630	7/29/2025	⁽¹⁾	XE1
2015	2025	3,215,000	5.00	12/1/2025	100	ZB5
2015**	2037	43,135,000	5.00	12/1/2025	100	ZC3
2015**	2040	73,125,000	5.00	12/1/2025	100	ZD1

Source: The District.

⁽¹⁾ The redemption price of the 2010A Bonds will be calculated on the date the 2025A Bonds are sold.

** Term Bond

* Preliminary, subject to change.

On the date of the issuance of the 2025A Bonds, a portion of the net proceeds from the sale of the 2025A Bonds, together with available funds of the District, will be applied to redeem the Refunded 2010A Bonds on the related Redemption Date listed in Table 1 above.

On the date of the issuance of the 2025B Bonds, a portion of the net proceeds from the sale of the 2025B Bonds, together with available funds of the District, will be applied to defease the Refunded 2015 Bonds to the related Redemption Date listed in Table 1 above.

Upon the issuance of the 2025B Bonds, U.S. Bank Trust Company, National Association, as escrow agent (the “Escrow Agent”) will receive a portion of the proceeds of the 2025B Bonds, pursuant to an Escrow Agreement entered into by and between the District and the Escrow Agent. The initial cash balance shall be held by the Escrow Agent in the Escrow Account and the money therein shall be used solely to defease and/or purchase United States Treasury Obligations to pay, redeem and retire the Refunded 2015 Bonds. The defeasance of the Refunded 2015 Bonds will discharge the pledge of the funds securing the Refunded 2015 Bonds, and the owners of the Refunded 2015 Bonds will no longer be entitled to the security of Master Electric System Resolution, except for the right to payments from the amounts held by the Escrow Agent under the Escrow Agreement.

Verification of Mathematical Computations

[____], a nationally recognized independent firm of certified public accountants (the “Verification Agent”), will verify the arithmetical accuracy of certain computations included in the schedules provided by the Underwriters on behalf of the District relating to: (1) United States currency and United States Treasury Obligations; (2) the payment of the principal of and interest on the Refunded 2015 Bonds; and (3) the yield on the 2025B Bonds. Such computations will be based solely on assumptions and information supplied by the Underwriters. The receipt of the report is a condition to the issuance of the 2025B Bonds.

The Verification Agent will also verify, from the information provided to it, the mathematical accuracy of the calculation of the extraordinary optional redemption price with respect to the extraordinary redemption of the Refunded 2010A Bonds. The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of such computations and will not independently study or evaluate the assumptions and information upon which the computations were based. Accordingly, the Verification Agent will not express an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

DESCRIPTION OF THE BONDS

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

General

The Bonds will be issued pursuant to the Electric System Bond Resolution in the form of fully registered bonds of each maturity without coupons in authorized denominations and dated their respective dates of delivery. The 2025A Bonds will be issued in the total aggregate principal amount of \$283,695,000* and the 2025B Bonds will be issued in the total aggregate principal amount of \$107,665,000*, each as fixed rate bonds maturing in the amounts and bearing interest at the rates set forth on the inside front cover of this Official Statement. Interest on the Bonds, calculated based upon a 360-day year consisting of twelve 30-day months, is payable on each June 1 and December 1, commencing December 1, 2025, until maturity

or prior redemption. The authorized denominations of the Bonds will be \$5,000 and any integral multiple of \$5,000 for each maturity.

Upon their initial issuance, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”). Purchases of beneficial interests in the Bonds will be made in book-entry form, without certificates. See “APPENDIX E—BOOK-ENTRY SYSTEM.”

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

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

Redemption*

Optional Redemption of the 2025A Bonds

The 2025A 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 of the 2025A Bonds

The 2025A 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__

<u>Year (December 1)</u>	<u>Sinking Fund Redemption</u>
------------------------------	------------------------------------

*

* Final maturity.

* Preliminary, subject to change.

Optional Redemption of the 2025B Bonds

The 2025B 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 of the 2025B Bonds

The 2025B 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 date fixed for redemption, on December 1 in the years and in the amounts as set forth below:

Term Bond Maturing on December 1, 20__

<u>Year (December 1)</u>	<u>Sinking Fund Redemption</u>
------------------------------	------------------------------------

*

* Final maturity.

Partial Optional Redemption of the Bonds

If less than all of the Bonds are called for optional redemption, such Bonds called for redemption are to be redeemed from such maturities in such order as shall be selected by the District, and by lot within any maturity subject to selection by the Registrar in such manner as the Registrar in its discretion may deem proper, in the principal amount designated to the Registrar by the District. Notwithstanding the provisions of the Thirteenth Supplemental Resolution described in the preceding sentence, while the Bonds are held as book-entry bonds, if fewer than all of the Bonds of a maturity are called for redemption, the selection of the Bonds within such maturity to be redeemed is to be made by DTC in accordance with its operational procedures as then in effect.

Notice of Redemption of the Bonds

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

If notice is duly given, 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 Bonds.

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

Any Conditional Redemption notice 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 is to give prompt notice of such rescission to the affected Bondowners. Any 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 is to give prompt notice to DTC or the affected Bondowners that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding

Effect of Redemption of Bonds

Notice of redemption having been duly given, the 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 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 Bonds so called for redemption will cease to accrue and said Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Electric System Bond Resolution (except for payment of particular Bonds for which moneys are being held by the Registrar and which money shall be pledged to such payment), and the owners of said Bonds shall have no rights in respect thereof except to receive payment of said principal, premium, if any, and interest accrued to the date fixed for redemption.

Defeasance

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

Trustee

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

SECURITY FOR THE BONDS

Pledge of Electric System Revenues

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

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

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

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

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

“Operating Expenses” means all the District’s expenses for operation and maintenance of the Electric System, including all operation and maintenance expenses as defined by generally accepted accounting principles and shall include, without limiting the generality of the foregoing, (a) all amounts required to be paid to the United States with respect to the Electric System Bonds pursuant to Section 148 of the Code; (b) Resource Obligations for any month in which any power and energy or other goods and services from such Resource Obligation were made available to the Electric System during such month (regardless of whether or not the Electric System actually scheduled or received energy from the Resource Obligation during such month); and (c) so long as any Generation System Bond is Outstanding, the amounts covenanted in the Generation System Bond Resolution to be paid into the Generation System Revenue Fund with respect to Generation System Power Costs on or prior to the last day of any month during which any power and energy or other goods and services from the Generation System were made available to the Electric System during such month (regardless of whether or not the Electric System actually scheduled or received energy from the Generation System during such month). See “—Payment of Generation System

Power Costs.” Operating Expenses do not include any extraordinary, nonrecurring expenses of the Electric System, any judgments or amounts to be paid in settlement of claims against the Electric System, any costs or expenses for new construction for the Electric System, interest on bonds or other obligations of the Electric System, amortization or any allowance for depreciation.

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

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

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

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

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

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

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

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

Limitation of Liability

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

Rates and Charges

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

The District has covenanted in the Electric System Bond Resolution also to establish, maintain and collect rates and charges that will be adequate to provide in each fiscal year Net Revenues of the Electric System (after deducting therefrom amounts paid in such fiscal year to satisfy all Parity Lien Obligations and amounts transferred to the Rate Stabilization Account from the General Account and adding thereto amounts transferred to the General Account from the Rate Stabilization Account during such Fiscal Year) in an amount equal to at least 1.25 times the Annual Debt Service on the then outstanding Electric System Bonds in such Fiscal Year. For the definitions of certain capitalized terms used in this paragraph, see “Appendix B—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Definitions.” As of December 31, 2024, the District had \$114.9 million in the Rate Stabilization Account.

The calculation of the coverage requirement, and the District’s compliance with such requirement, may be made solely with reference to the Electric System Bond Resolution without regard to changes in

generally accepted accounting principles since the District's audited financials for the fiscal year ended December 31, 1990 (the "1990 Audited Financial Statements") were prepared. If the District adopts changes in accounting principles for coverage calculation purposes, such changes are to be applied consistently thereafter. The Electric System Bond Resolution provides that, if the District changes one or more of the accounting principles used in the preparation of its financial statements because of a change in generally accepted accounting principles or otherwise, and does not adopt the change for coverage calculation purposes, then an event of default relating to this coverage requirement shall not be considered an Event of Default if the coverage requirement ratio would have been complied with had the District continued to use those accounting principles employed in preparing the 1990 Audited Financial Statements. See "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Definitions" for the definitions of capitalized terms used above.

Flow of Funds

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

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

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

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

Debt Service Reserve Account

The Electric System Bond Resolution permits the District to designate whether a series of Electric System Bonds will be secured by the Debt Service Reserve Account, a separate reserve account or a common reserve account other than the Debt Service Reserve Account. If the District establishes a separate reserve account for a series of Electric System Bonds or a common reserve account other than the Debt Service Reserve Account, the reserve account requirement for such reserve account is required to be as set forth in the Supplemental Resolution authorizing the series of Electric System Bonds. In such case, such Electric System Bonds would not be secured by the Debt Service Reserve Account. **In connection with the issuance of the Bonds, the District has established a separate reserve account for the Bonds and the reserve requirement is \$0. The Bonds are not secured by the Debt Service Reserve Account.**

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

“Reserve Account Requirement” means (a) with respect to a series of Electric System Bonds designated by the District to be secured thereby, the lesser of (i) 10% of the proceeds of such series of Electric System Bonds or (ii) the maximum amount of interest due in any Fiscal Year on such series of Electric System Bonds, calculated as of the date of issuance of such series of Electric System Bonds and recalculated as of the date of issuance of any obligation of the District issued to refund any such series of Electric System Bonds and (b) with respect to all Electric System Bonds designated by the District to be secured by the Debt Service Reserve Account, the sum of the Reserve Account Requirements for all such series of Electric System Bonds designated by the District.

The 2025A Bonds will not be secured by the Debt Service Reserve Account. The current Reserve Account Requirement for the outstanding Electric System Bonds designated by the District to be secured by the Debt Service Reserve Account is \$21,267,067*. [Upon the issuance of the Bonds, the District expects to release \$[____]* from the Debt Service Reserve Account in connection with the refunding of the Refunded Bonds. Upon the issuance of the Bonds and the refunding of the Refunded Bonds, the aggregate Reserve Account Requirement for all series of Electric System Bonds designated by the District to be secured by the Debt Service Reserve Account will be \$[____]*. This amount is equal to the sum of the maximum annual interest on each such series of Electric System Bonds secured by the Debt Service Reserve Account as of date of issuance of the Bonds and the refunding of the Refunded Bonds. See “PURPOSE AND APPLICATION OF BOND PROCEEDS—Estimated Sources and Uses of Funds.”

* Preliminary, subject to change.

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

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

Additional Indebtedness

Electric System Bond Resolution

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

As of July 1, 2025, the Electric System Bonds were outstanding in the aggregate principal amount of \$400,180,000*. Upon the issuance of the Bonds, the Electric System Bonds are expected to be outstanding in the aggregate principal amount of \$556,070,000*.

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

* Preliminary, subject to change.

Generation System Bond Resolution

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

The District’s Generation System currently has outstanding its Generation System Revenue Bonds, Series 2010B Taxable Build America Bonds (Direct Pay) (the “2010B Generation System Bonds”) and its Generation System Revenue Bonds, Series 2015 (the “2015 Generation System Bonds”), which as of July 1, 2025, were outstanding in the aggregate principal amount of \$51,565,000. The 2010B Generation System Bonds and the 2015 Generation System Bonds, together with any future bonds issued under the Generation System Bond Resolution, are collectively referred to herein as the “Generation System Bonds.”

Subject to market conditions, simultaneously with the issuance of the 2025A Bonds, the District may issue one or more series of its Generation System Revenue Refunding Bonds (the “2025A Generation System Bonds”) in the aggregate principal amount of \$10,910,000* to provide the funds necessary to be used with other available funds of the District to refund all or a portion of the District’s outstanding 2010B Generation System Bonds and to pay costs of issuance of the 2025A Generation System Bonds.

Subject to market conditions, simultaneously with the issuance of the 2025B Bonds, the District may issue one or more series of its Generation System Revenue Refunding Bonds (the “2025B Generation System Bonds” and together with the 2025A Generation System Bonds, the “2025 Generation System Bonds”) in the aggregate principal amount of \$36,810,000* to provide the funds necessary to be used with other available funds of the District to refund all or a portion of the District’s outstanding 2015 Generation System Bonds and to pay costs of issuance of the 2025B Generation System Bonds.

The 2025 Generation System Bonds are not being offered for sale by this Official Statement, and this Official Statement should not be relied on by investors when making an investment decision to purchase the 2025 Generation System Bonds.

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

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

Junior Lien Bonds

The District may issue bonds or other evidences of indebtedness for any corporate use or purpose of the District payable from, and having a lien and charge against, Electric System Revenues junior to the Electric System Bonds. As of July 1, 2025, the District had no outstanding bonds having a lien on and charge against Electric System Revenues junior to the Electric System Bonds (“Junior Lien Bonds”).

Derivative Products

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

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

Resource Obligations

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

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

finance such facility, and (b) such payments are due regardless of whether the District takes delivery of any power or such facility or resource is producing or is capable of producing any power.

Other Covenants

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

Contingent Payment Obligations

The District has entered into, and may in the future enter into, contracts and agreements in the course of its business that include an obligation on the part of the District to make payments or post collateral contingent upon the occurrence or nonoccurrence of certain future events, including events that are beyond the direct control of the District. The amount of any such contingent payments may be substantial. To the extent that the District did not have sufficient funds on hand to make any such payment, it is likely that the District would seek to borrow such amounts through the issuance of additional bonds or otherwise.

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

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

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

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

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

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

As a condition to the consolidation of the Electric System and the Generation System, the District is required to provide (i) written confirmation from each Rating Agency then rating the Electric System Bonds and the Generation System Bonds that such consolidation would not cause a reduction or withdrawal of the then-current rating(s) on the Electric System Bonds and the Generation System Bonds and (ii) an opinion of Bond Counsel that such consolidation would not adversely affect the exclusion of interest on any tax-exempt Electric System Bonds or Generation System Bonds from gross income for federal income tax purposes. The District currently does not have any plans, nor does it expect, to consolidate these Systems.

Authorized Investments

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

No Acceleration Upon Default

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

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Outstanding Debt of the Electric System and Generation System

The table below presents the District's outstanding Generation System and Electric System long-term indebtedness as of July 1, 2025. The table below does not reflect the issuance of the Bonds. See "SECURITY FOR THE BONDS—Additional Indebtedness—*Electric System Bond Resolution*."

TABLE 2
Outstanding Debt of the Electric System and the Generation System
As of June 1, 2025
(\$000)

Series of	Final Maturity Date	Original Principal Amount	Amount Outstanding
<u>GENERATION SYSTEM BONDS</u>			
2010B ^{*(1)}	12/1/2040	\$14,050	\$11,580
2015 ^{*(2)}	12/1/2045	39,985	<u>39,985</u>
<u>Total Generation System Bonds</u>		<u>\$54,035</u>	<u>\$51,565</u>
<u>ELECTRIC SYSTEM BONDS</u>			
2010A ^{*(3)}	12/1/2035	\$128,075	\$115,995
2015 ^{*(4)}	12/1/2040	140,920	119,475
2020A	12/1/2028	49,085	24,975
2021A	12/1/2051	78,685	78,685
2022A	12/1/2052	61,050	<u>61,050</u>
<u>Total Electric System Bonds</u>		<u>\$457,815</u>	<u>\$400,180</u>
Total Outstanding Debt		<u>\$511,850</u>	<u>\$451,745</u>

Source: The District.

* Preliminary, subject to change.

(1) \$11,580,000* aggregate principal amount expected to be refunded with the proceeds of the 2025A Generation System Bonds.

(2) \$39,985,000* aggregate principal amount expected to be refunded with the proceeds of the 2025B Generation System Bonds.]

(3) \$115,995,000* aggregate principal amount expected to be refunded with the proceeds of the 2025A Bonds.

(4) \$119,475,000* aggregate principal amount expected to be refunded with the proceeds of the 2025B Bonds.

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DEBT SERVICE*

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

TABLE 3
Electric System Bonds and Generation System Bonds
Debt Service Requirements*

Fiscal Year	Outstanding Electric System Bonds ⁽²⁾	2025A Bonds*		2025B Bonds*		Total Electric System Bonds Debt Service	Outstanding Generation System Bonds ⁽³⁾		Total Generation System Bonds Debt Service	Total Debt Service
		Principal	Interest	Principal	Interest		Principal	Interest		
2025										
2026										
2027										
2028										
2029										
2030										
2031										
2032										
2033										
2034										
2035										
2036										
2037										
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2040										
2041										
2042										
2043										
2044										
2045										
2046										
2047										
2048										
2049										
2050										
2051										
2052										
2053										
2054										
2055										
Total ⁽¹⁾										

Source: The District.
* Preliminary, subject to change.
⁽¹⁾ Totals may not foot due to rounding.
⁽²⁾ Includes the Refunded Bonds.
⁽³⁾ Includes Generation System Revenue Bonds expected to be refunded with the proceeds of the 2025 Generation System Bonds.

THE DISTRICT

General

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

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

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

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

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

Administration

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

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

Sidney “Sid” Logan, President

Mr. Logan began his first full term on January 1, 2021. 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 through December 31, 2020. Mr. Logan is currently serving his first full six-year term that will end on December 31, 2026.

Tanya “Toni” Olson, Vice-President

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.

Julieta Altamirano-Crosby, Secretary

Dr. Altamirano-Crosby began her term on January 1, 2025. She holds a Ph.D. in Social Communications, an M.Ed. in Educational Leadership, and certifications in Race Equity and Leadership. She previously served as Lynnwood City Council Vice President in 2024. Dr. Altamirano-Crosby co-founded the WAGRO Foundation for education, the arts, and cultural awareness. She is the first Latina elected to a Lynnwood citywide office and first to serve as a District Commissioner. She serves on boards such as Snohomish County 911, the Lynnwood Food Bank, and Humanities Washington. Dr. Altamirano-Crosby’s term will conclude December 31, 2030.

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.

F. Colin Willenbrock, Chief Legal Officer

Mr. Willenbrock joined the District as Chief Legal Officer 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 refinancing, 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.

Jeff Bishop, Chief Financial Officer

Mr. Bishop joined the District as Chief Financial Officer in March 2025, leading the organization's accounting and finance functions. Along with extensive experience leading financial teams, he brings a strong background in strategic planning, enterprise risk management and continuous improvement. Mr. Bishop came to the District from Omaha Public Power District ("OPPD"), where he spent the past three years as Vice President and Chief Financial Officer. There, Mr. Bishop oversaw teams including financial planning and analysis, treasury and financial operations, supply-chain management, warehousing, fleet and energy marketing and trading. Prior to joining OPPD, he served as CFO at Public Utility District No. 2 of Grant County, Washington and Seattle City Light. He has a Bachelor of Arts in Business Administration with a concentration in accounting from Washington State University and a Bachelor of Science in Zoology from the University of Washington.

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, and was named 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, and was 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, Risk Management, and Supply 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.

Jason Zyskowski, Chief Energy Resources Officer

Mr. Zyskowski started at the District in 2004 as an Electrical Engineer in the Distribution and Engineering Services Division. He worked on several renewable generation projects, substation upgrades, numerous automation projects, and was the Project Manager for the District's first Energy Storage System. He became the Manager of Substation Engineering in 2013 and the Senior Manager of Planning, Engineering and Technical Services in 2017. In 2019, he also became Senior Manager over Transmission and Distribution System Operations. In March 2020, Mr. Zyskowski was selected as the Chief Energy Resources Officer. In this role, he is responsible for the District's office facilities, generation, setting of the District's electric rates and purchasing power and transmission service. He has a Bachelor of Science in Electrical Engineering from the University of Washington and is a registered Professional Engineer in the State.

Amy Carstens, Chief Operations Officer

Ms. Carstens joined the District in February 2025 with over 25 years of experience in the utility industry. Prior to joining the District as Chief Operations Officer, she was Director of Corporate Strategy, Planning and Analysis, Operations Program Director and Director of Transmission Services at Dairyland Power Cooperative in Wisconsin, where she managed a team of 100 employees and oversaw Dairyland's

transmission assets. In her role, Ms. Carstens was responsible for the strategic direction and financial management of fleet operations, transmission line construction and maintenance, vegetation management, field operations, engineering, and project management departments. She holds a Bachelor of Science in Electrical Engineering from the University of Wisconsin, Platteville.

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.

John Hoffman, Chief Customer Officer – Customer and Energy Services

Mr. Hoffman joined the District in March 2024, bringing 18 years of experience as a senior customer service leader to the utility. Prior to joining the District, he was Director of Inside Sales at Renewal by Anderson, where he managed the people, processes, and culture to deliver exceptional service. Before this, he was Customer Service Operations Manager for 12 years at Tacoma Public Utilities (“TPU”), working to ensure effective operations, accurate billing, and high-quality customer experiences through a variety of channels. At TPU, Mr. Hoffman also led a Business Solutions Team to establish relationships within the community. He has a Master of Business Administration from Pacific Lutheran University and a Bachelor’s of Science in Computer Science from the American College of Computer & Information Science.

The Electric System

The District began its electric utility operations in 1949 and currently serves most of the 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, 2024, the Electric System served an average of approximately 380,000 customers and had energy sales of 8,842,000 megawatt hours (“MWh”) and operating revenues of \$872,103,000. In 2024, the District purchased approximately 75% of its power from Bonneville, approximately 4% from long-term power contracts, approximately 5% from the Generation System and 16% from the wholesale power market to balance resources with loads and wholesale market sale obligations. The Electric System is primarily a distributor of power at retail rates. As of December 31, 2024, the total assets of the Electric System were \$2,318,207,000 and its total outstanding bond principal, prior to the issuance of the Bonds, was \$400,180,000. See “THE ELECTRIC SYSTEM,” “ELECTRIC SYSTEM POWER SUPPLY” and “ELECTRIC SYSTEM FINANCIAL INFORMATION.”

The Generation System

In 1986 pursuant to the Generation System Bond Resolution, the District established the Generation System, which is financed and accounted for as a system separate from the Electric System. The Generation System currently consists of the Henry M. Jackson Hydroelectric Project (the “Jackson Project”), the Youngs Creek Hydroelectric Project (the “Youngs Creek Project”), the Calligan Creek Hydroelectric

Project (the “Calligan Creek Project”), the Hancock Creek Hydroelectric Project (the “Hancock Creek Project”), the Woods Creek Hydroelectric Project (the “Woods Creek Project”) and the Biofuel Project (the “Biofuel Project”). The Generation System could include any other electric generating, transmission and/or conservation facilities undertaken by the District in the future. See “THE GENERATION SYSTEM—Small Hydroelectric Generation Projects,” “THE GENERATION SYSTEM—Biofuel Project” and “THE ELECTRIC SYSTEM POWER SUPPLY—The District’s Future Power Supply Strategy.”

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

As of December 31, 2024, the total assets of the Generation System were \$237,199,000 and its total outstanding bond principal was \$51,565,000. See “THE GENERATION SYSTEM” and “SECURITY FOR THE BONDS” for a discussion of the obligations of the Electric System to the Generation System.

The Water System

The District’s Water System was formed through the merger of the District’s former Lake Stevens Water System and its former Sunnyside Water System and became operational in 1946. As of December 31, 2024, the Water System served approximately 23,000 customers. The revenues of the Electric System and the Generation System are not pledged to the payment of operating expenses or debt of the Water System, and the revenues of the Water System are not pledged to the payment of the expenses and obligations of the Electric System or the Generation System. As of December 31, 2024, the total assets of the Water System were \$194,550,000 and its total outstanding bond principal was \$22,010,000.

Labor Relations

The District had the full-time equivalent of approximately 1,207 employees as of December 31, 2024. Of those, 641 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, 2028. 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 41 years.

SnoLeave

The District expects to launch the SnoLeave program for its employees on July 1, 2026. This voluntary, self-insured plan aims to offer enhanced leave benefits to eligible employees and will be in compliance with the Washington State Paid Family and Medical Leave Law (Title 50A RCW). The program will be managed by District staff. SnoLeave will be financed through contributions from both employees and the District, held in an irrevocable trust until qualified leaves are approved. The District has engaged independent actuarial services to determine the funding requirements for both the short and long term. If contributions are insufficient to meet the program's needs, the District, as the plan sponsor, will provide financial support. The program will be in effect for at least one year and may be amended or withdrawn in compliance with legal requirements and appropriate notice.

Insurance

The District maintains a comprehensive insurance program with coverage and retention levels consistent with industry standards. Property insurance includes a \$400 million per-occurrence limit, which encompasses \$100 million in earth movement coverage. The District maintains terrorism coverage with a \$400 million limit, along with various sub-limits. The District maintains general liability coverage with a \$50 million per-occurrence limit, in excess of a \$2 million self-insured retention. Additionally, the District carries cyber liability insurance coverage.

Enterprise Risk Management

The District has an Enterprise Risk Management (“ERM”) program that is designed to proactively identify, assess, prioritize, manage and monitor risks that could impact the District’s ability to achieve its purpose and strategic priorities. ERM provides a structured and collaborative approach to managing uncertainty, ensuring that risks are understood and mitigated effectively while opportunities are identified and leveraged. By embedding risk management into its processes and decision-making, the District proactively identifies and mitigates potential threats, safeguarding itself against both internal and external risks.

Accounting

The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor’s Office, under the authority of Chapter 43.09 RCW. The District currently uses the Federal Energy Regulatory Commission (“FERC”) uniform system of accounts for class A electric systems. The District uses a financial accounting system with a standard chart of accounts, which also supports reporting based on the FERC system of accounts. The District’s financial statements include the financial position and results of operations for all enterprise operations which the District manages. See “APPENDIX A—INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023.”

The District requests proposals from national and large regional accounting and auditing firms every five years and selects its financial statement auditors based on industry expertise, reputation and cost. Following such a request for proposals, the District selected Moss Adams LLP (“Moss Adams”) as its independent auditor for the fiscal years ended December 31, 2024 through 2028. In June 2025, Moss Adams and Baker Tilly US, LLP (“Baker Tilly”) completed a planned combination of the firms. At that time, all independent audit engagement agreements were transferred to Baker Tilly.

The District’s combined financial statements and individual statements for the Electric System, Generation System and Water System as of December 31, 2024 and 2023, and for the years ended December 31, 2024 and 2023, respectively, included herein as Appendix A, have been audited by Moss Adams, independent auditors, as stated in its report appearing herein. The audited financial statements of the District are public documents. The District has not requested that Moss Adams or Baker Tilly provide consent for inclusion of its audited financial statements in this Official Statement, and neither Moss Adams nor Baker Tilly have performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Further, neither Moss Adams nor Baker Tilly have participated in any way in the preparation or review of this Official Statement.

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 2023 Valuation Report, the 2022 Valuation Report, the 2021 Valuation Report, the Annual Comprehensive Financial Report for the Washington State Department of Retirement System Funds of the State (the “WDRS”) for the fiscal year ended June 30, 2024 (the “2024 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, 2024 AND 2023 AND INDEPENDENT AUDITOR’S REPORT, Note 8” for a description of PERS benefits and eligibility requirements for these plans.

PERS 1 is closed to employees hired after September 30, 1977. Eligible employees hired after that date are members of either PERS 2 or PERS 3. Eligible employees hired after August 31, 2002, are members of PERS 2 unless they irrevocably elect to join PERS 3. The District is one of 1,388 governmental employers that participate in PERS as of June 30, 2024. As of June 30, 2024, 232,596 retirees and beneficiaries were receiving benefits under PERS, 72,809 terminated plan members were entitled to, but not yet receiving, benefits, and there were 201,704 vested active plan members and 161,668 non-vested active plan members.

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

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

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

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

Actuarial Valuation, Funding Policy and Assumptions

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

In August 2024, the OSA released an actuarial valuation for June 30, 2023 (the “2023 Valuation Report”). The primary purpose of the 2023 Valuation Report is to determine the contribution rates for the State’s retirement plans, including PERS, for the 2025-2027 biennium that would be sufficient to fund the State’s retirement plans, including PERS, under the funding policy established by the Legislature and to provide information on the funding progress and developments in the plans over the State fiscal year ended June 30, 2023.

Funding Policy. The State’s funding policy and methods for determining the contribution rates are set forth in RCW Chapters 41.40 and 41.45 RCW (collectively, the “Pension Act”). In 2009, the Pension Act was amended to provide for the amortizing in full the unfunded accrued actuarial liability (the “UAAL”) of PERS 1 over a rolling-10-year period, using methods and assumptions that balance the needs for increased benefit security, decreased contribution rate volatility and affordability of contribution rates. The Pension Act also requires that to the extent feasible all benefits for PERS 2 and PERS 3 members be funded over the working lives of those members. In preparing valuations and making recommendations regarding contribution rates, the OSA uses valuation methods, economic and demographic assumptions, including rates of retirement, rates at which members become disabled, turnover rates and mortality rates, and other assumptions, including assumptions about plan benefits.

Assumptions. As required by State law, OSA periodically prepares experience studies to assess the reasonableness of their assumptions and inform potential changes to those assumptions. Economic experience studies are prepared every two years. In August 2023, OSA released its 2023 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 2025-2027 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 "normal cost" is the estimated present value of projected benefits current plan members will earn in the year following the valuation date, and the "normal cost rate" is the level percentage of salary contribution required each year per employee to accumulate, over the project working lifetime of each employee, the reserves needed to meet the cost of the projected benefits, assuming the UAL is paid off and the plan's actual experience conforms to the actuarial assumptions used by the OSA in calculating the plan's actuarial liabilities. The UAAL is the difference between a plan's actuarial accrued liability ("AAL") and the actuarial value of the plan's assets or the present value of benefits earned at the valuation date not covered by current actuarial assets. The AAL represents the portion of the present value of fully projected benefits attributable to service credit that has been earned (or accrued) as of the valuation date.

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

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

TABLE 4
Washington State PERS Actuarial Liability and Funded Ratio on an Actuarial Basis

	<u>June 30, 2021</u>		<u>June 30, 2022</u>		<u>June 30, 2023</u>	
	<u>PERS 1</u>	<u>PERS 2/3</u>	<u>PERS 1</u>	<u>PERS 2/3</u>	<u>PERS 1</u>	<u>PERS 2/3</u>
Actuarial Liability	\$ 11,368	\$ 52,039	\$ 11,047	\$ 55,247	\$ 10,701	\$ 60,245
Valuation Assets	8,064	49,451	8,294	53,863	8,561	58,592
Unfunded Liability	<u>\$ 3,303</u>	<u>\$ 2,588</u>	<u>\$ 2,753</u>	<u>\$ 1,384</u>	<u>\$ 2,140</u>	<u>\$ 1,653</u>
Funded Ratio	71%	95%	75%	97%	80%	97%

Source: Office of the State Actuary; 2021-2023 Valuation Reports; 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 June 30, 2025 and ends July 1, 2027. 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 6.15% of covered payroll. The range of permissible employee contribution rates for the defined contribution component of PERS 3 are

determined by the Director of WDRS and range from a minimum of 5.0% of covered salary to a maximum of 15.0% of covered salary. Employees are not required to contribute to the defined benefit component of PERS 3. Effective June 30, 2025, the employer contribution rate for all PERS plans is 6.15% 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, 2024, the District's total payroll for employees was \$169.22 million, and virtually all of such payroll was "covered payroll" for purposes of calculating PERS contributions. Both the District and its employees made their required contributions to PERS in 2023, with the District contributing \$17.89 million consisting of \$0.04 million to PERS 1 and \$17.85 million total to PERS 2 and PERS 3.

Other Post-Employment Benefits

The District provides post-employment health care and life insurance benefits to eligible retirees hired before July 1, 2009 and their dependents. The District implemented GASB No. 75 to recognize net liability related to other post-employment benefits ("OPEB"). Based on an actuarial study completed as part of the disclosure requirements, the unfunded actuarial accrued liability for these benefits as of December 31, 2024 was \$42.1 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, which had a balance of \$34 million as of December 31, 2024. The post-employment healthcare program for employees hired after July 1, 2009, is now a defined contribution plan 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, 2024 AND 2023 AND INDEPENDENT AUDITOR'S REPORT, Note 8."

Deferred Compensation Plan

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

Investment Policy

The District invests public funds in a manner that conforms with State statutes and the District's investment policy 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 purchased on the secondary market, subject to the investment policies and procedures adopted by the State Investment Board, (v) U.S. dollar denominated obligations that are issued or guaranteed by a supranational institution that at the time of investment is rated within one of the two highest rating categories and has the U.S. government as its largest shareholder, (vi) bonds of the State or any local government in the State or general obligation

bonds of a state other than the State or general obligation bonds of a local government in a state other than the State, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency, (vii) certificates of deposit, (viii) bank deposits and bank savings accounts held at a national financial institution that is under the Washington State Public Depository Protection Commission and (xix) State of Washington Local Government Investment Pool (the “LGIP”).

The District’s investment policy also establishes issuer constraints and other guidelines of various types for these investments. As of December 31, 2024, the District’s Electric System major investment portfolio holdings include U.S. Treasury Notes (42%), the Washington State Local Government Investment Pool (23%), Federal Farm Credit Bank Notes (12%), Federal Home Loan Bank Notes (10%), Inter-American Development Bank Bonds (5%), Federal National Mortgage Association (“Fannie Mae”) Notes (3%), International Finance Corporation Bonds (1%), and State of California Municipal Bonds (1%). Fannie Mae remains under the conservatorship of the U.S. government and continue to maintain the implied guarantee and support from the U.S. government on outstanding debt. The Electric System Bond Resolution provides that money in the Bond Fund be invested in any obligations or investments in which the District may legally invest its funds. The investment policy of the District may be amended at any time. See “APPENDIX A—FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 AND INDEPENDENT AUDITOR’S REPORT,” Note 3 for a summary of the District’s investments.

Local Government Investment Pool

The funds of the District that are invested in the LGIP are administered by the State Treasurer’s Office. The LGIP is a pool with over 530 local government participants since its inception in 1986. The LGIP had approximately a \$24 billion average balance under investment as of December 31, 2024. In its management of the LGIP, the State Treasurer is required to adhere, at all times, to the principles appropriate for the prudent investment of public funds. These are, in priority order, (i) the safety of principal, (ii) the assurance of sufficient liquidity to meet cash flow demands and (iii) to provide a competitive interest rate relative to other comparable investment alternatives.

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

General Obligation Bonds and Taxing Power

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

THE ELECTRIC SYSTEM

The properties of the Electric System presently include transmission lines, substations, distribution lines, transformers, meters and general plant. As of December 31, 2024, the District had approximately 332.81 miles of 55/115 kV transmission lines. It is anticipated that future transmission lines will be at least 115 kV. The District's distribution facilities generally consist of 12,470-volt overhead lines, supported by wood or ductile poles, 12,470-volt underground lines, 95 substations with a combined capacity of 3,432,000 kVA, distribution transformers, meters, and secondary lines and services, both overhead and underground. As of December 31, 2024, these facilities included 3,288 miles of overhead lines and 3,099 miles of underground lines. In addition, the District has two mobile transformer units with a combined capacity of 65,000 kVA. The District has continually increased the substation and distribution line capacity to meet the needs of its customers and further increases are planned. See "ELECTRIC SYSTEM FINANCIAL INFORMATION—Financial Condition and Liquidity—*Historical Capital Expenditures*."

The District has been a party to a joint pole ownership agreement, covering approximately 60% of the District's existing distribution pole infrastructure, since October 1, 2009. Through the agreement, costs and any related liabilities associated with a jointly owned pole are divided between the District and Ziply Fiber at 55% and 45% respectively.

On October 1, 2022, the District and Ziply Fiber entered into a new Joint Pole Ownership Agreement. The initial term of the current agreement runs through September 30, 2026, with an option for the parties to extend the term for up to three additional two-year periods by mutual agreement.

As used in this Official Statement, consistent with its ordinary use in electrical engineering, the term "transmission" denotes the District's 115kV system and Beverly Park 230-115kV transformer which, after voltage is stepped down in Bonneville's substations, moves power delivered by Bonneville to lower voltage feeders which exclusively serve the District's retail electric customers. However, the District is neither a "Transmitting Utility" within the meaning of Section 3(23) of the Federal Power Act nor subject to FERC "reciprocity" requirements because the District's Electric System neither moves electricity in interstate commerce nor serves wholesale customers, except with respect to certain obligations related to Bonneville, which do not implicate reciprocity requirements. Accordingly, nothing in this Official Statement is intended to imply that the District has acceded either to FERC jurisdiction over its electric system or to the reciprocity requirements of FERC Orders 888 and 890.

Electric Rates

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

Retail rates and charges of the District are fixed by the Commission. The Commission holds public meetings to consider the District's proposed budget, construction and resource plans, load forecast and effects on the District's revenue requirements. Based on these planning documents, the District's staff estimates revenue requirements and prepares various rate proposals designed to produce this revenue based on cost of service studies.

During the western power market crisis resulting from the unprecedented increase in the market price of power in 2001, the District raised rates by 35% within two days and by an additional 18% within the following 10 months. At that time, the District was buying approximately 21% of its overall power

supply from the short-term market (terms of one year or less). The sharp increases in price for that power had a significant impact on the District’s total costs.

During the last ten years, the Commission has approved several rate adjustments, as shown in the following table.

TABLE 5
District General Rate Adjustments

Effective Date	Average Rate Adjustment
April 1, 2015	1.9%
April 1, 2017	2.9
April 1, 2022	2.1
April 1, 2023	2.0
April 1, 2024	5.8
April 1, 2025	4.6

Source: The District

Because the District contracts for a majority of its power supply from Bonneville, changes Bonneville makes to its power and transmission rates have a significant effect on the District’s overall power supply costs. In July 2009, the Commission adopted a policy providing for a review and pass-through of any adjustments to the costs of wholesale energy or transmission services charged by Bonneville, subject to the discretion of the Commission. In the last ten years, the District has enacted the rate increases shown in the following table with each such increase consisting solely of a pass-through of the increased costs.

TABLE 6
District Pass-Through Rate Adjustments of Bonneville Charges

Effective Date	Average Rate Adjustment
October 1, 2015	4.6%
October 1, 2017	1.6
October 1, 2021	0.5
November 1, 2023	1.4

Source: The District

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

Residential Base Charge

The Commission approved the implementation of a base charge to its residential service rates on November 19, 2019. The District was the only electric utility in the State that did not have a base charge at that time. The base charge to residential service rates was implemented on April 1, 2022. The base charge phase-in was originally planned to occur over five years but was accelerated and completed on April 1, 2024. The implementation coincided with the removal of a minimum charge and was revenue neutral.

The base charge results in more predictable and stable bills for the District's customers and revenue for the District, which allows the District to focus on maintaining low rates and minimizing the need for rate increases. The base charge provides revenue stability for the District as new homes, which tend to consume less electricity due to more efficient designs and/or gas heating systems, connect to the District's Electric System. The base charge is intended to cover the fixed costs of maintaining the distribution grid, including billing, meter maintenance and meter reading.

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

Demand Response/Distributed Energy Resources

The District conducted several pilot programs that analyzed the possibility of demand response and distributed energy resources to meet future demand, specifically on-peak demand. In 2020, a Commercial Time of Day Rate program was offered to commercial customers, rewarding them with discounted rates to shift their loads to off-peak hours. Flex Energy, which was active from 2021-2023, was another program offering a set of rates that incentivized customers to change their behavior or employ smart technology to save energy when demand on the electrical grid is at its greatest. Behavioral programs target different rates such as time of day and critical peak pricing. Some of the smart technologies being targeted are smart thermostats and electric vehicle chargers. These rates allow the District to bring value to all customers by managing costs and partnering with customers to reduce consumption at key times, limiting the need for additional costly market purchases or infrastructure build outs.

These initiatives have enabled the District to manage costs, minimize the need for additional market purchases or infrastructure expansions, and engage customers in energy efficiency efforts. Based on positive results from both commercial and residential pilots, the District is now considering permanent Time of Use rates, scheduled for launch in 2026.

In 2025, the District approved a permanent net billing rate for customers with distributed generation and a peak nameplate capacity of less than 200 kilowatts.

Electric Rates and Monthly Bills

The following table presents typical monthly bills by billing determinate, rounded to the nearest dollar, for selected levels for residential, commercial and industrial customers as of the date of this Official Statement.

TABLE 7
Electric System
Typical Monthly Bills for Select Consumption Levels by Rate Class

	Base Charge	Demand Charge	Energy Charge	Monthly Bill
Residential				
1,000 kWh per month (small panel)	\$15		\$103	\$118
2,000 kWh per month (medium panel)	24		\$205	\$230
Commercial				
1,500 kWh per month (12 kW demand)	\$64		\$125	\$189
9,000 kWh per month (30 kW demand)	\$64		\$753	\$816
Industrial				
150,000 kWh per month (400 kW demand)	\$69	\$2,864	\$12,548	\$15,480
400,000 kWh per month (1,000 kW demand)	\$69	\$7,160	\$33,460	\$40,689
Large Industrial				
1,800,000 kWh per month (5,000 kW demand)		\$29,700	\$119,340	\$149,040

Source: The District.

The District's accounts receivable write-offs in 2024 were approximately 0.33% of energy sales revenue. Subject to statutory prohibitions against disconnecting customers in winter months, the District's collection policy provides for disconnection of power for nonpayment of amounts due to the District.

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Comparative Electric Rates

The following table compares the District's average service prices with those of several other public and investor-owned Pacific Northwest utilities. The prices shown are based on energy and revenue data reported in the latest U.S. Energy Information Administration ("EIA") Form 861 from 2023 for each utility.

TABLE 8
Public District No. 1 of Snohomish County, Washington
Electric System
Comparable Average Prices as of December 31, 2023

	Total \$/kWh	Residential \$/kWh	Commercial \$/kWh	Industrial \$/kWh
The District	0.0984	0.1070	0.0894	0.0716
Washington Cities				
City of Seattle	0.1136	0.1278	0.1078	0.0908
City of Tacoma	0.0903	0.1037	0.1022	0.0767
Investor-Owned Utilities				
AVISTA	0.1063	0.1078	0.1197	0.0709
Pacific Power	0.1007	0.1073	0.1010	0.0856
Puget Sound Energy	0.1290	0.1330	0.1255	0.1154
Western Washington Public Utility Districts				
PUD No. 1 of Cowlitz County	0.0566	0.0863	0.0868	0.0445
PUD No. 1 of Clark County	0.0819	0.0925	0.0757	0.0557

Source: U.S. Energy Information Administration Form 861.

Largest Customers

The Electric System's ten largest customers in terms of revenue accounted for approximately 9.5% of total retail kWh energy sales and 7.1% of retail energy sales revenue in 2024. For 2024, the District's ten largest customers (in alphabetical order) are: The Boeing Company, Everett, The Everett School District, Fred Meyer Inc. (QFC/Kroger), Providence Medical Center, Safeway Stores, the County, State of Washington, Tulalip Tribes and U.S. Navy.

Customers, Energy Sales and Peak Demand

The following table presents the Electric System's customers, energy sales and peak demand during the period of fiscal year 2020 through fiscal year 2024.

TABLE 9
Public Utility District No. 1 of Snohomish County, Washington
Electric System
Customers, Energy Sales, and Peak Demand
Year Ended December 31,

	2020	2021	2022	2023	2024
Average Number of Customers					
Residential	327,475	332,746	338,130	342,025	346,094
Commercial	33,317	34,071	34,709	34,957	35,130
Industrial	82	76	76	78	76
Other	202	203	211	209	211
Total Customers	<u>361,076</u>	<u>367,096</u>	<u>373,126</u>	<u>377,269</u>	<u>381,511</u>
Retail Energy Sales (MWh)					
Residential	3,724,601	3,788,553	3,917,803	3,922,390	3,933,257
Commercial	2,226,949	2,311,513	2,345,764	2,391,503	2,407,322
Industrial	472,618	466,812	469,471	457,802	440,364
Other	28,465	26,892	28,381	28,159	30,112
Total Retail Energy Sales (MWh)	<u>6,452,633</u>	<u>6,593,770</u>	<u>6,761,419</u>	<u>6,799,854</u>	<u>6,811,055</u>
Energy Losses and Electric System Usage (MWh) ⁽¹⁾	196,655	278,944	280,779	64,435	153,614
Wholesale Power Sales (MWh) ⁽²⁾	<u>2,060,403</u>	<u>1,512,879</u>	<u>1,847,108</u>	<u>1,473,414</u>	<u>2,031,807</u>
Total System Energy Requirements	<u>8,709,691</u>	<u>8,385,593</u>	<u>8,889,306</u>	<u>8,337,703</u>	<u>8,996,476</u>
Peak Demand (MW)	<u>1,364</u>	<u>1,526</u>	<u>1,578</u>	<u>1,377</u>	<u>1,603</u>

Source: District records.

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

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

The District's average number of customers increased by 20,435 from 2020 to 2024 reflecting a compound annual rate of 1.11%. During this period, average residential customers increased at a compound annual rate of 1.11%, average commercial customers increased at a compound annual rate of 1.07%, and average industrial customers decreased by a compound annual rate of 1.57%.

Residential energy sales between 2020 and 2024 increased from 3,724,601 MWh to 3,933,257 MWh, a compound annual rate of 1.10%. Commercial sales increased from 2,226,949 MWh in 2020 to 2,407,322 MWh in 2024, a compound annual rate of 1.57%. Industrial sales declined at a compound annual rate of 1.40% from 2020 to 2024.

New Load Policy

The District receives inquiries from potential new customers with large electric load requirements that are interested in locating within the District's service area. The District maintains a new large load policy, for potential customers with anticipated needs of 2.5 MW or greater, that contains a formula for allocating the cost of interconnecting and serving such new large load customers between the District and the new customer. The formula assigns costs for infrastructure that are attributable to the new load to the customer, and costs for infrastructure that serve the District's customer base as a whole to the District. The District has received inquiries over the last several years for such new large loads, and currently anticipates 15 MW, or approximately 1% of load at peak demand, in total added by two new projects over the next two years.

ELECTRIC SYSTEM POWER SUPPLY

Overview

In 2024, approximately 75% of the District's long-term energy resources came from Bonneville, approximately 5% from the Generation System, 4% from long-term renewable energy contracts, and approximately 16% from short-term market purchases. The District purchases and sells power in the short-term wholesale energy markets to balance the seasonal and daily variations in customer loads and the District's owned and contracted resources. Upon the District's transition from Bonneville's Block and Slice product to the Load Following product, effective October 1, 2025, the composition of energy resources to serve load are expected to change. Most notably, direct wholesale power sales and purchases are expected to be significantly reduced or eliminated through the remaining life of the existing Bonneville contract. In addition, the District will be selling the output from its Hancock Creek Project and Calligan Creek Project small hydroelectric generation projects and remarketing the output from its long-term wind contracts through their remaining terms. Dedicated resources refer to non-federal resources that the District is contractually obligated through its agreement with Bonneville to use to serve load. These resources include the Jackson Project, the Woods Creek Project, the Youngs Creek Project, the Packwood Lake Hydroelectric Project, the Biofuel Project and the Arlington Microgrid solar array. The following table presents the Electric System's energy resources for fiscal year 2020 through fiscal year 2024. See "—Bonneville Power Administration— *The District's Transition to Load Following.*"

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TABLE 10
Public Utility District No. 1 of Snohomish County, Washington
Electric System
Energy Resources
(Megawatt Hours)

Year Ended December 31,

	2020	2021	2022	2023	2024
Long-Term Energy Purchases					
Bonneville	7,117,518	6,678,792	7,373,837	6,497,613	6,727,626
Jackson Project ⁽¹⁾	486,417	443,226	408,949	298,527	366,519
Renewable Energy Contracts ⁽²⁾	541,102	505,331	439,437	414,613	372,925
Biofuel Project ⁽³⁾	-	-	1,487	5,075	4,878
Small Hydro Electric Generation Projects ⁽⁴⁾	62,872	58,435	24,693	42,100	60,629
Other ⁽⁵⁾	17,512	17,522	17,713	12,506	12,768
Total Long-Term Energy Purchases	8,225,421	7,703,306	8,266,117	7,270,435	7,545,345
Short-Term Energy Purchases ⁽⁶⁾	484,270	682,287	623,189	1,067,268	1,451,131
Total Energy Resources	8,709,691	8,385,593	8,889,306	8,337,703	8,996,476
Wholesale Power Sales ⁽⁷⁾	(2,060,403)	(1,512,879)	(1,847,108)	(1,473,414)	(2,031,807)
Total Net Energy Resources	6,649,288	6,872,714	7,042,198	6,864,289	6,964,669

Source: District records.

- ⁽¹⁾ See "THE GENERATION SYSTEM—The Jackson Project." Production from the Jackson Project varies by year depending on snowpack, hydrology, and operational schedules. Production decreased in 2022 due to a scheduled maintenance shutdown. In 2023, low levels of precipitation received in the Sultan River basin led to a significant drop in output. Additionally, in September 2024, the Jackson Project underwent a planned shutdown for an intake gate inspection, which resulted in lower annual generation than otherwise would have occurred.
- ⁽²⁾ See "ELECTRIC SYSTEM POWER SUPPLY—Long-Term Third Party Power Purchase Contracts."
- ⁽³⁾ The Biofuel Project became a District asset in the fall of 2021 and began operations in September 2022. See "THE GENERATION SYSTEM—Biofuel Project."
- ⁽⁴⁾ See "THE GENERATION SYSTEM—Small Hydroelectric Projects." The increase in 2020 and 2021 was due to higher production correlating to favorable snowpack conditions. The primary driver for the decrease in 2022 was repair work that prevented two projects from being operational for most of the year. When the projects came back online in late 2022, unfavorable water conditions resulted in low generation.
- ⁽⁵⁾ Other includes a power sales agreement for 20% of the output from the Packwood Lake Hydroelectric Project, which was amended and restated in October 2011 (the "2011 Packwood Agreement"), output from the District's Arlington Microgrid, Community Solar Array Project which began generating in 2019, and the Washington State Ferry Mukilteo Solar project that began in 2022. The decreases in 2023 and 2024 are driven by unfavorable water conditions which impacted production at Packwood.
- ⁽⁶⁾ Short-Term Energy Purchases represent energy purchases made daily to balance customer demand with power resource availability. 2020 water conditions were favorable which reduced the District's need to supplement resources with short-term energy purchases. See "ELECTRIC SYSTEM POWER SUPPLY—Wholesale Power Market Purchases, Sales and Trades." The increase in 2021 is attributed to the high demand summer load influenced by high temperatures. In 2023, significant cold weather events drove the District's energy purchases to be 71% higher than the prior year. A major cold snap in January 2024 drove the additional need for substantial power purchases.
- ⁽⁷⁾ Wholesale Power Sales include energy sales made daily to balance customer demand with power resource availability. See "ELECTRIC SYSTEM POWER SUPPLY—Wholesale Power Market Purchases, Sales and Trades." 2020 water conditions were favorable which allowed the District to sell excess power in the wholesale market. The increase in 2024 can be attributed to the District's park and lend contract. See "Wholesale Power Market Purchases, Sales and Trades—Winter Capacity Options."

The following table presents purchased power costs for the Electric System for fiscal year 2020 through fiscal year 2024:

TABLE 11
Public Utility District No. 1 of Snohomish County, Washington
Electric System
Purchased Power Costs
(\$000's)

	Year Ended December 31,				
	2020	2021	2022	2023	2024
Long-Term Energy Purchases:					
Bonneville ⁽¹⁾	\$ 230,242	\$ 234,958	\$ 234,021	\$ 241,804	\$ 239,350
Jackson Project ⁽²⁾	8,584	7,774	12,133	12,076	10,898
Small Hydroelectric Generation Projects ⁽³⁾	6,748	7,813	7,127	6,574	6,610
Biofuel Project ⁽⁴⁾	-	855	1,626	443	396
Other Generation System Costs ⁽⁵⁾	7,725	7,292	7,857	7,335	8,438
Renewable Energy Contracts	41,640	39,840	33,516	32,711	29,789
Other ⁽⁶⁾	632	737	684	639	740
Total Long-Term Energy Purchases	295,571	299,269	296,964	301,582	296,221
Short-Term Energy Purchases:					
Market Purchases ⁽⁷⁾⁽⁸⁾	12,906	30,818	61,594	99,169	130,278
Other Short-Term Purchases	3,654	4,340	4,951	5,573	8,989
Total Short-Term Energy Purchases	16,560	35,158	66,545	104,742	139,267
Total Purchased Power Costs ⁽⁸⁾	312,131	334,427	363,509	406,324	435,488
Wholesale Power Sales ⁽⁸⁾⁽⁹⁾	(38,783)	(42,693)	(73,375)	(72,441)	(103,988)
Net Cost of Energy Purchased	\$ 273,348	\$ 291,734	\$ 290,134	\$ 333,883	\$ 331,500
Total Energy Purchases (MWh) ⁽⁷⁾	8,709,691	8,385,593	8,889,306	8,337,703	8,996,476
Less: Wholesale Power Sales (MWh) ⁽¹⁰⁾	(2,060,403)	(1,512,879)	(1,847,108)	(1,473,414)	(2,031,807)
Net Energy Purchase (MWh)	6,649,288	6,872,714	7,042,198	6,864,289	6,964,669
Total Purchased Power (cents/kWh) ⁽⁸⁾	3.6¢	4.0¢	4.1¢	4.9¢	4.8¢
Net Purchased Power (cents/kWh) ⁽⁸⁾	4.1¢	4.2¢	4.1¢	4.9¢	4.8¢

Source: District records.

⁽¹⁾ See "ELECTRIC SYSTEM POWER SUPPLY—Bonneville Power Administration—*The Bonneville Power Purchase Agreement.*"

⁽²⁾ The increase in 2022 was a result of the largest scheduled shutdown of the Jackson Project in District history for maintenance. Costs remained elevated in 2023 as a result of valve replacements that occurred in June. In 2024, the Jackson Project underwent a planned shutdown for an intake gate inspection, which continued to keep costs elevated. See "THE GENERATION SYSTEM—The Jackson Project."

⁽³⁾ See "THE GENERATION SYSTEM—Small Hydroelectric Generation Projects."

⁽⁴⁾ The Biofuel Project became a District asset in the fall of 2021 upon execution of a new contract with Qualco in the fall of 2021. Associated startup costs were recorded as District-owned purchased power in 2021 and 2022. The Biofuel Project began generating as a District owned and operated asset in September 2022. See "THE GENERATION SYSTEM—Biofuel Project."

⁽⁵⁾ Represents debt service on Generation System Bonds and other renewable generation costs that are not directly related to current Generation System projects.

⁽⁶⁾ The Arlington Microgrid serves as a source of energy for the District and the output is included in the total energy purchase MWh; however, costs from operating the Arlington Microgrid are not calculated by the District as purchased power and are thus not included in other costs. See "ELECTRIC SYSTEM POWER SUPPLY—The District's Future Power Supply Strategy—*Arlington Microgrid (MESA 3) and the Clean Energy Center.*"

⁽⁷⁾ 2020 water conditions were favorable which reduced the District's need to supplement its resource portfolio with short-term market purchases. Wholesale purchases were elevated in 2022 and 2023 due primarily to poor water conditions and significant weather events which caused the District to make market purchases at historically high prices to serve its customer load. A major cold snap in January 2024 drove the need for substantial power purchases at elevated prices.

⁽⁸⁾ Total Purchased Power (cents/kWh) represents the Total Purchased Power Costs divided by the Total Energy Purchases expressed in kWh. Net Purchased Power (cents/kWh) represents Net Cost of Energy Purchased divided by Net Energy Purchases expressed in kWh. The total and net purchased power costs per kWh vary annually as a result of changes in the District's resource portfolio, the impact of annual precipitation levels on hydroelectric power generation, and the amount of power provided by Bonneville, and wholesale energy market prices.

⁽⁹⁾ Wholesale sales increased in 2022, 2023, and 2024 due primarily to sales of energy during periods of high market prices.

⁽¹⁰⁾ The amount of wholesale power sales (MWh) typically varies year-to-year due to changes in annual hydrological conditions, retail customer demand and the initiation and expiration of power supply contracts.

Bonneville Power Administration

Background

Bonneville was created by federal law in 1937, and is a revenue-financed federal agency under the United States Department of Energy (the “DOE”) that markets wholesale electricity generated at 31 federal hydroelectric projects in the Columbia River basin, one nonfederal nuclear plant (the Columbia Generating Station) and several other small nonfederal power plants. The federal hydroelectric projects were constructed and are operated by the United States Bureau of Reclamation or the United States Army Corps of Engineers. Bonneville markets power from resources having an expected aggregate output in Bonneville’s operating year 2026 (from August 1 through July 31) of approximately 9,617 average annual megawatts[±] (“aMW”) under median water conditions and approximately 7,910 aMW under low water conditions. The federal hydroelectric projects and the related electrical system are known collectively as the Federal Columbia River Power System (the “Federal System”). Electric power sold by Bonneville currently accounts for approximately 32% of the electric power generated in the region. Bonneville sells electric power at wholesale rates to approximately 135 utility, industrial, tribal and governmental customers in the Pacific Northwest. Its primary service area covers over 300,000 square miles in Idaho, Oregon, Washington, parts of Montana and small parts of western Wyoming, northern Nevada, northern Utah and northern California, with a population of about 15 million. It also constructed, owns and/or possesses, operates and maintains a high voltage transmission system comprising more than 15,000 circuit miles of high voltage transmission lines in the Pacific Northwest.

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

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

Bonneville has agreed by contract to review and set the Tier 1 Rate every two years. In order to align the rate period with expiration of the long-term preference contracts on September 30, 2028, Bonneville has determined that it will implement a single three-year rate period for the 2026-2028 rate period. The ratemaking process incorporates inputs from a number of public processes which include (i) the Integrated Program Review, which establishes Bonneville’s operating budgets, costs, and long-range capital plan, and (ii) the Rate Period High Water Mark process, through which the size of the Federal System and the total preference customer load is determined for the purpose of allocating costs under the

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

tiered rate construct. At the conclusion of the ratemaking process, Bonneville submits its rates to FERC for approval. This review is to confirm Bonneville's rates are sufficient to recover the agency's costs.

Under the power purchase agreement with Bonneville (the "Power Purchase Agreement"), the District's High Water Mark for the maximum amount of power it can purchase at the Tier 1 Rate during the contract term is 811 aMW, which is 105 aMW higher than the District's prior Bonneville contract amount of 706 aMW. In fiscal year 2024, the District purchased 756 aMW at the cost-based, Tier 1 Rate. The operating capability of the Federal System has declined over the past 10 years, reducing the District's maximum allowable purchase amount at the Tier 1 Rate to approximately 798 aMW. The District does not expect any changes to the High Water Mark through the remaining term of its Power Purchase Agreement with Bonneville. The High Water Mark for the Provider of Choice contract period will be determined in 2026. It is expected that Bonneville's system size, and by product, the District's High Water Mark, will be fixed for the duration of the Provider of Choice contract.

A utility may elect to purchase power from Bonneville for its customer loads that exceeds its High Water Mark at a rate reflecting Bonneville's incremental costs for additional resources ("Tier 2 Power" priced at a Tier 2 Rate). Alternatively, a utility may acquire power from other sources to serve loads above its High Water Mark. The District is required to provide notice to Bonneville of whether it intends to purchase Tier 2 Power from Bonneville for fiscal years 2026 through 2028, or that it will rely on its own resources.

To date, the District has not exceeded its High Water Mark, and is not forecast to have loads above the High Water Mark for fiscal years 2026 through 2028. However, in fiscal year 2029, which marks the first year of the new long-term Bonneville power purchase contract, the District is expected to exceed its High Water Mark by an estimated margin of less than 10 aMW. The District is in the process of the 2025 IRP, which will assess whether non-federal resources, Tier 2 power, or a combination produces the most cost-effective result in procuring the District's above high water mark resource needs in 2029 and beyond.

The District's Transition to Load Following

On August 6, 2024, the District Board of Commissioners approved a Bonneville product switch to the Load Following product, effective October 1, 2025, until the end of the Power Purchase Agreement term on September 30, 2028. The Load Following product will provide firm power service to meet the District's actual total retail load minus its dedicated resources. Dedicated resources refer to non-federal resources that the District is contractually obligated to use to serve load. These resources include the Jackson Project, the Woods Creek Project, the Youngs Creek Project, the Packwood Lake Hydroelectric Project, the Biofuel Project and the Arlington Microgrid solar array. The District can choose to apply its dedicated resources in pre-established amounts, called shapes, or simply as the resource generates. Depending on the size and type of resource, the District may be required to purchase additional Resource Support Services from Bonneville to account for resource unpredictability. After the change to the Load Following product, the District expects that Bonneville will supply approximately 95% of the District's power requirements.

The switch to the Load Following product was precipitated by a four-month analysis which found that the Load Following product would result in less expected cost and less cost variance than the Block and Slice products. As the District transitions to the Load Following product, its sales and purchases in the wholesale market are expected to be significantly reduced or eliminated. Consequently, the District will no longer have direct exposure to wholesale market prices or the need to balance a short-term portfolio position.

As part of this analysis, the District evaluated the cost and benefits of retaining non-federal non-dedicated resources to meet its load. As a result, the output from the Hancock Creek Project and the Calligan Creek Project have been contracted to Citadel Energy Marketing, LLC (“Citadel”) under a three-year agreement starting October 1, 2025 (the “Citadel Energy Marketing Agreement”), and the District’s long-term wind contracts will be remarketed beginning October 1, 2025 through their remaining terms. See “—Long Term Third-Party Power Purchase Contracts—*Wheat Field Wind Agreement*” and “THE GENERATION SYSTEM—Small Hydroelectric Generation Projects—*Hancock and Calligan Creek Projects*”.

The Power Purchase Agreement

On December 1, 2008, the District executed a long-term Regional Dialogue power sales agreement with Bonneville (the “Power Purchase Agreement”), to purchase the “Block” and “Slice” energy products for the period October 1, 2011 through September 30, 2028. The Block product provides a set amount of energy delivered in flat monthly blocks; the Slice product represents a “slice” or percentage of the actual output of the Federal System, which is predominantly hydrogeneration based. The District will be transitioning to the Load Following product effective October 1, 2025, which will remain under the existing Regional Dialogue agreement.

Block Product. The Block product provides the District with power in flat monthly amounts that are determined based on the District’s historical average monthly load. In 2024, the Block product provided 485 aMW in December during the District’s winter peak period. The lowest Block purchase was 311 aMW both in July and August, when the District typically has the lowest average monthly load. In 2024, the District received 3,289,162 MWh from the Block product, at a total annual cost of \$110,379,777 and an average cost of \$33.56/MWh.

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

The output of the Federal System can vary annually with changes in hydrological conditions. Regional weather patterns create the snowpack and precipitation levels that provide fuel for this expansive hydroelectric system. In addition, climate change may over time have an impact on the timing of runoff into the Federal System. The output of the Federal System in the future may be affected by other longer-term factors, the impact of which are not yet known, including but not limited to the potential for breaching the Lower Snake River dams, and increased spill conditions.

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

After the end of each fiscal year, Bonneville “true up” the difference between its actual costs and its rate forecast for the year through the Slice True-Up Adjustment charge or credit. The District’s share of the Bonneville’s fiscal year 2024 Slice True-Up Adjustment was a credit of \$6,581,051.

The Slice portion of the Power Purchase Agreement includes a separate Creditworthiness Agreement to secure the District's payment obligations. Under the provisions of the Creditworthiness Agreement, the District would be required to provide credit support through a letter of credit if the District's long-term credit rating were to drop below "BBB-." The maximum amount of credit support or collateral is based on a factor of 0.12 multiplied by the District's total annual cost for Slice, or approximately \$15 million. To date, the District has maintained ratings that are sufficient to avoid providing collateral for this purpose.

The District, Bonneville and other public power customers have been working on Provider of Choice, the successor to the current Regional Dialogue contract. Provider of Choice establishes the long-term power sales policy and contracts that will follow the current Regional Dialogue contracts that expire in September 2028. This new contract will have an updated core rate design, but rates and products largely mirror existing products and are expected to be similar on a cost basis. Bonneville required public utility customers to formally request a Provider of Choice contract and a specific Bonneville power product by June 18, 2025. Internal staff analysis of power products in the context of the Provider of Choice contract confirmed that the Load Following product will continue to be the best product to meet District and customer needs after the expiration of the existing Regional Dialogue contract, and as such the District's Board of Commissioners approved the formal request of the Load Following product under the Provider of Choice contract on May 13, 2025.

Bonneville Residential Exchange Program

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

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

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

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

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

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

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

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

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

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

The District submitted its financial information to Bonneville in June 2024, to determine its eligibility to participate in the Residential Exchange Program for fiscal years 2026 through 2028. Based on the Draft ASC Report, the District is eligible to receive residential exchange benefits on behalf of its residential customers during this time period, and the benefits are not expected to be impacted by the District's transition to Bonneville's Load Following product. The Final ASC Report will be issued in July 2025. Under Bonneville's new Provider of Choice contract beginning in 2028, customer-owned utilities, including the District, will not participate in the Residential Exchange Program.

Bonneville's Transmission Service Contracts

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

In parallel with the Bonneville power product transition from Block and Slice products to the Load Following product, the District is also transitioning its transmission portfolio from the Point-to-Point transmission product to the Network Transmission product, effective October 1, 2025. Point-to-Point transmission provides transmission capacity on specific paths from one point to another that can be redirected by a customer dependent on their hourly needs and transmission availability. By contrast, Network Transmission can only be used for load service. Customers designate their loads and resources, and Bonneville establishes rights on the customer's behalf. All Bonneville Load Following product customers utilize Network Transmission due to Bonneville's obligation to flex energy delivery up or down based on customer's net needs – this provides a better overall transmission fit for Load Following customers variable energy needs.

The District will transition its transmission portfolio to align with the change to the Load Following power product. This process will release 1,342 MW of Point-to-Point service paths delivering to the District's service area, providing capacity to Bonneville to provide firm Network Transmission service. Remaining Point-to-Point rights, which have historically been used to market surplus power to the wholesale electricity market, will be remarketed to third parties. A plurality of the surplus Point-to-Point portfolio was contracted to Citadel pursuant to the Citadel Energy Marketing Agreement.

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

The Pacific Northwest Intertie Capacity Ownership Agreement allows the District bi-directional use of its share of Third AC capacity and requires the District to pay an equivalent portion of the annual operating costs. Bonneville operates and maintains the north end of the Third AC.

In accordance with the provisions of the Pacific Northwest Intertie Capacity Ownership Agreement, the District can assign its Third AC capacity scheduling rights to another party, subject to Bonneville approval. In February 2009, the District executed a 15-year agreement assigning 100% of its Third AC scheduling rights to Avangrid Renewables, LLC (“Avangrid”). Bonneville approved the assignment of the District’s Third AC capacity and scheduling rights to Avangrid in March 2009. During this assignment period, Avangrid assumed responsibility for the District’s share of the annual operating costs and any capital expenditures that may arise during the term of the assignment. The District received the Third AC capacity scheduling rights back in early 2024, and, after observing limited use of the rights, executed a short-term assignment agreement with Mercuria Energy America, LLC for a term of January 1, 2025, to September 30, 2025. The District is in the process of negotiating a long-term assignment agreement with a term to begin October 1, 2025.

As a result of the transitions in the District’s transmission portfolio, including remarketing of surplus Point-to-Point and Third AC, the District expects to reduce its net transmission costs in calendar year 2026, though the extent of forecast cost reductions is subject to completion of negotiations.

Bonneville and Energy Northwest

Energy Northwest is a municipal corporation and a joint operating agency organized and existing under the laws of the State. It has the authority to acquire, construct and operate works, plants and facilities for the generation and transmission of electric power and energy. The membership of Energy Northwest includes 29 member utilities, all located in Washington State. The District is a member of Energy Northwest and previously held a seat on the Executive Board. Each member utility has a seat on the Energy Northwest Board of Directors, and currently the District has one seat on the Participant Review Board (“PRB”). The PRB represents the 92 utilities participating in the Columbia Generating Station. This nine-member board reviews all Columbia Generating Station plant purchases of more than \$500,000, construction and annual budgets, fuel management plans and plans for refinancing.

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

The District, Energy Northwest and Bonneville have entered into separate Net Billing Agreements with respect to approximately \$5.122 billion in outstanding bonds (as of June 30, 2025) for Energy Northwest’s Project No. 1, Project No. 2 (Columbia Generating Station), and 70% ownership share of Project No. 3 (collectively, the “Net Billed Projects”) under which the District has purchased from Energy Northwest and, in turn, assigned to Bonneville a maximum of 19.584%, 15.363%, and 19.334% of the capability of Projects Nos. 1 and 2, and Energy Northwest’s ownership share of Project No. 3, respectively. Under the agreements, the District is unconditionally obligated to pay Energy Northwest its *pro rata* share of the total costs of the projects, including debt service, whether or not construction is terminated (Project Nos. 1 and 3 were terminated). Under the Net Billing Agreements, Bonneville is responsible for the District’s percentage share of the total annual cost of each project, including debt service on revenue bonds issued to finance and refinance the costs of construction. The District’s electric revenue requirements are not directly affected by the cost of the Net Billed Projects. The revenue requirements are affected only to the extent that the costs of the projects result in increases in Bonneville’s wholesale power rates or if Bonneville failed to pay Energy Northwest. Bonneville and Energy Northwest executed an agreement with

respect to each Net Billed Project (“Direct Pay Agreements”) pursuant to which, beginning May 2006, Bonneville agrees to pay at least monthly all costs for each Net Billed Project, including debt service on the bonds for the Net Billed Projects, directly to Energy Northwest. In the Direct Pay Agreements, Energy Northwest agrees to promptly bill the District and other participants their share of the costs of the respective Net Billed Project under the Net Billing Agreements if Bonneville fails to make a payment when due under the Direct Pay Agreements.

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

Bonneville and Columbia River Treaty

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

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

The CRT flood control operations, which provided significant benefits to the United States, expired in September 2024, at which time the U.S. and Canada entered into an interim flood risk management operations period. In addition, U.S. hydro operations of the Columbia River system for fisheries management south of the U.S./Canadian border and the significant increase in new renewable resources like wind and solar that have been added to the grid have significantly reduced any benefits today to the United States and its Pacific Northwest utilities under the CRT.

The U.S. Entity engaged in a multi-year effort and collaborated and consulted with the region’s sovereign states, federally recognized tribes and a variety of stakeholders in the 2011-2013 period to evaluate the regional cost and benefits of the CRT after 2024. This culminated in the U.S. Entity’s issuance of the Regional Recommendation to the United States Department of State in December 2013. This recommendation identified potential modifications and rebalancing the value of the CRT post 2024, and outlined a general set of principles. While the recommendation requested that the U.S. government make a decision by mid-2014 to proceed with a renegotiation of the CRT with Canada, it has only been since 2016 that the U.S. Interagency Policy Committee completed their review of the Regional Recommendation, and forwarded it to the U.S. State Department. In 2024, the U.S. and Canada reached an agreement in principle to modernize the CRT. This agreement outlines a new treaty regime, which will require the U.S. Senate and the Canadian Prime Minister’s approval. Timing of potential approval in 2025 and beyond is unclear.

Bonneville's Over-Generation Conditions

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

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

During fiscal year 2024, the water supply volume for the Federal System was 78.8 million-acre feet (“MAF”), which was significantly below the 30-year average of 103.7 MAF. Bonneville did not call an OMP in 2024, compared to a total of 7 OMP event days in May 2023, for a total OMP request of 46,564 MWh, at a displacement cost of \$3.0 million.

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

Generation System

The District currently receives power from five District-owned hydroelectric generation projects included in the Generation System, which includes the Jackson Project, the Woods Creek Project, the Youngs Creek Project, the Hancock Creek Project and the Calligan Creek Project. The District also receives power from the District-owned Biofuel Project. The output of the Hancock Creek Project and the Calligan Creek Project is contracted to Citadel pursuant to the Citadel Energy Marketing Agreement in connection with the District’s transition to the Bonneville Load Following product. This is a result of the transition by the District to the Bonneville Load Following product which does not require these projects to be brought

to load during this period. The result of remarketing the output from these projects and other projects for this period is a reduced cost of service due to increased access to lower cost Bonneville Tier 1 power.

See “THE GENERATION SYSTEM—The Jackson Project,” “—Small Hydroelectric Generation Projects” and “—Biofuels Project.”

Long-Term Third-Party Power Purchase Contracts

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

Hay Canyon Wind Agreements

The District executed two power purchase agreements in February 2009 with Hay Canyon for 100% of the wind energy and RECs from the Hay Canyon Wind Project. This 100.8 MW nameplate project interconnects with the Bonneville transmission system and is located in north central Oregon along the Columbia River Gorge. The project was developed by Hay Canyon LLC, a subsidiary of Avangrid, which is part of the Iberdrola Group. Iberdrola S.A. has one of the largest renewable asset bases of any company in the world, with more than 32,000 MW of renewable energy spread across a dozen countries. Avangrid is headquartered in Portland, Oregon, and has more than 7,300 MW of owned and controlled wind and solar generation in more than 20 states. One portion (50.4 MW) of the Hay Canyon Agreement expired in February 2024 and the balance of the agreement expires February 2027.

The District began receiving energy output under the agreements on March 1, 2009. The project has an estimated annual output of approximately 210,000 MWh. The District receives 50% of the project's output under a 15-year power purchase agreement and 50% under an 18-year power purchase agreement. For the year ended December 31, 2024, the District purchased output totaling 102,507 MWh. The District is in the process of remarketing the output of the remaining share of the Hay Canyon project for the remaining term. This is a result of the transition to Bonneville's Load Following product which does not require this project to be brought to load during this period. The result of remarketing the output from the Hay Canyon project and other projects for this period is a reduced cost of service due to increased access to lower cost Bonneville Tier 1 power.

Wheat Field Wind Agreement

The District executed a 20-year power purchase agreement with Wheat Field for 100% of the project's output and RECs from the 97 MW nameplate wind project known as the Wheat Field Wind Project. This project interconnects with the Bonneville transmission system and is located near the City of Arlington in north central Oregon. The project was developed by Wheat Field, in conjunction with Horizon Wind Energy, LLC, which was rebranded in 2011 to EDP Renewables North America LLC. The project is owned and operated by Wheat Field. The District began receiving energy output under the agreement on April 1, 2009. The Wheat Field Wind Project has an estimated annual output of over 210,000 MWh, and qualifies as an eligible renewable resource under Initiative 937. For the year ended December 31, 2024, the District purchased output totaling 198,045 MWh. The Wheat Field agreement will expire March 2029. See “—Washington State Energy Initiatives and Legislation.”

The District is in the process of remarketing the output of the Wheatfield Wind project for the remaining term. In that transaction, it is anticipated the District will retain a significant share of the environmental attributes. The planned transaction is a result of the transition to Bonneville's Load Following product which does not require this project to be brought to load during this period. The result

of remarketing the output from the Wheat Field project and other projects for this period is a reduced cost of service due to increased access to lower cost Bonneville Tier 1 power.

White Creek Wind Agreement

In January 2007, the District executed a 20-year power purchase contract with LL&P Wind, L.L.C., a wholly owned subsidiary of Lakeview Light & Power, Tacoma, Washington, for the output of approximately 10% of the White Creek Wind Project. The project is located in south-central Washington along the Columbia River Gorge. The District's share of the White Creek Wind Project output is equivalent to 20 MW of wind capacity, with an average annual output of approximately 52,000 MWh. The project achieved commercial operation in November 2007, and the District began taking output under its contract in January 2008. For the year ended December 31, 2024, the District purchased output totaling 55,324 MWh. The White Creek agreement will expire December 2027.

The District entered into a remarketing agreement with Citadel Energy Marketing, LLC for the output of the Wheatfield Wind project for the remaining term. The planned transaction is a result of the transition to Bonneville's Load Following product which does not require this project to be brought to load during this period. The result of remarketing the output from the White Creek Wind Project and other projects for this period is a reduced cost of service due to increased access to lower cost Bonneville Tier 1 power.

Packwood Agreements

Energy Northwest owns and operates the Packwood Lake Hydroelectric Project, located 20 miles south of Mount Rainier in Packwood, Washington. The Packwood Lake Hydroelectric Project began operating in 1964 and has a nameplate capacity of 27.5 MW. The District currently contracts for a 20% share, or approximately 17,000 MWh of annual energy from the project. The output from this contract is considered a non-federal dedicated resource under the District's purchase power contract with Bonneville. For the year ended December 31, 2024, the District's share was 12,152 MWh.

Hampton Lumber Mill Agreement

In 2006, the District executed a 10-year power purchase agreement with Hampton Lumber Mills-Washington, Inc. for 100% of the electrical output of a cogeneration project located at the Hampton Lumber Mill in Darrington, Washington. In December 2011, the District amended its existing contract to include the purchase of the energy and the RECs associated with the full electrical output of the project and the option to extend the contract term in five year increments, by mutual agreement. The agreement was extended in 2017 through December 31, 2021. In December 2021, a replacement power purchase agreement was executed with a termination date of December 31, 2026. The District is finalizing an amendment to extend the existing agreement to September 30, 2028. The project utilizes wood waste (biomass) and has a nameplate capacity of 4.5 MW and is recognized as an eligible renewable resource under Initiative 937. For the year ended December 31, 2024, the District purchased output totaling 17,049 MWh.

Small Power Production Facilities

The District has committed through both adopted resolutions and federal requirements under PURPA to interconnect District and customer owned Small Power Production Facilities with a generating capacity of less than 2 MWs. The District currently has three agreements in place with customer-owned generating facilities and has developed multiple District-owned facilities included in the Electric System.

Ebey Hill Hydro Agreement

Ebey Hill Hydroelectric, Inc. owns and operates a 97-kilowatt hydroelectric project in Arlington, WA. The Ebey Hill Project began generating power in 1992 and the District executed a Purchase Power Agreement in May of 1992. The District is obligated to purchase all energy and capacity from the project, resulting from Ebey Hill's status as a qualifying facility under PURPA.

Washington State Ferries Agreement

In 2020, the District executed a five-year Small Renewable Generation Power Purchase Agreement with Washington State Ferries for 100% of the output and RECs from an existing 154-kilowatt solar generating project located at the Mukilteo Ferry Terminal in Mukilteo, WA. The initial term of this agreement will expire on September 17, 2025, with an option for Washington State Ferries to elect to extend the agreement for an additional term from one year to a maximum of five years subject to District approval.

Qualco Energy Agreement

In 2014, the District executed a five-year power purchase agreement with the Qualco Energy Corporation ("Qualco") for 100% of the output and RECs from its existing 450 kilowatt biogas electric generating facility located in Monroe, Washington that has been extended several times. Fuel for the project is provided through anaerobic digestion, which uses waste from local dairy operations and other bio-waste products such as restaurant trap grease and expired alcohol and beverages. This generator qualifies as an eligible renewable resource under Initiative 937.

The District executed a separate sublease and operating agreement with Qualco in 2021 under which the District assumed ownership of a new biogas electric generating facility and all corresponding environmental attributes and electricity at the Qualco site. The District installed the new generator with a capacity of 675 kW, along with updated metering and supportive infrastructure in 2022, at which time the existing purchase power agreement was terminated. The Biofuel Project is now included in the Generation System. See "THE GENERATION SYSTEM—Biofuel Project."

Community Solar Projects

The District has completed two Community Solar projects to date, which are owned and operated directly by the District for the benefit of its customers. The two projects are located in Arlington, WA at the site of the District's Arlington Microgrid and in Everett on land leased from Everett. The expected life of each project is twenty years and the maximum output from each project is 500 and 400 kilowatts, respectively. See "—Washington State Energy Initiatives and Legislation—*Community Solar Projects*."

Conservation

The District has offered energy efficiency programs to its customers for forty-five years. These programs provide energy savings opportunities over a broad range of electric uses, from installing lighting to analyzing process improvements for industrial operation. In 2024, District programs enabled customers to reduce their annual energy consumption by over 53,000 MWh.

Residential Programs

Programs currently available to residential customers promote energy efficiency improvements for space heating, water heating, lighting, appliances and consumer electronics. Customers can take advantage of rebates for floor, wall, ceiling and duct insulation, high-efficiency heat pumps, heat pump hot water

heaters, and insulated windows. Through the District’s online “Marketplace”, the District also offers rebates for efficient appliances, electric vehicle chargers, and smart thermostats. Because the District works with others in the Pacific Northwest region, District customers benefit from regionally coordinated buy-downs for products including consumer electronics at point of purchase retailers.

Commercial and Industrial Programs

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

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

In 2025, the District launched a program to serve data centers by working with telecom customers to ensure benchmarking and energy efficiency retrofits occur when possible. The District forecasts that this program will deliver over 5,600 MWh savings over the next three years.

Customer Renewables Programs

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

Wholesale Power Market Purchases, Sales and Trades

As the District transitions to Bonneville’s Load Following product, the District is expected to no longer have direct wholesale market price exposure or balance a short-term portfolio position through the remaining Regional Dialogue contract with Bonneville. The District may reintroduce some wholesale market exposure either directly or indirectly as it considers additional resources from Bonneville above its Tier 1 allocation, new contracted resources, or other market transactions to meet its above high water mark demand anticipated in 2029 and beyond. Additional resource needs under Bonneville’s new Provider of Choice contract will be evaluated in the District’s 2025 Integrated Resource Plan. The District will be updating its approach to energy risk management as a result of the changes which will be effective October 1, 2025. The following sections describe the District’s current policies and practices. See “ELECTRIC SYSTEM POWER SUPPLY—Bonneville Power Administration—The Power Purchase Agreement.”

Power Scheduling Operations

The District's Power Scheduling Operations sell power in the wholesale energy market when the District's contracted resources and surpluses associated with the Bonneville Slice product exceed its load and make purchases from the wholesale power market when required to meet the District's loads. In 2024, the District sold 2,031,807 MWh and purchased 1,451,131 MWh in the short-term market. The short-term market purchases were made to serve customer loads during the winter months when peak demands (driven by space heating loads) exceed the capabilities of the District's owned and contracted resources. Short-term wholesale market purchases and sales fluctuate throughout the year, reflecting seasonal variations in customer loads, weather and market conditions. As the District transitions to Bonneville's Load Following Product, effective October 1, 2025, the District's sales and purchases in the wholesale market are expected to be significantly reduced or eliminated.

Winter Capacity Options

In order to mitigate the risk posed to the District each winter, the District has historically looked to acquire a winter call option that could be utilized in the event of peak market events. To facilitate the negotiation of the winter call options each year, the District has executed park and lend contracts, which result in the District selling power on a day-ahead basis to the contracted party and purchasing power back at the same quantity during the real-time scheduling. These transactions utilize the same index pricing, resulting in a net zero financial impact to the District, while providing operational benefits to the contracting parties. The volume of power purchased and sold under these contracts was approximately 588,189 and 111,619 MWh in 2024 and 2023, respectively.

Energy Risk Management

Models and tests for managing a variety of risks are outlined in the District's Energy Risk Management Policy and Procedures Manual, adopted in 2002 and last revised in 2023. All employees involved in the District's energy supply, energy risk management and finance functions have the obligation to see that proper procedures are followed and where necessary, intervene to mitigate risks.

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

Physical Energy

In order to meet the monthly, daily and hourly energy demands of the District's customers and contractual obligations, District staff purchase and sell power in the wholesale energy market, primarily at the Mid-Columbia market hub. Contracts for short-term energy are made in accordance with the District's Energy Risk Management Policies and Procedures Manual on a rolling 18 to 36 month planning horizon.

With the transition to the Load Following product, effective October 1, 2025, long-term annual average load growth beyond the District's High-Water-Mark for Tier 1 priced Bonneville power can be served by resources the District contracts for, develops, or purchases from the Bonneville Tier 2 product which is priced at a market rate. Whether the District should develop or acquire additional resources for long-term annual average load growth or utilize the Bonneville Tier 2 product will be addressed in the District's 2025 Integrated Resource Plan. See "—The District's Future Power Supply Strategy."

Risk Management Tools

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

In 2008, the Commission adopted a resolution authorizing the use of financial hedges to mitigate the District's exposure to energy price risk. This authorization allows the District to enter into financial hedging contracts wherein the District would pay to or receive from the counterparty a fixed sum of money calculated based on a fixed price multiplied by a number representing MWh of power over a period specified in the contract. The counterparty would receive or pay the District a sum of money based upon a market index rate multiplied by the MWh. These transactions would, in essence, allow the District to lock in a known expense or revenue for a future short-term power market purchase or sale in advance. The payment received from the counterparty would be used to purchase power in the future period. The District has not engaged in any financial hedging activities. With the transition to the Load Following product, effective October 1, 2025, the necessity for the District to consider this financial tool will be significantly reduced or potentially eliminated.

Renewable Energy Credits

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

As a matter of policy, the Commission approved the sale of up to 100% of RECs that are surplus to the District's Initiative 937 needs. In addition, through its approval of the District's Integrated Resource Plan (“IRP”), the Commission has approved a strategy of retaining and banking RECs in the future to meet the District's Initiative 937 needs. The market price for RECs fluctuates according to supply and demand, resource fuel type, year generated and timing of the renewable portfolio standards established in nearby states. The District has strategically bought and sold RECs while rolling over a “bank” of surplus RECs for consumption in the following year. In 2025, the District budgeted \$2.3 million for REC purchases.

The District's Future Power Supply Strategy

The District is in the process of revising its power supply strategy to better meet future customer needs. The core change involves transitioning from Bonneville's Block and Slice product to Bonneville's Load Following product. This switch ensures access to the required energy and capacity from Bonneville for District loads, reducing reliance on the volatile wholesale market and producing lower overall power supply costs and year-to-year cost variance.

In parallel, the District is transitioning its Bonneville transmission product from the fixed volume Point-to-Point to Network Transmission, which adjusts according to District loads. On an annual basis, District staff estimate that this transmission product conversion should result in reduced transmission costs.

These changes aim to accommodate significant load growth cost-effectively, driven by increased electrification and population expansion. An analysis in 2024 found switching Bonneville products more cost-effective than acquiring new resources. Consequently, the District will implement these changes by October 1, 2025. The upcoming 2025 Integrated Resource Plan will incorporate these new products and is expected to be adopted by December 2025.

The principal driver for changes to Bonneville’s power and transmission products is to accommodate the scale and type of load growth in a cost-effective manner for customers. The District, like many other regional utilities, is forecasting meaningful load growth driven by increased electrification, ongoing population growth, and local economic development activities. Load growth forecasts are increasing, and peak load growth is also increasing at a rate higher than annual average load growth. In an operating environment that now includes the Western Resource Adequacy Program (“WRAP”), which includes participant requirements for firm capacity to serve peak load growth, an analysis was performed in 2024 to evaluate whether a Bonneville product switch could be more cost-effective than District resource acquisition to meet customer growth needs.

District’s 2023 Integrated Resource Plan

Washington State law requires utilities with more than 25,000 customers in the State to develop and adopt an updated IRP at least every four years and provide a progress report at least every two years. The District’s 2023 Integrated Resource Plan (the “2023 IRP”) was formally adopted by the Commission in December 2023. See “—Washington State Energy Initiatives and Legislation—*Washington State Integrated Resource Planning Requirements*.”

The 2023 IRP established the following short-term policy and actions to begin implementing the long-term resource strategy: actively engage with Bonneville’s post-2028 contract process and analyze new power products; acquire 10.54 aMW or more cost-effective conservation by 2025; continue planned development of additional Time of Day rate options for customers, and explore additional cost-effective demand response programs; develop low-cost, locally sited energy storage; perform due diligence on regional renewable energy projects and prepare for potential procurement activity; acquire 50 MW of short-term market contracts; ensure compliance with State clean energy mandates; continue commitment to best-practice rooftop solar customer processes; perform due diligence on local hydroelectric capacity uprate projects; develop and enhance local partnerships for fusion energy; and continue to participate in regional forums discussing the formation of organized markets in the Pacific Northwest.

The 2023 IRP helped inform the District’s two-year conservation target for 2024 and 2025, and the 10-year conservation potential estimate for the 2024-2033 period. The District’s Bonneville power contract is set to expire September 30, 2028. The District has requested a long-term contract for the Bonneville Load Following product for the 2028-2044 contract term in 2025, as part of Bonneville’s Provider of Choice contract process.

The District’s 2025 Integrated Resource Plan (the “2025 IRP”) will be the first that provides a long-term power plan incorporating the new Bonneville Load Following and Network Transmission products. The 2025 IRP is in production and is intended to be adopted by December 2025.

See “—Washington State Energy Initiatives and Legislation—*Washington State’s Renewable Portfolio and Conservation Standard*.”

Battery Energy Storage Systems – MESA 1 and MESA 2

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

Several leak incidents at the MESA 2 Project were noted and reported after installation in 2017. In 2018, a spill occurred that had greater impact and required significant effort to mitigate, resulting in a decision to discontinue the MESA 2 operation. The vanadium flow battery technology is not as mature as lithium-ion, and the MESA 2 system was one of the manufacturer’s earlier versions of its flow battery system. It was determined that the MESA 2 system design is not viable for long-term reliability due to the risk of potential chemical spills and lack of system reliability. The MESA 2 components were decommissioned, and as a result, the Electric System recorded an \$8.5 million and \$2.0 million asset write-off charged to other income and expense in 2020 and 2021, respectively. Since the MESA 2 project was deemed to be emerging technology the District is not required to reimburse the Washington State Department of Commerce for the grant funds received in 2014. The District completed the decommission of the MESA 2 battery energy storage system in 2021.

In 2024, the MESA 1 Project was determined to have reached the end of its useful life, and in 2025 the District started the process of finding a recycling/decommissioning plan. Requests for proposals for recycling and second-life options were released, and a contract was awarded to Redwood Materials to decommission and recycle the batteries.

Arlington Microgrid and the Clean Energy Center (MESA 3)

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

District is able to test how these mini batteries can be another source of electric storage to benefit the overall grid and the Microgrid. This project was completed in March 2022.

Small Hydroelectric Generation

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

Grid-Scale Energy Storage

The District performed feasibility analyses on several types of potential large scale energy storage projects, including pumped hydroelectric projects, and liquid air storage. It was determined that lithium-ion batteries are the best fit for the District’s energy storage needs at this time, and in 2022 the District began planning for a grid-scale battery energy storage system (“BESS”). In early 2024, the District entered into an energy storage agreement (“ESA”) with Ameresco, who will construct and operate a 25 MW/100 MWh battery at the District’s Arlington Clean Energy Campus. The ESA is a 25-year contract for Ameresco to maintain the battery, while the District will act as the sole off-taker of energy and will manage charging and discharging schedules. Construction began on the battery site in early 2025. Receipt of the related Bonneville Balancing Authority Area Services Agreement, which is a prerequisite for Ameresco’s continued development of the battery, is forthcoming. Supply chain uncertainties could impact the project’s commercial operation date, currently expected to be the first quarter of 2026. As the District transitions to Bonneville’s Load Following product, risks of operational delays or termination are cost related and are not expected to produce load service or reliability concerns. The BESS is intended to offset peak hour demand from Bonneville by shifting it to off-peak demand, reducing the District’s cost by an estimated one to two million dollars a year. The installation is the largest standalone battery project in the Pacific Northwest, supporting electric reliability and reducing energy price fluctuation exposure during periods of peak demand.

Resource Adequacy

The District is part of the Western Power Pool (the “WPP”), a non-profit organization that provides professional and management services to its participating organizations, which includes major generating utilities serving the Northwestern United States, British Columbia, Canada, and Alberta, Canada. The WPP has worked with regional stakeholders to develop WRAP, which is the first region-wide reliability planning and compliance program in the history of western North America. The WRAP tariff was approved by FERC on February 23, 2023, and WRAP participants are planning for implementation. The District is currently a WRAP participant but will transition from an individual participant to load covered by Bonneville in parallel with the District’s transition to Bonneville’s Load Following product on October 1, 2025. In that capacity, Bonneville will be obligated to carry sufficient resources to support the District’s load under the WRAP program requirements.

Energy Market Participation

The District has been participating in stakeholder processes for two initiatives to develop real-time and day-ahead regional wholesale energy markets for the Pacific Northwest and other portions of the western United States. One initiative is the Extended Day-Ahead Market, which would be administered by the California Independent System Operator. The second initiative is Markets+, which would be administered by the Southwest Power Pool (“SPP”). The District was one of more than 30 participants in

the Phase 1 effort to establish Markets+, where it was a voting member and had staff serve on multiple work groups and task forces to establish the Markets+ tariff. The Markets+ tariff was approved by FERC on January 16, 2025. On May 9, 2025, Bonneville issued its Day-Ahead Market Policy which established their intention to pursue participation in Markets+. Because the District is within Bonneville’s Balancing Authority Area, the District anticipates its load and resources will also be within the Markets+ market footprint. Markets+ implementation planning will be led by SPP in 2025 in order to prepare for a go-live date as early as summer of 2027. Bonneville expects to be a participant in Markets+ in 2028, allowing time for policy development, which is currently in early stages. Specific impacts to Load Following customers, including the District, will be uncertain until further Bonneville policy progress has been made.

District Climate Change Policy, Principles and Strategies

The District was one of the first utilities in the region to adopt an official climate change policy, including supporting principles and strategies. In the policy, the District, among other things, (i) commits that it will provide electric, water and associated services to its customers in an environmentally responsible way while increasing economic value, financial stability and operational safety and security for its ratepayers; (ii) recognizes that climate change is a serious global problem that should be addressed through the development of thoughtful and forward-looking legislation that actually results in the reduction of greenhouse gas emissions in a workable and cost-effective manner; (iii) recognizes that the Pacific Northwest’s investments in energy efficiency and renewable hydroelectricity have yielded substantial environmental benefits and this legacy should be continued by meeting customer growth through conservation and a diverse mix of renewable technologies including, but not limited to, wind, tidal, solar, biomass and geothermal; and (iv) recognizes that using natural resources more efficiently and wisely makes good environmental and economic sense. Since adoption of its initial climate change policy, the District has developed several “strategic priorities” guidance documents, beginning in 2015, as well as an Environmental Commitment document in 2019, that prominently feature environmental stewardship and environmental sustainability as fundamental principles in carrying out the District’s business. The climate change policy was updated by the Commission in June 2024 and renamed the “Climate Change Principles.”

Washington State Energy Initiatives and Legislation

Washington State’s Renewable Portfolio and Conservation Standard

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

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

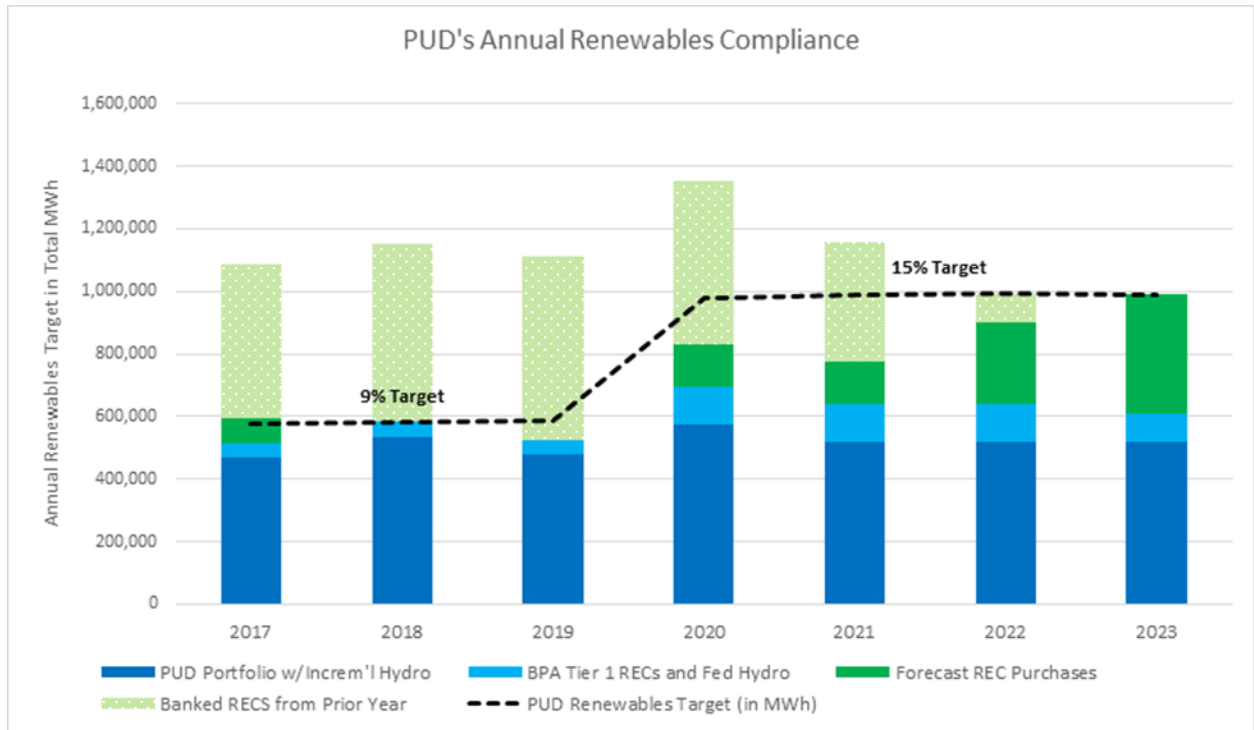
There are multiple methodologies available for RPS compliance, and the District has used multiple methods in recent years. From 2012-2020 and 2022-2023 the District used the Target methodology and retired an equivalent volume of RECs from its existing portfolio as the renewable requirement given by multiplying the total retail load by the percentage target. Under the No Load Growth methodology, a utility is not required to meet a renewable energy target if it spends at least 4% of its retail revenue requirement on the incremental cost of renewable energy and renewable energy credits. The cost limit for a utility with no load growth is 1%. In 2021, the District used the No Load Growth methodology, which required the District to retire only 84,214 RECs. In 2023, the District’s 15% renewable target equated to 1,001,639 MWh, which the District served from a combination of its 2022 REC bank (607,221 MWh) and from the contributions of its 2023 eligible renewable resources and unbundled REC purchases (394,418 MWh).

Ongoing compliance is explored and addressed in the District’s IRP process every two years. The District budgets for unbundled REC purchases sufficient to meet the regulatory compliance via the target methodology and has been procuring significant volumes of RECs ahead of expected compliance needs. In 2025, the District budgeted \$2.3 million for REC purchases, with forecasted expenditures of \$2.3 million for 2026, \$4.0 million for 2027, \$4.1 million for 2028, and \$4.1 million for 2029. Should the District become eligible for other compliance methodologies, it is anticipated that those methodologies would require fewer RECs, allowing the District to either bank the RECs for future compliance years or remarket the RECs to other regional buyers.

The District actively participated in the Washington State Legislative process for Senate Bill 5445, which permits storage resources and demand response programs to qualify for REC equivalents under RPS compliance obligations. As part of its strategic planning, the District is developing a 25MW battery project, scheduled to be operational in 2026, which is expected to qualify for REC-equivalents. Additionally, the District’s anticipated future time-of-use rate structure will be designed to generate REC-equivalents. See “—The District’s Future Power Supply Strategy—*Grid-Scale Energy Storage*.”

The District’s transition to Load Following is not anticipated to significantly impact the District’s ability to meet its RPS compliance requirements. The District is currently negotiating term sales of its wind projects in alignment with the Bonneville product transition, and expecting to retain some, but not all, of the RECs associated with these projects. In 2025, the District anticipates acquiring additional RECs, approximately \$900,000 above its budget, to supplement its portfolio and meet compliance obligations, assuming it adopts the target methodology as expected.

In early 2025, the District issued a renewable request for proposals to evaluate regional projects as either a Bonneville Tier 2 alternative or to supply RECs to meet compliance needs. It is currently conducting project due diligence and negotiations.



In December 2023, the Commission adopted conservation targets for the years 2024-2025 of 10.54 aMW, and set its 10-year conservation potential estimate at 81.84 aMW for the 2024-2033 period. The District subsequently filed the two-year target and 10-year potential estimate with the Washington State Department of Commerce in December 2023.

In accordance with Initiative 937 reporting requirements, the District submits its annual filings with the Washington State Department of Commerce by June 1 each year. This report consists of: (i) total owned and acquired renewable resources as of January 1 of the target year; and (ii) the actual conservation achievements for the two-year period, compared to the adopted target.

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

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

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

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

The District included CETA provisions in the 2021 IRP and 2021 CEIP, and, due to composition of the District’s power portfolio (which contains no direct carbon emissions), and previous practices which already considered the carbon impact of resource decisions, was not materially impacted by the provisions of CETA in setting long-term planning strategies. The District also included planning for CEIP requirements in the 2023 IRP Update. The District again was not materially impacted by the provisions of CETA in setting long-term planning strategies in the 2023 IRP.

As the District drafts its 2025 IRP, the planning environment has changed since the 2023 IRP as the District plans to become a Load Following customer of Bonneville changing the composition of its power portfolio. The District does not expect this product change to materially impact its ability to comply with the CETA standards beginning in 2030.

Washington State Emissions Performance Standards

In 2008, legislation was adopted in Washington requiring reductions in greenhouse gas emissions, initiating greenhouse gas reporting requirements, and requiring the Washington State Department of Ecology (“WDOE”) to make recommendations for the development of a market-based cap and trade system. Under the legislation, the State must reduce overall greenhouse gas emissions to 1990 levels by 2020; to 25% below 1990 levels by 2035; and to 50% below 1990 levels by 2050. The legislation also required the WDOE to adopt rules requiring the reporting of GHG emissions. Subsequent legislation adopted in 2010 aligned the Washington State greenhouse gas reporting protocols with federal regulations promulgated by the Environmental Protection Agency. The WDOE rules for the reporting of greenhouse gas emissions became effective on January 1, 2011. Mandatory reporting for facilities with annual greenhouse gas emissions of 10,000 metric tons CO₂ equivalent or greater began with 2012 emissions reported in 2013.

Related legislation provides that generation sources underlying power supply contracts of five years or more that are entered into after July 2008 must comply with a permissible ceiling of 1,100 pounds of greenhouse gas emissions per MWh (or the average available greenhouse gas emissions output as derived by the Washington State Department of Commerce analysis of appropriate combined cycle combustion turbines). Some emissions are allowable if sequestered or mitigated under a plan approved by the Energy Facilities and Site Evaluation Council (the “EFSEC”). In June 2008, the WDOE, EFSEC, Washington State

Department of Commerce and Bonneville coordinated and adopted rules to implement and enforce these standards. In addition to compliance with such ceiling, owners of generation facilities were required to comply with certain mandatory reporting requirements beginning in 2013 (based on 2012 emission levels).

Voluntary Green Power Program Legislation

Since 2002, State law (RCW 19.29A.090) has required that larger electric utilities in the State offer retail customers an option to purchase qualified alternative energy resources—often referred to as green power. Utilities have two options for providing customers with qualified green power: actual power from qualified green resources, and RECs. The law also requires electric utilities to maintain and make available upon request certain information and details regarding their green power programs.

The District’s business and residential customers can support green power through a second voluntary program option, Carbon Solutions. Customers can participate for as little as one unit at \$6.50 per month, which is applied directly to their consumption accounts. Customers also have the option to make a one-time purchase of any number of units. Every unit of RECs purchased for \$6.50 equals 1,000 kWh of energy generated by a renewable source, primarily solar and wind. Generation from qualified hydro, geothermal, and biogas may also be included depending on product availability. RECs are purchased through the North American Renewable Energy Resources.

Tree Relief for Energy Efficiency (TREE) Power

The District announced the launch of the Tree Relief for Energy Efficiency (TREE) Power Grant Program in April 2024. The program supports urban forestry projects by funding tree planting in parks, green spaces, and urban areas. The goal is to enhance energy efficiency by reducing heat retention from buildings and pavement, which can lower air conditioning demand. The TREE Power program provides grants to government agencies, quasi-government entities, and nonprofits for tree planting on publicly accessible land within the District’s service territory. Additionally, customers can also contribute to urban forestry projects through donations.

For the 2024 pilot year, the District will be funding three to five projects, each receiving up to \$10,000. The initiative aligns with broader sustainability efforts, aiming to mitigate rising air conditioning loads and reduce infrastructure costs.

Transportation Electrification

The District actively supports its residential and commercial customers in the adoption of transportation electrification by providing technical support, incentives, tools and partnerships to leverage various funding opportunities. Current programs, projects and recent accomplishments include:

- The District recently completed a commercial customer pilot program that assisted customers in developing a ten-year fleet electrification plan.
- The District’s newest Community Office, the North County Community Office, opened in March 2025 and features seven Level 2 electric vehicle charging stations available to the public and another ten charging stations to support the District’s continued expansion of its electric vehicle fleet.
- In 2025, the District will launch a program to support local transportation electrification with credits generated by the Washington State Clean Fuels Program. The program is being designed in alignment with WDOE requirements and guidance.

- In 2025, the District plans to complete a State funded en-route bus charging project in partnership with a local transit agency.
- In 2022, the District utilized State grants to install the first publicly available fast charging station in the downtown Everett corridor in addition to two fast chargers located at the District's headquarters.
- Since 2020, the District has offered incentives to customers to install connected EV chargers in homes and businesses.

Advanced Metering

Since obtaining approval from the Commission in August of 2020, the District has been deploying advanced metering technology, labeled the Connect Up project, throughout the District's service territory, targeting completion in 2027. Components of this program include an expanded communications network, metering technology, and a data management system. The first installations of meters began in 2023. The District will be using FCC-approved equipment that is the same as or is similar to that which is already used by many other utilities in the Pacific Northwest and nationally.

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

Community Solar Projects

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

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

The District completed construction of its second Community Solar Project in December 2024. The 400 kW solar array is located in South Everett, on land leased from Everett. The name of the project "El Sol al Alcance de tus Manos" (The Sun at Your Fingertips) came from the local community. All generation credits, valued at \$0.06/kWh, are contributed to the District's Community Energy Fund for emergency bill assistance to income-qualified customers. Project construction was funded in part by State and federal grant and incentive funds. A direct-pay federal investment tax credit is pending, which with grant and incentive funds, would cover approximately 90% of construction costs.

Climate Commitment Act (Cap and Invest Program)

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

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

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

The District successfully filed its first compliance report for Compliance Year 2023 in May of 2024. The District also had a successful third-party verification of its compliance calendar year 2023 report, receiving a positive verification statement with WDOE accepting the District’s compliance report and positive verification statement.

The District has also participated in previous auctions by consigning allowances believed to be surplus to its compliance needs. In 2023 and 2024, the District received \$1.3 million and \$11.6 million from WDOE, respectively from these consignments. These revenues have been used to benefit ratepayers, prioritizing mitigation of the Climate Commitment Act rate impacts to low-income customers.

Low Carbon Fuel Standard

Chapter 70A.535 RCW directs the WDOE to enforce rules establishing a clean fuels program (the “Clean Fuels Program”) which limits the greenhouse gas emissions attributable to each unit of transportation fuel. The program is now in effect and requires the carbon intensity of fuels to be 20% below 2017 levels by 2035, with annual reductions increasing between 2023 and 2034. The Clean Fuels Program exempts fuels exported or not used in the State, and fuels used in aircraft, railroad locomotives, marine vessels and military tactical vehicles.

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

Electric utilities can register and earn credits under the program for electricity used as transportation fuel, and for some electric vehicle charging activity, including smart vehicle charging technology. Proceeds from the sale of credits earned by electric utilities fund transportation electrification projects and programs. The District began receiving credits in 2025 and is currently in negotiations for its first sale transaction. The revenue from sale transactions will benefit items identified in the District's Transportation Electrification Plan.

Washington Families Clean Energy Credits Grant

In May 2024, the District was awarded a \$14 million grant from the Washington State Department of Commerce, as part of the Washington Families Clean Energy Credit Program, dedicating \$150 million statewide to assist low-to moderate-income households with the clean energy transition. This initiative provided funding for bill credits of \$200 per household to eligible residential customers through their electric utility provider. In 2024, the District received and distributed the \$14 million grant to eligible residential customers in the District's service area. Households with income less than 150% of the area median income qualify as low or moderate income. These funds were distributed to over 71,000 accounts, helping to offset current and future balances and lifting more than 1,000 customers out of distressed status. To be eligible for the balance adjustment, residential customers needed to be enrolled in one of several approved programs, such as Low-Income Home Energy Assistance Program, Community Energy Fund, Income Qualifies, Budgeted Payments, or through a formal self-attestation process.

Secure Modern Automated and Reliable Technology Project (SnoSMART) Grant

In October 2023, the District was awarded a \$30 million grant from the U.S. Department of Energy Grid Deployment Office for the District's Secure Modern Automated and Reliable Technology ("SnoSMART") Project. The contract was signed in September 2024, with \$33 million in District cost share funds allocated for the project. This project aims to accelerate a formerly twenty-year plan into just five years. Funds will be granted through cost reimbursement requests submitted in compliance with an Assistance Agreement. All requests are subject to review and approval by a Project Manager at the U.S. Department of Energy ("DOE"). The District's contract with the DOE allows for reimbursement requests up to twice a month. The District has submitted a total of \$695,000 for reimbursement and has received \$215,000.

The current Presidential administration's emphasis on conventional energy sources has resulted in policy shifts affecting projects associated with the previous Presidential administration's climate initiatives. At this time, the District has not identified any risks that could affect its contract with the DOE.

SnoSMART is an infrastructure and software endeavor designed to enhance the District's system reliability, mitigate wildfire risks, and enable demand management. The project involves deploying hundreds of wireless-connected smart grid devices to the distribution grid and upgrading the software tools to operate them. Supervisory Control and Data Acquisition, Advanced Distribution Management System, and the Distribution Automation Infrastructure will work together to create improved information and planning tools with new data analytics, moving toward a smarter grid.

Regional Transmission Planning

Regional Transmission Planning

Bonneville operates and maintains approximately 15,000 circuit miles of high-voltage transmission in Idaho, Oregon, Washington, western Montana and small parts of eastern Montana, California, Nevada, Utah and Wyoming. The District depends on Bonneville for the vast majority of its regional transmission

needs and does not provide transmission services to others. While the District is not FERC jurisdictional and is not required to participate in joint regional planning, it is nonetheless interested in the development of a robust transmission network throughout the Pacific Northwest. In 2019, the District joined NorthernGrid, a new transmission planning region that facilitates regional transmission planning across the Pacific Northwest and Intermountain West. Other private and public utilities are members of NorthernGrid, including Bonneville, Avista Corporation, Puget Sound Energy, Seattle City Light, Idaho Power Company, BHE Canada, Public Utility District No. 1. of Chelan County, Washington, Northwestern Corporation, Pacificorp, Portland General Electric, Tacoma Power, and NVEnergy. NorthernGrid began its planning operations in 2020. The District plans to continue its participation in NorthernGrid regional transmission planning upon the District's transition to Bonneville's Load Following product.

Open Access

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

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

FERC Order 1000

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

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

Participation in regional transmission planning efforts is voluntary for non-jurisdictional utility transmission providers. The District is not a jurisdictional utility nor is it a "transmission provider" for purposes of Order 890 or Order 1000. A potential impact to the District could occur if NorthernGrid adopted cost allocation principles for a regional transmission project under which a share of the project's costs were made attributable to the District. The District has negotiated in the NorthernGrid agreement provisions to

protect the District from costs it has not agreed to pay, and the District could further protect itself from an unacceptable cost allocation by terminating its membership in NorthernGrid.

FERC Order 1920

FERC Order 1920 was issued in 2024 and revised Order 1000, regional transmission planning, to focus on long-term, regional planning over a 20-year horizon. Order 1920 mandates the inclusion of local projects in regional processes, clarifies the role of states in cost allocation, and requires transmission providers to establish evaluation processes for long-term regional transmission facilities. NorthernGrid's enrolled members are updating their Open Access Transmission Tariff Attachment Ks to incorporate the Order 1920 requirements and the NorthernGrid members are incorporating the Order 1920 changes into the existing planning process.

WestTEC Regional Transmission Planning

In early 2000, the District was part of a subgroup of NorthernGrid that identified the need for 20-year transmission plans. This group worked with the WPP to develop 20-year studies. By 2023, this effort expanded to include the Western Interconnection and became the Western Transmission Expansion Coalition, or WestTEC. The mission of this regional effort was to develop an actionable transmission study to support the needs of the future energy grid. The final deliverable will be a West-wide transmission needs study looking out over 10- and 20-year periods. The study began in spring 2025 and is expected to be finished in the first quarter of 2027. The WPP is coordinating the project, which spans across the region and includes regional partners representing a broad swath of industry sectors, states and tribes.

Transmission Reliability

In March 2007, FERC issued Order 693, which addresses mandatory reliability standards for utilities. The North American Electric Reliability Corporation ("NERC") was tasked with developing reliability standards for the electric industry and for ensuring those standards are met. All users, owners and operators of the bulk power system are required to identify functions they perform and register the information with the NERC or their Regional Entity. In the District's case, this is the Western Electricity Coordinating Council ("WECC").

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

The District has had two audit findings throughout the five WECC audits. The findings were both identified in the 2021 Critical Infrastructure Protection audit and involved the Critical Infrastructure Protection-003-8 Reliability Standard requirements R1 and R2. The findings are still in progress, and the District expects them to be addressed through a dismissal, compliance exception, or Find, Fix, Track and Report process as they involved documentation related to low impact Bulk Electric System cyber systems.

Public Utility Regulatory Policies Act

FERC Rulemaking

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

Amendments from Infrastructure Investment and Jobs Act (IIJA)

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

Energy Imbalance Market

In July 2019, Bonneville issued a letter to the region seeking public comment on Bonneville potentially joining the Western Energy Imbalance Market (“EIM”). This letter included a package with Bonneville’s policy proposal document, a report of Bonneville’s EIM cost-benefit analysis and a draft of the California Independent System Operation (“CAISO”) EIM implementation agreement. Bonneville addressed comments received on this package in its record of decision published in September 2019. On September 26, 2019, Bonneville signed an implementation agreement with the CAISO and a record of decision in a move toward joining the Western EIM in March 2022. Bonneville joined the Western EIM on May 2, 2022. As Bonneville begins its transition to the Markets+ Day-Ahead and Real-Time markets, expected in 2028, it is anticipated that Bonneville will transition out of the EIM as it enters Markets+.

ELECTRIC SYSTEM FINANCIAL INFORMATION

Financial Results

The following table presents income statements of the Electric System from fiscal year 2020 through fiscal year 2024. Appendix A contains the audited financial statements for the District for fiscal years 2024 and 2023. See “—Financial Condition and Liquidity” for a description of the District’s cash balances and liquidity reserves.

TABLE 12
Public Utility District No. 1 of Snohomish County, Washington
Electric System
Operating Results
(\$000's)

Year Ended December 31,

Operating Revenues	2020	2021 As reclassified ^(*)	2022 As restated ^(*)	2023 As restated ^(*)	2024
Sales of Electric Energy					
Residential	\$ 379,219	\$ 384,362	\$ 403,147	\$ 419,674	\$ 452,789
Commercial	196,879	204,048	208,569	213,133	226,541
Industrial	32,972	32,564	33,188	32,778	33,545
Other ⁽¹⁾	3,910	3,739	3,981	5,370	16,176
Sales for Resale ⁽²⁾	38,783	42,693	73,375	72,441	103,988
Unbilled Revenue ⁽³⁾	(5,300)	8,400	6,900	(5,400)	(3,600)
Total Sales of Electric Energy	646,463	675,805	729,160	737,996	829,439
Other Operating Revenues ⁽⁴⁾	32,088	32,334	36,161	64,031	42,664
Total Operating Revenues	678,551	708,139	765,321	802,027	872,103
Operating Expenses					
Purchased Power and Generation ⁽⁵⁾	312,131	334,427	363,509	406,324	435,487
Operations ⁽⁶⁾	213,742	180,224	191,729	213,673	247,958
Maintenance ⁽⁷⁾	25,493	35,412	48,549	37,143	61,749
Depreciation	57,202	58,988	62,797	65,651	66,971
Taxes	38,525	39,534	40,732	42,107	45,285
Total Operating Expenses	647,093	648,585	707,316	764,898	857,450
Net Operating Income (Loss)	31,458	59,554	58,005	37,129	14,653
Interest and Other Income ⁽⁸⁾	6,828	3,653	473	31,474	25,129
Interest Charges					
Interest ⁽⁹⁾	16,044	16,045	18,856	20,101	20,083
Amortization of Debt Costs ⁽¹⁰⁾	(643)	(2,115)	(5,587)	(2,386)	(2,366)
Total Interest Charges	15,401	13,930	13,269	17,715	17,717
Capital Contributions ⁽¹¹⁾	28,445	27,800	28,294	29,785	33,795
Net Income	\$ 51,330	\$ 77,077	\$ 73,503	\$ 80,673	\$ 55,860
Net Income Adjustments:					
Non-cash Contributions ⁽¹¹⁾	\$ (5,442)	\$ (6,376)	\$ (3,977)	\$ (10,252)	\$ (10,180)
Interest Charges ⁽⁹⁾⁽¹⁰⁾	15,401	13,930	13,269	17,715	17,717
Depreciation	57,202	58,988	62,797	65,651	66,971
Pension and OPEB Liability Actuarial Adjustment ⁽¹²⁾⁽¹³⁾	(16,207)	(43,297)	(20,549)	(25,782)	(22,962)
Net (Increase) Decrease in the Fair Value of Investments ⁽¹⁴⁾	(2,513)	4,857	11,390	(8,265)	(2,707)
Hydroelectric Project Termination Charge ⁽¹⁵⁾	8,465	-	-	-	-
Balance available for debt service coverage	\$ 108,236	\$ 105,179	\$ 136,433	\$ 119,740	\$ 104,699
Electric System Bonds Debt Service ⁽¹⁶⁾	\$ 26,579	\$ 26,847	\$ 29,998	\$ 31,954	\$ 32,588
Electric System Bonds Debt Service Coverage	4.1x	3.9x	4.5x	3.7x	3.2x

Source: District records. See "APPENDIX A—INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS" for the years ended December 31, 2024 and 2023.

(*) Reclassified or restated, as applicable to conform with GASB standards.

- (1) Other includes No-Cost Allowances Auction proceeds of \$1.3 million and \$11.6 million in 2023 and 2024, respectively related to the Climate Commitment Act.
- (2) Wholesale sales increased in 2022 due to favorable water production in the region, resulting in additional available energy to the District from Bonneville's Slice product. Sales remained elevated through 2024 as regional energy demand remained consistent while energy supply was diminished, driving persistent high market prices.
- (3) Unbilled revenue results from timing differences between when customers are provided power when they are invoiced, typically a one-month difference. The District expects to see increases to unbilled revenue balance in the fall/winter and decreases in the spring/summer, consistent with customer usage trends. The primary driver that impacts the unbilled revenue balance at year end is weather, which will vary year to year. An updated unbilled revenue calculation model was implemented in 2020.
- (4) In 2022, revenues rose due to the reinstatement of late fee assessments in fall 2021, along with a one-time insurance reimbursement. The 2023 increase was attributed to the Bonneville Reserves Distribution Clause and higher Bonneville Energy Conservation Achievement revenue. However, in 2024, revenues declined primarily due to reductions in Bonneville programs, including Power Reserves Distribution Clause, Energy Conservation Agreement, and Residential Exchange Program.
- (5) Purchased power costs increased in 2021 and 2022 due to extreme heat in June and July and extreme cold in December, resulting in greater market purchases made at higher prices. An unfavorable regional water year in 2023 significantly increased purchased power costs due to decreased output from the District's share of Bonneville's Slice product resulting in an increased volume of purchases made on the open market at significant premium. For 2024, the primary driver of higher costs was the extreme cold in western Washington during January, which resulted in unusually high wholesale market prices.
- (6) Operations costs decreased in 2021 primarily due to a reduction of the District's net pension obligation of \$43 million, in addition to an accounting reclassification to maintenance expense of \$6 million. Operating expenses in 2022 increased from 2021 but were heavily benefited by a \$7 million reduction of bad debt expense. Operating expenses in 2023 and 2024 reflect similar activity to pre-pandemic levels, adjusted for inflation. Additionally, the District had a labor wage increase that was 11.5% on average for non-represented staff effective January 2024 and a labor wage increase of about 11.3% for represented staff on April 2024.
- (7) The increase in maintenance expense in 2021 was a result of a \$6 million accounting reclassification from operations expense effected in 2022. Rising cost pressures coupled with historically significant winter storms led to an increase in maintenance costs in 2022. Costs related to Emergency Work and Restoration increased by approximately \$20 million in 2024 due to wind events, including the bomb cyclone in November 2024.
- (8) Interest income decreased in 2022 due to unrealized losses on held investments that are reported at fair value in accordance with Generally Accepted Accounting Principles. Due to the frequency of Federal Reserve rate increases in 2022, unrealized fair value losses were significant. In 2023, interest and other income increased significantly as a result of interest rates observed in the overall economy. In 2024, other income had a decline as a result of a broader economic downturn in interest rates. With market yields dropping significantly from the prior year, the District has had a reduction of unrealized gains, relative to those recognized in 2023.
- (9) Interest charges increased in 2022 and 2023 due to higher outstanding debt balances associated with issuances in 2021 and 2022.
- (10) The decrease in 2021's amortization of debt costs was associated with an accounting true-up for the amortization of premiums associated with a series of 2020 refunding bonds. In 2022 the District 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.
- (11) Capital contributions are collected from property developers when they request to connect to the District's electric distribution system or request engineering or construction services. Non-cash contributions relate to a developer's plot work that is transferred to the District after the work is completed. Contributions may vary from year-to-year based on growth and factors external to the District.
- (12) GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires governments providing defined benefit pensions to their employees to recognize the net pension liability for pension benefits in their operating results. The District participates in PERS and implemented this Statement for the year ended December 31, 2015. These amounts are determined through an actuarial analysis by the State. The corresponding increase (gain) or decrease (loss) from year to year is reflected in the operating results. The effect of recording the pension adjustment has no impact on District cash flows, so the impact has been removed from the debt service coverage calculation. A large decrease of net pension expense was recorded in 2021 due to market returns within PERS, resulting in a reclassification of a portion of the net pension obligation from a liability to an asset on the District's Statement of Net Position.
- (13) In 2018, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions, required governments to recognize net liability related to OPEB. The corresponding increase or decrease from year to year is reflected in the operating results. The effect of recording the OPEB adjustment has no impact on District cash flows, so the impact has been removed from the debt service coverage calculation.
- (14) The District typically holds investments to maturity. Generally Accepted Accounting Principles, however, require certain unrealized gains and losses be recorded as a component of net income. Because the effect of recording the mark-to-market value of these investments has no impact on District cash flows, the impact is removed from the debt service coverage calculation.
- (15) Due to the inherent risk of potential vanadium electrolyte spills and lack of system reliability, MESA 2 was terminated, and equipment was decommissioned, and as a result, the Electric System recorded an \$8.5 million asset write-off charged to other income and expense in 2020. See "—The District's Future Power Supply Strategy—Energy Storage - MESA 1 and MESA 2."
- (16) Debt Service rose in 2022 and 2023 due to the increase in outstanding long-term debt associated with issuances in 2021 and 2022.

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

Revenues from the District's annual sales of electric energy increased from \$646.5 million in 2020 to \$829.4 million in 2024, an increase of \$183.0 million over the period. Excluding sales for resale, sales of electric energy increased from \$607.7 million in 2020 to \$725.5 million in 2024, an increase of \$117.8 million, or 19.4%, over the period. The increase in retail energy sales revenue during this period reflects a growing residential customer base and enacted rate increases over the past five years.

In 2021, Bonneville raised its rates, and the District passed through a 0.54% rate increase to its customers effective October 1, 2021. On April 1, 2022, the District implemented a 2.1% system-wide average rate increase, followed by a 1.4% system-wide average revenue adjustment to reflect increased costs of Bonneville passed through to customers effective November 1, 2023. The District enacted a system-wide average rate increase of 2.0%, effective April 1, 2023; 5.8%, effective April 1, 2024; and 4.6% effective April 1, 2025.

The total average number of customers of the District's Electric System increased from 361,076 in 2020 to 381,511 in 2024, an increase of 1.1%. The growth in customers reflects the population growth rate in the County.

The District is not dependent on its large corporate customers for its retail sales revenue. In 2024, industrial customers represented only about 6% of the District's retail sales revenue, while residential and commercial customers made up 58% and 35% of retail sales, respectively. The District's two largest customers in terms of power consumption accounted for 5.1% of retail energy sales revenues in 2024. See "THE ELECTRIC SYSTEM—Customers, Energy Sales and Peak Demand."

Power received from the District's own generating resources and power purchase contracts, in particular its Bonneville Slice product, can exceed the District's retail power requirements during certain periods of the year, resulting in sales for resale (wholesale market sales). Annual fluctuations in resale revenues have resulted from changes in retail load, variations in annual hydrological conditions, changes in District resources and variations in wholesale power prices. Resale revenues of \$104 million in 2024 were \$32 million higher than in 2023 due to an increase in wholesale market prices in 2024.

Other operating revenues include proceeds from the sales of the District's transmission capacity, proceeds from the sale of RECs, reimbursements from Bonneville to fund conservation programs, lease revenue for use of District facilities and customer fees. These revenues decreased from \$64.0 million in 2023 to \$42.7 million in 2024 primarily due to reductions in Bonneville programs, including the Power Reserves Distribution Clause, the Energy Conservation Agreement, and the Residential Exchange Program totaling approximately \$23.1 million. These declines were mainly caused by rate changes. Purchased power and generation expenses increased from \$312.1 million in 2020 to \$435.5 million in 2024, an increase of 40%. Purchased power and generation expenses increased from \$363.5 million in 2022 to \$406.3 million in 2023 due to considerably greater market purchases in 2023. The increase was primarily due to unfavorable weather conditions as well as record high wholesale power market prices. Purchased power and generation expenses increased from \$406.3 million in 2023 to \$435.5 million in 2024 due to significant weather events experienced in January and November of 2024.

Operations expense increased from \$213.7 million in 2020 to \$248.0 million in 2024. Operations expense declined in 2021 primarily due to a reduction of the District's net pension obligation of \$43 million, in addition to an accounting reclassification to maintenance expense of \$6 million. Operating expenses increased from \$191.7 million in 2022 from \$180.2 million in 2021 but were heavily benefited by a \$7 million reduction of bad debt expense. Operations expense in 2023 and 2024 reflect similar activity to pre-pandemic levels, adjusted for inflation.

Maintenance expenses increased from \$25.5 million in 2020 to \$61.7 million in 2024, an increase of \$36.3 million, or 142%. Maintenance expenses are subject to annual fluctuations based on the level of restoration efforts necessary following periodic storms that impact the Pacific Northwest. The District experienced major windstorms in each of the years 2020, 2021, 2022, and 2024 resulting in heightened maintenance expense in those years. In 2024, the District had \$15 million in costs associated with the bomb cyclone weather event that occurred in November. See "CERTAIN INVESTMENT CONSIDERATIONS—Severe Weather." In addition to storm restoration, maintenance expenses represent

the costs to repair, refurbish and preserve the Electric System’s transmission and distribution assets to appropriate operating levels, including regular maintenance of lines and stations. Maintenance expenses also include programs such as tree and vegetation trimming around overhead lines, as well as upkeep of Electric System facilities, vehicles and equipment.

Depreciation expense increased from \$57.2 million in 2020 to \$67.0 million in 2024, an increase of \$9.8 million, or 17%. Higher depreciation expense over the five-year period reflects continued investments in Electric System infrastructure, facilities and systems as the District continues to grow and expand to serve a growing customer base.

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

Interest and other income was \$6.8 million in 2020 and increased \$18.3 million to \$25.1 million in 2024, with greater fluctuations within the years between. These fluctuations are related to varying factors including a decrease in 2021 due to unfavorable market conditions resulting in a decrease of interest income and an increase in other deductions related to the final decommissioning of the MESA 2 battery energy storage system assets. Interest income decreased in 2022 due to unrealized losses on held investments that are reported at fair value in accordance with Generally Accepted Accounting Principles. Due to the frequency of rate increases in 2022, unrealized fair value losses were significant. In 2023 and 2024, interest and other income increased significantly as a result of interest rates observed in the overall economy. See “—The District’s Future Power Supply Strategy—*Energy Storage - MESA 1 and MESA 2.*”

Financial Condition and Liquidity

Cash and Temporary Investments

As of December 31, 2024, the Electric System’s cash, temporary investments, and long-term investments totaled \$323.6 million, and special funds totaled \$85.1 million. Cash and temporary investments represent bank deposits and highly liquid, short-term investments that are available for use in District operations. Long-term investments consist of unrestricted funds invested with maturities exceeding one year. Special funds are limited-use funds established by the Commission and are restricted for specific purposes such as debt service, bond reserves, qualifying capital expenditures, post-employment benefits, and other reserve requirements. Cash, temporary investments, long-term investments, and special funds for each of the years 2020 through 2024 are summarized in the following table.

TABLE 13
Electric System
Cash and Temporary Investments and Special Funds
(\$000s)

<u>Year</u>	<u>Cash, Temporary Investments, and Long-term Investments</u>	<u>Special Funds</u>
2020	219,115	179,976
2021	204,754	267,921 ⁽¹⁾
2022	229,987	306,278 ⁽²⁾
2023	221,850	252,738
2024 ⁽³⁾	323,560	85,073

Source: The District.

⁽¹⁾ Balance includes proceeds of the 2021A Bonds deposited in the District's construction fund, all of which were expended by March 2024.

⁽²⁾ Balance includes proceeds of the 2022A Bonds deposited in the District's construction fund, of which \$16.1 million remained as of December 31, 2024. The District expects such proceeds of the 2022A Bonds to be fully expended in 2025.

⁽³⁾ Reserve resolutions were adopted in September 2024 and restructured the reserve categories and balances within those reserves. Some existing funds considered special in 2020 through August 2024 were reclassified from special funds to long-term and temporary investment assets.

Reserve Policy

The District has several special funds. These funds, which consist of cash, cash equivalents and investments, are restricted for specific purposes, including debt service, debt service reserves, qualifying capital expenditures, post-employment benefits, and other reserve requirements. In September 2024, the District adopted resolutions which reclassified its rate stabilization funds from restricted to unrestricted within the investment portfolio. As a result, \$115 million of Electric System funds were prospectively reclassified on the Combined Statement of Net Position from restricted net position to unrestricted net position and from special funds to long-term and temporary investment assets.

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

- Reserve funds have been structured to enable the District to prudently and consistently meet its financial obligations while allowing for flexible planning in the development and implementation of its capital plan and operations and maintenance budget.
- Reserve funds allow the District to mitigate risks from unforeseen financial variability, thereby minimizing the need for temporary rate surcharges.
- Areas that may warrant reserves include, but are not limited to, power cost variability, capital infrastructure investment, insurance policy retentions or deductibles, legal claims, operating cash flow needs, bond reserve covenant compliance, bond payment sinking requirements, future financial obligations, contingencies for significant known or estimated liabilities, and other areas as determined by the Commission from time to time.
- Levels for cash reserves will be established based on the nature of the risk or situation being managed.
- Reserve funds will be classified and reported as Restricted or Unrestricted, as defined by the Governmental Accounting Standards Board, further described below.
 - Unrestricted reserve funds are defined as funds that may be used, or redirected for use by the Commission, to meet any operating obligations. Beginning, at the latest, with the 2027 annual budget, unrestricted reserve funds are required to be budgeted to represent a minimum of

180 days of budgeted operating expenses, less depreciation expense. If the actual balance of unrestricted reserve funds falls below 165 days of budgeted operating expenses, less depreciation expense, the CEO/GM or designee shall notify the Commission at the next regularly scheduled Commission meeting, and a plan for replenishment through cost-of-service revenue, or other method approved by the Commission, shall be adopted to restore the balance to 180 days within two budget cycles.

- Restricted reserve funds are defined as funds that contain a legally enforceable requirement through the Electric System Bond Resolution, law, contractual agreement, or as committed by the Commission to be used only for a defined purpose.

As of December 31, 2024, the Electric System's unrestricted cash, temporary investments, and long-term totaled \$323.6 million. Table 13 above shows the Electric System's cash and unrestricted investments in the cash reserve funds, as of December 31 for years 2020 through 2024. The District has established the following cash reserves for the Electric System:

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

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

- Project Reserves: funds that may be utilized to fund projects as approved by the Commission, either through the adopted District budget, as directed by the Commission, as required by the State, or with respect to proceeds of Bonds held in construction funds, as required to comply with applicable requirements set forth in the Electric System Bond Resolution and subsequent resolutions authorizing additional series of Bonds.

- Contingency Reserve: funds set aside to mitigate Electric System risk exposure, including risks associated with wholesale market exposure resulting from power supply portfolio imbalances, major storms or natural disasters, cyber risks, and the estimated cost to support self-insured retention, insurance carrier deductibles, and claims settlements.

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

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

Electric System Debt

As of June 1, 2025, the Electric System Bonds were outstanding in the aggregate principal amount of \$400,180,000. See "OUTSTANDING DEBT OF THE ELECTRIC SYSTEM AND GENERATION SYSTEM."

Historical Capital Expenditures

Capital expenditures for the fiscal year 2020 through fiscal year 2024 are presented in the following table.

TABLE 14
Electric System
Capital Expenditures
(\$000s)

<u>Year</u>	<u>Historical</u>	<u>Amount</u>
2020		\$102,239
2021		110,419
2022		124,177
2023		156,101
2024		156,937

Source: The District.

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

Intersystem Loans

The Electric System and the Generation System periodically enter into loan transactions between the systems for various purposes. As of December 31, 2024, the aggregate outstanding principal amount of Electric System loans to the Generation System was \$25.1 million. See APPENDIX A—“INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023,” Note 11.

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

Financial Plan

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

The District has established financial guidelines developed for the Electric System in connection with a comprehensive financial study. The District has concluded that a minimum debt service coverage ratio of 1.75x on the Electric System Bonds, no more than 40% debt financing of capital improvements, and a minimum of 180 days of days cash on hand within District unrestricted funds provide a capital structure which will minimize rates and maintain the financial stability of the District. The District adopted updated its days cash on hand requirement in 2024, which is expected to be phased in through 2027. The District determines its days cash on hand by calculating the number of days available within its unrestricted reserves to meet budgeted operating expenses, less depreciation expense. In 2024, the District updated its days cash on hand requirement to 180 days, with full implementation anticipated within two budget cycles, by 2027. See “—Financial Condition and Liquidity—*Reserve Policy*.”

Load Forecast

The District uses end-use, trend and econometric analysis to prepare its load forecast. The end-use analysis focuses on space heating characteristics and the effects of the District’s conservation program. The District’s load forecasts include several scenarios of load growth. Trend and econometric analysis are used to predict new customer connections by type (such as single family with electric heating and new apartment complexes with gas heating), with key model inputs including various measures of national and regional economic and demographic data.

Resource Forecast

The District’s resources must meet its expected loads and satisfy regulatory requirements. Resource planning is an ongoing process and documented in the District’s adopted IRPs, which are updated every two years. The District is currently transitioning Bonneville power products to Load Following from Block and Slice, effective October 1, 2025. When this transition is complete, Bonneville will be responsible for matching the District’s load with Bonneville’s power, after consideration of District resources. District resources will be planned in coordination with Bonneville, and Bonneville will make up any resource generation shortfalls through provision of Resource Support Services which the District will purchase. Long-term annual average load growth beyond the District’s High-Water-Mark for Tier 1 priced Bonneville power can be served by resources the District contracts for or develops, or, the Bonneville Tier 2 product which is priced at a market power rate. Whether the District should develop or acquire additional resources for long-term annual average load growth or utilize the Bonneville Tier 2 product will be addressed in the 2025 IRP.

See “ELECTRIC SYSTEM POWER SUPPLY—The District’s Future Power Supply Strategy—*District’s 2023 Integrated Resource Plan*.”

Projected Capital Expenditures

Projected capital expenditures for the years 2025 through 2027 are presented in the following table.

TABLE 15
Electric System
Capital Expenditures
(\$000s)

	<u>Projected</u>	
<u>Year</u>		<u>Amount</u>
2025		221,007
2026		217,668
2027		227,764

Source: The District.

The District does not commit funds to capital construction projects or future growth until it is clear that forecast loads and new customer connections are likely to develop. The District pays for its capital construction program from five sources: cash reserves, line extension fees, grant proceeds, general rates, and bond proceeds. Significant projects that are in the forecast include, a new community office in the District's eastern service territory, advanced meter deployment, SnoSmart, and general substation and distribution capital work. Projected costs increase annually due to a combination of higher cost of labor and materials, and additional projects added to the forecast. The District does not expect that the projected cost increases will have a material adverse effect on the District's operations or finances.

Projected Financial Results

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

The District's independent auditors have not been engaged to compile, examine, or perform any procedures with respect to the District's forecasted financial information, nor have they expressed any

opinion or any other form of assurance on such information or its achievability and assume no responsibility for, and disclaim any association with, the forecasted financial information.

In projecting the financial results for the Electric System, the District has made certain assumptions regarding various factors that affect financial performance. Changes in these assumptions can have material effects on the projected financial performance. While numerous factors (or combinations of factors) could affect the District's financial performance, the factors most likely to affect the projections are the impact of Bonneville power price adjustments, the effect of the distributed generation, conservation response or temperature variations on load forecasts, significant weather events, and a reallocation of District priorities. Changes to the assumptions regarding these factors could have material effects on the outcome of the District's financial projections.

The 2025, 2026 and 2027 projected financial results were prepared based on the following assumptions: (i) approximately 2.7% annual increase in retail loads, reflecting modest growth in residential customers and increases in commercial consumption, (ii) a projected 2.5% rate increase to offset a forecasted Bonneville wholesale power price increase expected to be effective October 1, 2025, and additional 3.05% and 2.0% general retail rate increases projected for April 1, 2026 and 2027, respectively; (iii) increased power purchase costs due to expected 2.5% pass-through rate increases from Bonneville in 2027 and 2029; and (iv) increased operating and maintenance costs, reflecting higher transmission and ancillary services costs, increased labor, materials, and upgrade and maintenance costs for certain District software systems.

The District's financial projections for 2025, 2026 and 2027 assume P25 water conditions at hydroelectric facilities. A P25 forecast refers to a probabilistic estimate indicating that there is a 25% chance that actual water inflows or reservoir levels will be equal to or lower than the forecasted value. The District uses this type of forecast to conservatively assess risk and variability in water availability for power generation. However, upon the District's Bonneville product transition from Block and Slice to Load Following, effective October 1, 2025, differing hydrology assumptions will no longer produce material deviations in financial projections.

The following table presents the projected Electric System financial results for the years ending December 31, 2025, 2026 and 2027.

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TABLE 16
Electric System
Projected Financial Results
(\$000s)
Year End December 31,

	2025 ⁽¹⁾	2026	2027
Operating Revenues			
Retail Sales of Electric Energy ⁽²⁾	\$745,728	793,711	827,886
Wholesale Sales of Electric Energy ⁽³⁾	53,824	17,635	14,579
Other Operating Revenues	32,130	29,470	29,716
Total Operating Revenues	831,682	840,816	872,181
Operating Expenses			
Purchased Power and Generation ⁽⁴⁾	373,471	339,102	342,072
Operations and Maintenance ⁽⁵⁾	302,016	302,938	308,236
Depreciation	69,045	71,116	73,250
Taxes	46,394	49,352	51,460
Total Operating Expenses	790,926	762,508	775,018
Net Operating Income	40,756	78,308	97,163
Interest Income & Other	24,991	22,651	20,659
Contributions	33,735	34,036	34,342
Interest Charges	(22,717)	(25,406)	(24,891)
Net Income	76,765	109,589	127,273
Interest Charges	(22,717)	(25,406)	(24,891)
Depreciation	69,045	71,116	73,250
Other	4,000	4,000	4,000
Balance Available for Debt Service	\$164,527	\$202,111	\$221,414
Electric System Bonds Debt Service	\$37,076	\$41,721	\$41,652
Electric System Bonds Debt Service Coverage:	4.44x	4.84x	5.32x

Source: The District.

⁽¹⁾ 2025 includes a P25 hydrology assumption. 2026 and 2027 projections are not expected to be adversely affected by water conditions due to the District's Bonneville product transition from Block and Slice to Load Following, effective October 1, 2025.

⁽²⁾ Retail Sales of Electric Energy reflects a 2.5% projected rate increase effective October 1, 2025 and proposed general retail rate increases of 3.0% and 2.0% effective April 1, 2026 and April 1, 2027 respectively.

⁽³⁾ The decrease in wholesale sales from 2025 to 2026 reflects reduced energy available to be sold in the wholesale market expected from the District's transition from Bonneville's Block and Slice products to Load Following, effective October 1, 2025.

⁽⁴⁾ Changes in purchased power are a reflection of the District's power needs that can vary year to year based on contracts, water production, market volatility and the District's ability to serve its own resource load. The decrease from 2025 to 2026 reflects the cost savings expected from the District's transition from Bonneville's Block and Slice products to Load Following, effective October 1, 2025.

⁽⁵⁾ Operations and Maintenance costs support the District's daily operation. The fluctuation between years correlates mainly to programmatic planning and capital schedules. In years when capital construction is heavier, the pressure on operations and maintenance is less. This is anticipated to create minor fluctuations in the District's Operations and Maintenance costs.

THE GENERATION SYSTEM

General

Pursuant to the Generation System Bond Resolution, the District has established the Generation System, which is financed and accounted for as a system separate from the District's Electric System. The Generation System currently consists of the Jackson Project, the Youngs Creek Project, the Calligan Creek Project, the Hancock Creek Project, the Woods Creek Project and the Biofuel Project. In the future the District may construct, develop or acquire additional facilities and resources for the generation, transmission or conservation of power and energy as a part of the Generation System or another separate system. The District expects that any new generating resources developed or acquired by the District would become part of the Generation System. See "ELECTRIC SYSTEM POWER SUPPLY—The District's Future Power Supply Strategy." Pursuant to the Generation System Bond Resolution, the Electric System pays for all Generation System Power Costs to the extent not paid from other sources.

The Jackson Project

The Jackson Project is owned and operated by the District and is located on the Sultan River approximately 24 miles east of Everett in south central Snohomish County. The Jackson Project is a hydroelectric project that provides water supply to Everett and power for the District. The Jackson Project's generating facilities comprise two large generating units rated at 47.5 MW each and two small generating units rated at 8.4 MW each, for a total nameplate capacity of 111.8 MW. The District receives all of the generation output from this project and it serves as a non-federal dedicated resource under the Bonneville power purchase contract. The power output of the Jackson Project is delivered to the Electric System at a switchyard adjacent to the powerhouse. The District currently operates the Jackson Project to produce the optimum amount of electrical energy, subject to specified releases of water into the Sultan River for maintenance of the fishery and diversion of water as necessary into Everett's water system reservoir. An agreement in 1961 and subsequent amendments in 1981, 2007, 2008, 2009, and 2017 set out the rights and duties of Everett and District to use water at the Jackson Project. Jackson Project storage is used to capture water during high runoff periods and to provide water during low precipitation periods for stream flows, Everett water demands and power production. Actual energy production varies substantially throughout the year and from year to year.

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

TABLE 17
Jackson Project Energy Production

<u>Year</u>	<u>MWh</u>	<u>Annual Precipitation (Inches)</u>	<u>Cost of Energy Produced (cents/kWh)</u>
2024	366,519	151	3.0
2023	298,527	116	4.0
2022	408,949	206	3.0
2021	443,226	183	1.8
2020	486,417	205	1.8
2019	306,344	119	6.7
2018	459,517	154	4.5
2017	453,152	155	4.0
2016	483,805	187	4.8
2015	375,376	135	5.2

Source: The District.

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

The Jackson Project is considered a dedicated resource and the associated output will be retained by the District under its Bonneville power purchase contract. However, the operating strategy for the project may change to optimize the cost of resources under Bonneville's Load Following product and associated Resource Support Services. See "ELECTRIC SYSTEM POWER SUPPLY—Bonneville Power Administration—*The District's Transition to Load Following.*"

2024 Planned Shutdown

In September 2024, the Jackson Project underwent a planned shutdown, providing the District with a rare opportunity to inspect the intake gate at Culmback Dam on Spada Lake. This was the first examination in two decades. The gate, responsible for regulating water flow, was found to be in good condition. This inspection was one of several projects completed during the shutdown. Moving forward, the District plans to maintain regular monitoring of the intake gate and the rest of Culmback Dam, with ongoing discussions to establish an appropriate interval between routine inspections.

FERC License

The District operates the Jackson Project under a 45-year license issued on September 2, 2011 by FERC. The license generally conforms to the terms of a Settlement Agreement approved by federal, state and local agencies, the cities of Everett and Sultan, the Tulalip Tribes and American Whitewater that was filed with FERC on October 14, 2009. The District also negotiated a separate settlement agreement with the Tulalip Tribes that covers the proposed license term. The license does not contain conditions that substantially alter the physical characteristics of the Jackson Project or substantially increase the capital costs thereof. The license and settlement agreements require the District to complete certain capital improvement projects, fund habitat preservation and monitor certain functions, the aggregate costs of which are expected to total approximately \$85 million over the 45-year term of the license. The District is continuing to implement all the requirements of its FERC license for the Jackson Project. In addition, the District is currently evaluating the need to apply for and secure National Pollutant Discharge Elimination System ("NPDES") permits under Section 301 of the Clean Water Act, 33 U.S.C. Section 1251, for its hydroelectric facilities, after some litigation brought by Columbia Riverkeepers against the federal agencies resulted in applications for NPDES permits on the Columbia River system. These permits are not expected to have a material impact on the operation of the Jackson Project.

Endangered Species Issues

Fish listings that may affect Jackson Project operations include Puget Sound Chinook salmon, steelhead, and bull trout. Listed Chinook salmon and steelhead trout spawn and rear throughout the lower Sultan River in the full range of historically accessible areas. Bull trout have a wide geographic range in the Pacific Northwest, with transient sub-populations occasionally using the lower Sultan River to forage for food. Studies are undertaken regularly to determine the status of the populations and any potential impacts of the Jackson Project. While it is unclear how these listings might affect operations, the District already has in place extensive measures to protect fish, including complex flow controls, a minimum flow

regime and non-flow measures such as habitat restoration, research, monitoring and evaluation. The Settlement Agreement does not substantially modify the fisheries conditions for the Jackson Project.

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

Dam Safety Assessments

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

Small Hydroelectric Generation Projects

The District is currently operating and/or evaluating additional renewable and non-greenhouse gas emitting resources, including small hydroelectric generating resources in the surrounding area, to meet future load. The District’s investigation of small hydroelectric projects has focused on projects that the District anticipates will have minimal negative environmental impacts and will be cost effective. See “ELECTRIC SYSTEM POWER SUPPLY—The District’s Future Power Supply Strategy—*District’s 2021 Integrated Resource Plan.*”

Woods Creek Project

The Woods Creek Project is located in the County, north of the City of Monroe, Washington, and has a nameplate capacity of 0.65 MW. The District receives all of the generation output from this project and it serves as a non-federal dedicated resource under the Bonneville power purchase contract. This project is adjacent to Woods Creek, a tributary of the Skykomish River, with the powerhouse located at a natural impassible barrier to anadromous fish. Prior to acquiring this resource, the District had been purchasing the output from this small hydroelectric project since its construction in 1982. The Project received an exemption from FERC licensing in 1982, although the exemption places certain restrictions on the operation of the Woods Creek Project. The District purchased the powerhouse, two residences and 150 acres of land

for \$1,600,000 in February 2008 and the appraised value of the land alone exceeded the purchase cost. In 2024, the Woods Creek Project produced 1,625 MWh, of which 1,128 MWh qualifies as incremental hydro under Initiative 937.

Youngs Creek Project

The Youngs Creek Project is a FERC-licensed project located on an approximately 23-acre site just south of the City of Sultan, Washington. The District commissioned the Youngs Creek Project and began generating power on October 17, 2011. With a nameplate capacity of 7.5 MW, the powerhouse is located above a natural impassible barrier to anadromous fish on Youngs Creek, a tributary of Elwell Creek. The District receives all of the generation output from this project and it serves as a non-federal dedicated resource under the Bonneville power purchase contract. The Youngs Creek Project produced 18,649 MWh in 2024. The FERC license expires in April 2042.

Hancock and Calligan Creek Projects

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

The Hancock Creek Project is located on Hancock Creek, a tributary of the North Fork Snoqualmie River in King County downstream from Lake Hancock. The Hancock Creek Project has a nameplate capacity of 6.0 MW, with expected output of approximately 2.5 aMW during average water year conditions. The Hancock Creek Project produced 22,945 MWh in 2024.

The Calligan Creek Project is located on Calligan Creek, a tributary of the North Fork Snoqualmie River in King County downstream from Calligan Lake. The Calligan Creek Project has a nameplate capacity of 6.0 MW, with expected output of approximately 2.4 aMW during average water year conditions. The Calligan Creek Project produced 17,094 MWh in 2024.

The output of the Hancock Creek Project and the Calligan Creek Project is contracted to Citadel pursuant to the Citadel Energy Marketing Agreement. This is a result of the transition by the District to the Bonneville Load Following product which does not require these projects to be brought to load during this period. The result of remarketing the output from these projects and other projects for this period is a reduced cost of service due to increased access to lower cost Bonneville Tier 1 power.

Biofuel Project

The District owns and operates the generator, which is located on property leased from Qualco under an agreement that extends through 2028. Qualco, a nonprofit partnership involving Northwest Chinook Recovery, the Tulalip Tribes, and the Sno/Sky Agricultural Alliance, processes food and agriculture waste in a digester to produce biogas. In September 2022, the Generation System began operating the biogas generator with a capacity of 675 kilowatts. The District receives all of the generation output from this project and it serves as a non-federal dedicated resource under the Bonneville power purchase contract. This biogas is then sold to the District to fuel the generator. The Biofuel Project produced

4,878 MWh in 2024. See “ELECTRIC SYSTEM POWER SUPPLY—Long-Term Third-Party Power Purchase Contracts—*Qualco Energy Agreement*.”

Other Projects

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

Generation System Net Project and Annual Costs

The Generation System Bond Resolution requires the District to account for the revenues and expenses of the Generation System separately from the Electric System. The District has covenanted to purchase for use in the Electric System all power and energy available from the Generation System. The following table sets forth the annual costs of the Generation System from fiscal year 2020 through fiscal year 2024.

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TABLE 18
Public Utility District No. 1 of Snohomish County, Washington
Generation System Annual Costs
(\$000s)

	Year Ended December 31,				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Jackson Project ⁽¹⁾	\$ 8,584	\$ 7,774	\$ 12,133	\$ 12,076	\$ 10,898
Biofuel Project ⁽²⁾	-	855	1,626	443	396
Small Hydroelectric Generation Projects ⁽³⁾	6,748	7,813	7,127	6,574	6,610
Net Project Costs ⁽⁴⁾	15,332	16,442	20,886	19,093	17,904
Other Costs ⁽⁵⁾	7,725	7,292	7,857	7,335	8,438
Net Annual Costs	<u>\$ 23,057</u>	<u>\$ 23,734</u>	<u>\$ 28,743</u>	<u>\$ 26,428</u>	<u>\$ 26,342</u>
Jackson Project Energy Output (MWh) ⁽⁶⁾	486,417	443,226	408,949	298,527	366,519
Biofuel Project Energy Output (MWh) ⁽²⁾	-	-	1,487	5,075	4,878
Small Hydroelectric Generation Projects (MWh) ⁽⁷⁾	62,590	58,153	24,412	41,859	60,313
Other (MWh) ⁽⁸⁾	598	647	752	697	569
Total Energy Output	<u>549,605</u>	<u>502,026</u>	<u>435,600</u>	<u>346,158</u>	<u>432,279</u>
Net Project Costs (\$/MWh) ⁽⁹⁾	\$ 28	\$ 33	\$ 48	\$ 55	\$ 41
Net Annual Costs (\$/MWh) ⁽¹⁰⁾	\$ 42	\$ 47	\$ 66	\$ 76	\$ 61

Source: District Records.

- (1) Jackson Project costs increased in 2022 due to two primary factors: a 20-day shutdown of the facility for maintenance, and a scheduled remodel of the powerhouse facility. Both projects were integral to the operation of the resulting in elevated costs for the year. In 2023, the District completed the replacement of cone valves which are a crucial component to maintaining water levels leading to increased costs for the year. In 2024, the Jackson Project underwent a planned shutdown for an intake gate inspection, further contributing to elevated costs.
- (2) The District executed a new agreement with Qualco in 2022 to assume ownership and operations of the Biofuels Project using a District owned generator located on Qualco's property. The costs incurred in 2021 and beginning of 2022 include start-up costs for the transition of the project to District ownership. Generation from the project in 2021 through April 2022 was acquired by the District through its power purchase agreement with Qualco, which was terminated upon commercial operation date of the District's owned generator in September 2022.
- (3) Small Hydroelectric Generation Projects costs include costs that are charged to the Electric System from the Woods Creek Project, the Youngs Creek Project, the Hancock Creek Project, and the Calligan Creek Project. See "—Small Hydroelectric Generation Projects."
- (4) Net Project Costs include operating and maintenance, capital, tax and debt service expenditures associated with the project, net of interest and other income, which are charged to the Electric System.
- (5) Other Costs represent debt service expenditures on Generation System Bonds that are not directly related to current Generation System projects.
- (6) Jackson Project energy output varies annually based on the timing and amount of precipitation received in the Sultan River basin. 2023 experienced particularly poor water conditions in the region, which resulted in lower output from the project.
- (7) Small Hydroelectric Generation Projects output includes output from the Woods Creek Project, the Youngs Creek Project, the Hancock Creek Project, and the Calligan Creek Project. The increase in 2020 and 2021 was due to higher production correlating to snowpack conditions. In 2022, the generation system projects were out of service for a significant portion of the year related to maintenance work. Both projects were back online in fall of 2022 which due to unfavorable weather conditions, generated lower output. All projects were operational and generating in 2023 and 2024.
- (8) Other includes output from the District's Arlington Microgrid, Community Solar Array Project which began generating in 2019.
- (9) Excludes Other Costs (see Note 4 above).
- (10) Variations in unit costs per MWh are primarily due to the effects of annual precipitation on generation output.

Other than as noted in footnote 1 in the table above, projected annual costs of the Jackson Project are not expected to vary materially from historical results; costs are expected to increase modestly as a result of inflationary pressures on the costs of labor and materials. Energy output for the Jackson Project is expected to vary annually based on the timing and amount of the precipitation in the Sultan River Basin.

Future Generation System Expenditures

Generation System expenditures related to the operations of the Jackson Project, the Youngs Creek Project, the Woods Creek Project, the Hancock Creek Project, the Calligan Creek Project and the Biofuel Project consist of operating and maintenance, capital, taxes and debt service costs. The forecast years of 2025-2027 are expected to be slightly below historical levels, approximately \$24 million annually. Capital expenditures are expected to average between \$2 and \$5 million per year beginning in 2025, with no significant capital projects expected for 2026 through 2027.

The need for new resources and the associated capital requirements is assessed during the District's IRP planning process.

ECONOMIC AND DEMOGRAPHIC INFORMATION

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

The County encompasses a land area of approximately 2,100 square miles in northwestern Washington. The County extends from Puget Sound to the crest of the Cascade Mountain range 70 miles to the east. The County includes a significant portion of the Puget Sound metropolitan area and is the third most populated county in Washington State, after King and Pierce Counties. As shown in the following table, since 2020, the County's population has grown 4.7% and Everett's population has grown 3.8%.

**TABLE 19
POPULATION ESTIMATES**

Year	Snohomish County	City of Everett
2024	867,100	114,800
2023	859,800	114,200
2022	847,300	113,300
2021	837,800	112,300
2020	830,500	112,700

Source: Washington State Office of Financial Management, as of April 1, 2024.

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

The County has recently experienced an increase in housing prices but a decrease in closed sales. According to Northwest Multiple Listing Services, closed sales for houses and condos in the County decreased from 956 closed sales in May 2024 to 923 in May 2025 and the median selling price for houses stayed consistent at \$785,000 for the same period.

The Boeing Company remains the County's largest employer, with an estimated 30,000 workers at its Everett facility. Boeing established an airplane manufacturing plant at the south end of Everett in 1966. The plant was built to assemble wide-bodied 747 aircraft. In 1980 the plant was expanded for production of the new-generation 767 wide-body twin jet, and in the early 1990s Boeing completed a \$1.5 billion expansion project to accommodate 777 aircraft production. Additionally, Boeing is developing and plans to build the next generation 777, the 777X in Everett. A new \$1 billion, 1.3 million square foot 777X carbon fiber wing plant was constructed in Everett in 2016. Located adjacent to the Seattle Paine Field International 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. Boeing has announced that it will cease production of the 767 aircraft by 2027. However, in response to strong demand for the 737 MAX, Boeing plans to open a fourth assembly line at the Everett facility to supplement existing production in Renton. The company is currently awaiting FAA approval to lift a production cap imposed after a January 2024 incident involving a mid-flight door plug failure.

In fall 2024, Boeing experienced a strike at the Everett facility that extended approximately five weeks. Upon strike resolution, electricity demand at the Everett site quickly returned to pre-strike levels. In late 2024, Boeing announced plans to reduce its global workforce by approximately 17,000 employees, or 10%. As part of this downsizing, nearly 2,600 jobs were cut in Washington state. Despite these layoffs, Washington remains Boeing's largest employment hub globally, with approximately 66,000 employees statewide.

In 2019 Paine Field, a two-gate commercial passenger terminal opened near Everett. Alaska Air Group and United Airlines operated approximately 24 commercial passenger flights per day. However, due to the Pandemic, Paine Field announced a temporary pause of flights on May 22, 2020, for a period of 10 weeks. Flights resumed on August 1, 2020, with a reduced schedule of three flights per day. Subsequently, United Airlines announced that they would end service to Paine Field in October 2021. Since then, Alaska Airlines has been gradually expanding service and currently operates between 10 to 14 daily departures. In addition to Alaska Airlines, Frontier Airlines began service from Paine Field on June 2, 2025, adding 18 new departures and arrivals per week to Paine Field's schedule. In 2024, Paine Field handled 580,000 passengers, rebuilding toward the 1 million passengers served in 2019, its first year of operation.

The U.S. Navy operates a homeport, Naval Station Everett ("NSE"), that is the current berthing for six U.S. Navy destroyers and two U.S. Coast Guard cutters. NSE opened in 1996 and remains the newest Naval base in the continental United States. The Navy has announced plans for NSE to be the homeport for up to 12 newly designed frigate class vessels at a projected rate of two vessels arriving per year beginning in 2028. NSE employed a total of approximately 6,000 military and civilian personnel as of 2024.

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

TABLE 20
MAJOR EMPLOYERS IN SNOHOMISH COUNTY (2024)

Employer	Product/Business	2024 Estimated Employment
The Boeing Company	Aircraft Manufacturing	15,006
Microsoft	Technology	3,448
Amazon	Retail.- Electronic	2,725
Providence Swedish	Health Care	2,393
Naval. Station Everett	U.S. Navy Base	1,340
Premiera Blue Cross	Health Insurer	1,311
AT&T	Telecommunications	1,244
Washington State	State Government	1,228
Government	Telecommunications	1,076
T-Mobile US	School. District	1,072
Edmonds School. District	Colleges and Universities	1,029
Edmonds College	School. District	917
Everett Public Schools	Health Care	906
Optum Care Washington I The Everett Clinic	Retail.- Grocery	872
Kroger	Medical. Equipment	842
Philips	Retail.- General. Merchandise	804
Costco	Restaurants	778
Starbucks	Health Care	740
Evergreen Health	Colleges and Universities	697
Everett Community College	Manufacturing	677

Sources: Economic Alliance Snohomish County.

TABLE 21
SNOHOMISH COUNTY AND CITY OF EVERETT
TAXABLE RETAIL SALES

Year	Snohomish County	City of Everett
2024 ⁽¹⁾	\$ 5,752,027,828	\$1,089,203,155
2023	22,081,191,379	4,224,141,895
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

Source: Washington State Department of Revenue.

⁽¹⁾ Quarter 3 2024 numbers are most recent data available.

TABLE 22
ASSESSED VALUATION OF SNOHOMISH COUNTY

Collection Year	Valuation
2025	\$223,731,214,105
2024	212,393,172,358
2023	219,454,345,012
2022	170,299,965,640
2021	154,392,389,464
2020	145,174,737,279

Source: Snohomish County Assessor's Office.

TABLE 23
SNOHOMISH COUNTY PERSONAL AND PER CAPITA INCOME

Year	Personal Income (\$000s)	Per Capita Income
2023 ⁽¹⁾	\$ 63,627,196	\$ 75,320
2022	58,874,668	70,051
2021	56,449,211	67,515
2020	51,706,431	62,267
2019	47,617,430	57,900
2018	44,722,291	54,934

Source: U.S. Bureau of Economic Analysis.

⁽¹⁾ Most recent data available.

TABLE 24
SNOHOMISH COUNTY EMPLOYMENT DATA

	Annual Averages					
	2023⁽¹⁾	2022	2021	2020	2019	2018
Civilian Labor Force	458,599	449,837	437,145	440,196	439,464	430,814
Employed	442,668	435,227	415,354	402,101	426,100	415,930
Unemployed	15,931	14,610	21,791	38,095	13,364	14,884
County Unemployment Rate	3.5%	3.2%	5.0%	5.2%	3.0%	3.5%

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

⁽¹⁾ Most recent data available.

TABLE 25
SNOHOMISH COUNTY NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT

NAICS Industry Title	Annual Averages					
	2023	2022	2021	2020	2019	2018
Goods Producing						
Mining, Logging, and						
Construction	27,104	26,809	24,800	23,400	24,400	24,200
Manufacturing	53,867	51,365	49,900	56,800	60,600	58,500
Total ⁽¹⁾	80,971	78,174	74,800	80,200	84,900	82,700
Services Providing						
Trade, Transportation and						
Utilities	50,444	50,209	49,200	47,000	49,000	48,400
Information	3,660	3,528	3,300	3,700	4,600	5,200
Financial Activities	8,934	9,094	13,400	13,600	13,100	13,000
Professional and Business						
Services	35,265	33,979	28,400	28,200	29,300	28,500
Education and Health Services	38,073	37,326	36,900	34,900	36,500	35,600
Leisure and Hospitality	27,479	26,326	24,000	22,000	27,000	26,500
Other Services	7,698	7,380	9,800	10,400	10,800	10,300
Government	39,951	38,616	37,600	37,800	40,400	40,000
Total ⁽¹⁾	211,504	206,458	202,500	197,600	210,600	207,400
Total Nonfarm ⁽¹⁾	292,630	284,634	277,300	277,800	295,500	290,100

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

⁽¹⁾ Totals may not add due to rounding.

TABLE 26
SNOHOMISH COUNTY NUMBER OF HOUSING UNITS BY STRUCTURE TYPE

	Total Housing Units		One Unit Structures		Two or More Unit Structures		Mobile Homes, Trailers, Special Units	
	2020	2024	2020	2024	2020	2024	2020	2024
City of Everett	47,198	49,671	22,103	22,421	23,933	26,084	1,162	1,166
Other Incorporated	184,333	199,705	112,816	118,796	65,588	75,032	5,929	5,877
Unincorporated	137,094	141,572	98,915	100,475	24,482	27,357	13,697	13,740
Snohomish County	321,427	341,277	211,731	219,271	90,070	102,389	19,626	19,617

Source: Washington State Office of Financial Management.

Note: Numbers are shown as of April 1, 2020 and April 1, 2024.

CERTAIN INVESTMENT CONSIDERATIONS

General

The electric utility industry in the United States is in a period of significant change, resulting in part from actions taken by legislative and regulatory bodies at the national, regional and state levels. Legislative and regulatory actions have fostered, among other things, increased wholesale competition and, in some states, competition at a retail level, as well as “open access” for certain transmission facilities. The industry also is being affected by a variety of other factors that can have an impact on the financial condition of electric utilities, including without limitation the following: (1) the effects of increased competition in certain sectors of the industry, including in the wholesale power markets; (2) changes in the availability and cost of fuels, including natural gas; (3) changes in the availability of and demand for power generally, as a

result of economic, demographic, technological, regulatory, weather and other factors; (4) climate change; (5) reliability standards; (6) increased costs or inability to obtain equipment due to tariffs, domestic or international supply chain disruptions, increased demand, inflation or armed conflicts; and (7) the costs and operational impacts of endangered species, environmental, safety, licensing and other federal, state and local laws, taxes, energy tax credits and regulations.

Electric utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures that regulate the environmental impact of electric utilities are subject to change. Consequently, there is no assurance that the facilities operated by the District will remain subject to the regulations currently in effect, will always be in compliance with future regulations or will always be able to obtain all required operating permits. An inability to comply with environmental or regulatory standards could result in reduced operating levels or the shutdown of facilities not in compliance.

The District cannot predict whether additional legislation or rules will be enacted which will affect the operations of the District, and if such laws or rules are enacted, what the costs to the District might be in the future because of such action.

The electric utility industry is also subject to changes in technologies. Recent and continuing advances in electrical generation may render electrical generation on a smaller scale more feasible or make alternative forms of generation more or less economic. Such technology would provide certain purchasers of the power generated by the District's facilities with the ability to generate increased portions of their own electrical power needs and reduce the market price for power provided by the District. The District cannot predict the timing of the development or availability of such technologies and the ultimate impact they would have on Electric System Revenues.

The District cannot predict what effects such factors will have on its operations and financial condition, but the effects could be significant. Extensive information on the electric utility industry is available from the various regulatory bodies and other sources in the public domain.

Federal Policies

Federal policies on the federal debt ceiling, foreign trade, and tariffs, immigration, climate change, clean energy, and other topics can shift dramatically from one administration to another. From time to time, such shifts can result in shifts in the level of federal funding for various policy priorities, leading to unpredictability in future federal funding.

The District receives federal money for a variety of programs and is affected by federal energy policy, strategy, regulation, tariffs, and legislative action. Federal funding is subject to federal legislative action, including through the federal budget process and sequestration. Executive actions, including actions seeking to freeze, reduce, eliminate or reallocate federal grant, loan, and other financial assistance, could also affect the availability of federal funds.

Proposed and potential federal legislative and executive actions and initiatives could adversely impact the District. Such potential actions include, but are not limited to, regulatory changes to programs administered by federal agencies including the DOE, Environmental Protection Agency ("EPA"), Fish and Wildlife Service, and other federal agencies, cuts to federal spending on energy programs and federal agencies that impact energy programs, curtailment of tax exempt bond financing, and regulation and policy that directly and indirectly impact Bonneville and its operations, including operations of the Federal System.

Recently, several such policy shifts, including delays in grants and other appropriations, have been proposed or promulgated through presidential executive orders and other official and unofficial actions at the federal level.

The District is unable to predict what impact these and other potential factors will have on its operations and financial condition.

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 COVID-19, or other highly contagious or epidemic diseases (an "Outbreak").

Regardless of any policies or actions of the District or the existence of governmental aid programs, there can be no assurances that an Outbreak 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 Outbreaks; (ii) the scope, duration or effect on the District of government restrictions, if any, related to commercial or other activity by businesses and individuals; (iii) whether and to what extent Outbreaks may disrupt the local or global economy or financial markets, or whether any such disruption may adversely affect the District's activities; or (iv) whether any of the foregoing may have a material adverse effect on the finances and operations of the District, including, without limitation, the ability to collect Revenues and meet its debt service obligations, changes to pension contribution rates and other budgetary considerations.

Cybersecurity

Cyberattacks continue to become more sophisticated and are increasingly capable of impacting control systems and components. To mitigate this threat, the District maintains layered cyber defenses consisting of policies, procedures, training, and technical controls to protect the reliability of systems, mitigate intrusions, and plan for business continuity and data recovery. The District also has insurance covering cyber events, see "THE DISTRICT—Insurance." These defenses conform to North American Electric Reliability Corporation Critical Infrastructure Protection Standards and best practices. While the threat of a cyberattack can never be completely eliminated, the District maintains a strong cybersecurity program to enhance cyber defense and resilience, protecting critical infrastructure, information networks, and the data the District possesses and transmits. Notwithstanding these and other cybersecurity measures, a cybersecurity breach could damage District systems and cause material disruption to operations and services. The cost to remedy such damage or protect against future attacks could be substantial. Security breaches could expose the District to litigation and other legal risks, which could cause the District to incur significant costs related to the claims.

Natural Disaster, Climate Change and Wildfires

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 did 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 and are experiencing increases in drought conditions and longer seasons for wildfires. The District's service area is generally located in a region with low to moderate wildfire risk. However, operation of an exposed electric system including above-ground substations, transmission and power distribution infrastructure is vulnerable to equipment damage and service disruption in the event of wildfire. Public safety remains a foundational priority for the District, with a strong focus on mitigating wildfire risk. In October 2024, the District updated its Wildfire Mitigation Plan ("WMP") to align with evolving best practices and new state legislation, developed with the help of 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 WMP outlines measures including vegetation management, asset inspection, protective device settings, communication protocols, service restoration, and community outreach. It also establishes plan ownership, performance metrics, and deficiency tracking. Recognized by the state as an effective framework for risk reduction, the WMP reinforces the District's commitment to operational safety and wildfire prevention.

Additionally, the District purchases power from non-District owned generating sources located beyond the District's service area, and those generating sources and related transmission equipment are subject to wildfire risks based on the regional climate, geography, vegetation and mitigation steps taken by the non-District parties.

The District cannot predict the timing, extent, or severity of climate change impacts or their effect on the District's operations and finances, and there can be no assurances that such effects will not be material or adverse. Under Washington law, any person, firm, or corporation may be liable if it negligently creates or allows extreme fire hazards to exist and which hazards contribute to the spread of fires.

Severe Weather

Extreme weather events, including extended periods of extreme cold or heat, may cause, among other things, fluctuations in customer energy needs, physical damage to or reduction in capabilities of utility facilities, interruptions in the ability to provide service, and impacts to operating costs and revenues that could affect the overall financial position of the District.

The District has experienced major windstorms that have cost \$2.3 million in 2020, \$7.2 million in 2021, and \$11.4 million in 2022. The District has submitted requests for federal assistance from the Federal Emergency Management Agency ("FEMA") seeking \$1.9 million in 2020, \$4.2 million in 2021, and \$8.9 million in 2022. To date, the District has received a total of \$1.9 million for the 2020 storm, \$4.2 million for the 2021 storm and \$0.4 million for the 2022 storm.

In November 2024, a powerful bomb cyclone struck the Pacific Northwest, rapidly intensifying into one of the strongest storms on record for the region. With hurricane-force winds, torrential rain, and heavy snowfall, it caused widespread damage across the State. Over 166,000 customers throughout the District's service territory lost power, roadways were flooded, and tornado warnings were issued along the coast. The storm, fueled by an atmospheric river, demonstrated the increasing intensity of extreme weather events in the region. Following the storms, then-Gov. Jay Inslee declared a disaster in 11 counties, including the County, and submitted a request to FEMA for disaster relief to fund repairs to public highways, utilities, and electrical power systems.

In June 2025, FEMA denied the State's appeal of a request for emergency relief funds to cover an estimated \$34 million in damages, directly affecting the District as well. The total cost of the event for the District was approximately \$15 million.

The District cannot predict the scope or effect on the District of future extreme weather events, and the frequency and intensity of extreme weather events may be affected by climate change.

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.

Risk of Tax Audit of Municipal Issuers

The Internal Revenue Service (the "IRS") has established an ongoing program to audit tax-exempt obligations (such as the Bonds) to assess compliance with IRS provisions governing municipal bonds. The District cannot predict whether the IRS will commence an audit of the Bonds. Registered owners of the Bonds are advised that, if the IRS does audit the Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the District as the taxpayer, and the registered owners of the Bonds may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Potential Limitations of Tax Exemption of Interest on the Bonds

From time to time, the President of the United States, the United States Congress and/or state legislatures have proposed and could propose in the future, legislation that, if enacted, could cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or could cause interest on the Bonds to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. Clarifications of the Internal Revenue Code, or court decisions may also cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or may cause interest on the Bonds to be subject to or exempted from state income taxation. The introduction or enactment of any such legislative proposals or any clarification of the Internal Revenue Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion. See "TAX MATTERS."

LIMITATIONS ON REMEDIES; BANKRUPTCY

Limitations on Remedies

Any remedies available to the owners of the Bonds upon the occurrence of an event of default under the Electric System Bond Resolution are in many respects dependent upon judicial actions that are in turn often subject to discretion and delay and could be both expensive and time-consuming to obtain. If the District fails to comply with its covenants under the Electric System Bond Resolution or to pay principal of or interest on the Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the owners of the Bonds.

In addition to the limitations on remedies contained in the Electric System Bond Resolution, the rights and obligations under the Bonds and the Electric System Bond Resolution may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. The opinions to be delivered by Orrick, Herrington & Sutcliffe LLP, as Bond Counsel ("Bond Counsel") to the District, concurrently with the issuance of the related series of 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 Bonds will be similarly qualified. A complete copy of the proposed form of opinion of Bond Counsel related to the 2025A Bonds is included as APPENDIX D-1 and a complete copy of the proposed form of opinion of Bond Counsel related to the 2025B Bonds is included as APPENDIX D-2.

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 Bonds.

To the extent that the Electric System Revenues are "special revenues" under the Bankruptcy Code, then Electric System Revenues collected after the date of the bankruptcy filing should secure the District's obligations under the Electric System Bond Resolution and the 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 Electric System 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 Electric System Revenues are determined not to be special revenues, then any such amounts collected after the commencement of the bankruptcy case will likely not secure the District's obligations under the Electric System Bond Resolution or the Bonds. The holders of the Bonds may not be able to assert a claim against any property of the District other than the Electric System Revenues, and if any or all of the Electric System Revenues no longer secure the Electric System Bond Resolution and Bonds, then there may be limited, if any, funds from which the holders of the Bonds are entitled to be paid.

The Bankruptcy Code provides that "special revenues" can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. It is not clear precisely which expenses would constitute

necessary operating expenses and the definition of “Operating Expenses” in the Electric System Bond Resolution may not be controlling.

If the District is in bankruptcy, the parties (including the Trustee and the holders of the Bonds) may be prohibited from taking any action to collect any amount from the District or to enforce any obligation of the District, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the Bonds from funds in the Trustee’s possession. The rate covenant (see “SECURITY FOR THE BONDS—Rates and Charges”) may not be enforceable in bankruptcy by the holders of the Bonds.

The District is permitted to commingle the Electric System Revenues with its own funds for certain periods of time before turning over the Electric System Revenues to the Trustee. See “SECURITY FOR THE BONDS—Flow of Funds.” If the District goes into bankruptcy, the District may not be required to turn over to the Trustee any Electric System 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 Electric System Revenues (whether collected before or after commencement of the bankruptcy) and if the District does not voluntarily turn over such Electric System Revenues to the Trustee, it is not entirely clear what procedures the holders of the Bonds would have to follow to attempt to obtain possession of such Electric System Revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. The United States Court of Appeals for the First Circuit, in another case involving the insolvency proceedings of Puerto Rico, concluded that a bankruptcy court does not have the power order a debtor to comply with state law.

The District may be able to borrow additional money that is secured by a lien on any of its property (including the Electric System Revenues), which lien could have priority over the lien of the Electric System Bond Resolution, or to cause some of the Electric System Revenues to be released to it, free and clear of lien of the Electric System Bond Resolution, in each case as long as the bankruptcy court determines that the rights of the Trustee and the holders of the 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 Bonds, to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Electric System Bond Resolution and the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

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

The District may invest the Electric System 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 Bonds.

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.

SECONDARY MARKET AND PRICES

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

LITIGATION

No Litigation Affecting the Bonds

There is no litigation now pending or threatened restraining or enjoining the issuance and delivery of the Bonds or the power and authority of the District to impose, prescribe or collect rates or charges for the services of the Electric System or the Generation System, or in any manner questioning the power and the authority of the District to impose, prescribe or collect such rates or charges or issue and deliver the Bonds or affecting the validity of the Bonds.

Other Litigation

The District is a party to a number of lawsuits and claims arising out of its normal course of business, but the District does not believe any of such litigation will have a material adverse effect upon the District.

TAX MATTERS

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the 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 Bonds. Complete copies of the proposed forms of opinion of Bond Counsel are set forth in APPENDIX D-1 and APPENDIX D-2 hereto.

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

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

Payments on the 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 Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the 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 Bonds to provide certain financial information and operating data relating to the Electric System (the "Annual Report") by not later than nine months following the end of the District's fiscal year (which fiscal year currently ends on December 31), commencing with the Annual Report for the fiscal year ended December 31, 2025, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report and the notices of listed events is set forth in APPENDIX—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants will be made in order to assist the Underwriters for the 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

Fitch Ratings, Moody’s Ratings and S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, have assigned their ratings of “[],” “[],” and “[],” respectively, to the Bonds. Such ratings reflect only the views of the respective rating agency and are not a recommendation to buy, sell or hold the Bonds. An explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. The District has furnished to each rating agency certain information and materials with respect to the 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 Bonds will continue for any given period of time or that they will not be revised, suspended or withdrawn entirely by such rating agencies if, in the judgment of the rating agencies, circumstances so warrant. A downward revision, suspension or withdrawal of the ratings may have an adverse effect on the market price and marketability of the Bonds.

UNDERWRITING

Raymond James & Associates, Inc., on behalf of itself and as representative of Goldman Sachs & Co. LLC (collectively, the “Underwriters”) has agreed, subject to certain conditions, to purchase the Bonds from the District at an aggregate purchase price of \$_____, representing the total aggregate principal amount of the Bonds, plus original issue premium of \$_____ and less Underwriters’ discount of \$_____. The Underwriters’ obligations are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all Bonds if any such Bonds are purchased.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District.

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 Bonds, the Electric System Bond Resolution, and certain legislation do not purport to be complete and are qualified in their entirety by reference to the respective documents and laws. Copies of the Electric System Bond Resolution are available at the offices of the District. The execution and delivery of this Official Statement by its Treasurer have been duly authorized by the District.

Conflicts. Certain of the fees of the Underwriters, Bond Counsel and Underwriters' Counsel are contingent upon the sale of the Bonds. From time to time Bond Counsel may serve as counsel to the Underwriters with respect to transactions other than the issuance of the Bonds.

MUNICIPAL ADVISOR

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

CERTAIN LEGAL MATTERS

The validity of the 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 opinion of Bond Counsel related to the 2025A Bonds is included as APPENDIX D-1 and a complete copy of the proposed form of opinion of Bond Counsel related to the 2025B Bonds is included as APPENDIX D-2. 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 Bonds will be passed upon for the District by F. Colin Willenbrock, Chief Legal Officer. Certain legal matters will be passed upon for the Underwriters by their special counsel, Foster Garvey P.C. Any opinion of Foster Garvey P.C. will be addressed solely to the Underwriters and may not be relied upon by owners of the Bonds.

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

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

Treasurer

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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 (the PUD), which comprise the PUD'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, 2024, and the PUD's combined statements as of and for the year ended December 31, 2023, 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 PUD as of December 31, 2024 and 2023, and the individual financial positions of the Electric, Generation, and Water Systems as of December 31, 2024, and the respective changes in financial position and cash flows 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 PUD 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.

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 PUD'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 objective is 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 reports that include 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 PUD'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 PUD'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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the PUD'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 is 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, 2025, on our consideration of the PUD'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 PUD'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 PUD's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Everett, Washington
April 4, 2025

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, 2024 and 2023. 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 2024 was \$22 million, a \$26 million decrease from \$48 million in 2023. Combined net income decreased from \$95 million in 2023 to \$67 million in 2024, a 29.5% decrease. Net income was influenced by a \$22 million decrease in miscellaneous service revenue from three primary sources in 2024: (1) Due to the Bonneville Power Administration's (BPA) exceptional financial performance during fiscal years 2022 –2023, its Power Reserves Distribution Clause (RDC) program provided \$11 million in 2024, which was a decrease of \$14 million from 2023, (2) BPA's Energy Conservation Agreement (ECA) provided \$3.5 million less revenue in 2024 than in 2023, and (3) The PUD saw a decrease of \$5.9 million in the Residential Exchange Program (REP) revenue from 2023 to 2024.

Combined net operating income decreased from \$72 million in 2022 to \$48 million in 2023. Combined net income in 2022 was \$94 million and saw modest growth to \$95 million in 2023. The PUD benefitted from higher interest rates in 2023, resulting in a \$31 million increase in interest income from 2022. Of this increase, \$21 million is attributable to non-cash fair market value adjustments made to the PUD's investments. Net income was influenced by an increase of \$25 million in miscellaneous service revenue from two primary sources in 2023: (1) Due BPA's exceptional financial performance during fiscal year 2021–2022, its RDC provided \$21 million and (2) BPA's ECA provided \$5.0 million.

The average number of Electric System accounts increased from 377,270 in 2023 to 381,511 in 2024, a 1.1% increase. New electric service connections were 5,136 in 2024, compared to 4,648 in 2023. The majority of new connections in 2024 and 2023 were from residential units.

Retail megawatt hours (MWh) provided to customers increased 0.2% from 6,799,853 MWh in 2023 to 6,811,055 MWh in 2024, compared to a 0.6% increase from 2022 to 2023. The increase in both 2023 and 2024 were primarily caused by modest gains in residential and commercial MWh consumption.

Combined retail sales in 2024 were \$741 million, \$60 million higher than the \$681 million realized in 2023, higher still than the \$670 million experienced in 2022. This increase in 2024 was primarily attributable to \$47 million in residential and commercial retail energy sales. A notable area of increase was the PUD base charges. The first year that PUD realized twelve months of the base charge was in 2023. The PUD's Board of Commissioners (Commission) approved a rate structure change that became effective April 1, 2023, which increased the base charge, resulting in \$30 million in base charge revenue for 2023. Additionally, the Commission approved further increases to the base charge that became effective April 1, 2024, resulting in \$59 million in base charge revenue for 2024. The PUD's base charge is designed to better align rate recovery with the sources of fixed costs it incurs on behalf of customers, including meter maintenance and billing. The base charge results in more predictable and stable bills for our customers and revenue for PUD, which will allow the PUD to focus on keeping rates low.

The PUD sells surplus power into wholesale power markets to balance resources with customer loads. Combined wholesale revenue was \$105 million in 2024 compared to \$73 million in 2023 and \$74 million in 2022. Although regional energy demand remained consistent, energy supply was diminished, increasing wholesale revenue prices on average in 2024. Additionally, high natural gas prices drove an increase in energy prices from other generating sources. The Electric System sold \$14 million of excess transmission capacity in 2024 and \$13 million in 2023.

Combined other operating revenue was \$44 million in 2024, a decrease of \$21 million from \$65 million in 2023. Of this decrease, \$22 million is attributable to miscellaneous service revenue decreases as noted above. Combined other operating revenue was \$65 million in 2023, an increase of \$28 million from 2022.

Combined operating expenses were \$867 million in 2024. This included \$409 million in purchased power costs, which was \$29 million more than the prior year. The rise in costs was primarily due to extreme cold temperatures in Western

Washington in January 2024, which led to unusually high wholesale market prices. Additionally, the PUD’s adoption of higher energy and capacity reserves in May 2024 contributed to increased market purchases to ensure sufficient energy for forecasted loads.

Combined operating expenses were \$770 million in 2023. These expenses include \$380 million in purchased power costs, an increase of \$45 million from the prior year. This large increase in cost was the result of a very cold and long-lasting winter, followed by rapid warming that preceded a quick water runoff evolution. The 2023 summer months were quite warm, and Western Washington experienced a lack of precipitation from late June to late September. Power supplied by BPA from Block and Slice products was down by approximately 12% from the prior year due to the lack of available water for generation. This required the PUD to purchase power on the market, typically at a premium price.

Interest income, excluding fair market value adjustments, increased from \$18 million in 2023 to \$21 million in 2024. This increase of 17% is consistent with changes in interest rates observed in the broader economy. The PUD’s cash reserve portfolio is invested in securities and deposits authorized by Washington State statute and is managed according to the PUD’s cash reserve and investment policies. During 2023, the PUD’s interest income, excluding fair market value adjustments, increased to \$18 million from \$7.7 million in 2022.

Electric System

Electric System Rates

General Rates

Effective April 1, 2023, the PUD raised the base charge on all connection types. The PUD has elected to reduce per kilowatt hour charges as base charges increase. Effective November 1, 2023, the PUD implemented a 1.4% system-wide average revenue adjustment to pass through the increased costs of purchased power from BPA to customers.

Effective April 1, 2024, the PUD implemented a 4.6% system-wide average revenue adjustment. Among the largest rate class categories, the residential class saw a 4.9% increase, small general service a 4.1% increase, medium general service a 3.6% increase, and large primary service a 5.1% increase.

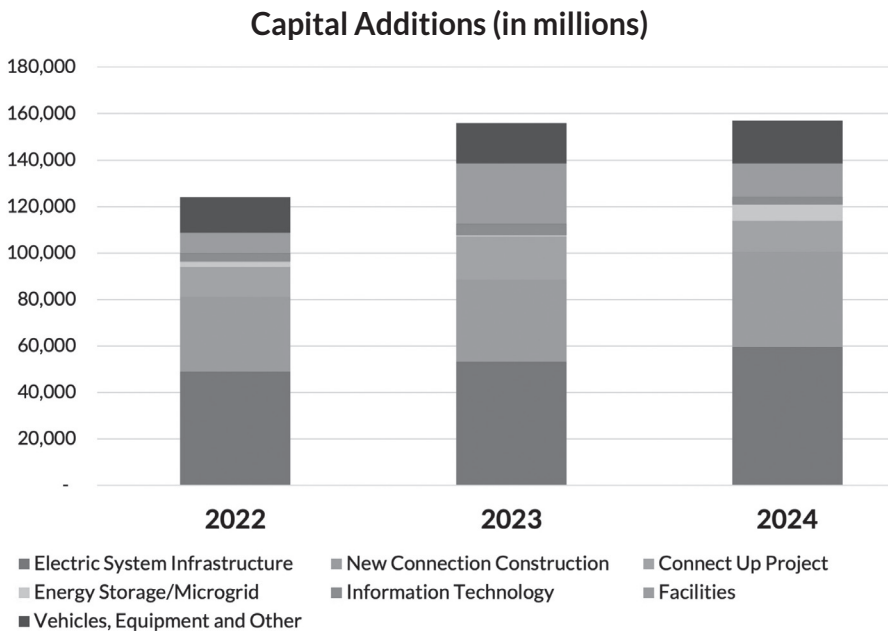
BPA Rates

BPA’s wholesale electricity is generated from federally owned hydroelectric projects in the Columbia River basin and one non-federal nuclear power plant. In 2024, BPA provided approximately 75% of the energy resources used by the PUD to serve its customers compared to 78% in 2023. Power purchases from BPA were \$239 million in 2024 and \$242 million in 2023, respectively. The \$3 million decrease purchased about 659 thousand more megawatts year over year.

At the end of 2023, BPA provided a distribution of cash reserves to preferred buyers of energy. The financial performance from BPA gives their administrators the discretion to apply RDC amounts to rate reduction, incremental capital investment, debt reduction, or other high value purposes. This resulted in the PUD receiving the benefit of \$12 million from December of 2023 through September of 2024. The PUD has recorded these transactions as other operating revenue.

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 distri-



bution infrastructure and facilities to serve customers and assure reliability is expected to continue. Electric System capital additions were \$159 million in 2024 and \$158 million in 2023.

In 2024, the PUD managed nineteen substation projects at various design stages, with ten under some form of construction. The larger projects included the completion and energization of the Jennings Park Substation, the completion of civil construction on both the new Crosswind Substation and the Camano Substation rebuild, and the completion of the Clearview Substation switchgear replacement. Additionally, six substation reliability projects were completed in 2024.

To improve the reliability and safe distribution of energy, the PUD continued to replace infrastructure that has reached the end of its useful life. In 2024, 525 distribution poles, 92 transmission poles, and 5.8 miles of cable were replaced.

Key projects in 2023 include site, civil, and electrical construction completed on the Sky Valley substation. Harbour Pointe Bank 1 upgrade is completed, energized, and serving customers. The addition of Bank 2 at Edgecomb is energized and supporting new load in North County. The PUD completed ten substation reliability upgrades. Construction of a new 5.3-mile transmission line from Stanwood to Camano Island is under way. The PUD, to improve the reliability and safe distribution of energy, continued to replace infrastructure that has reached its useful life. In 2023, 573 distribution poles, 25 transmission poles, and 6.9 miles of underground cable were replaced.

Capital Funding and Debt Levels

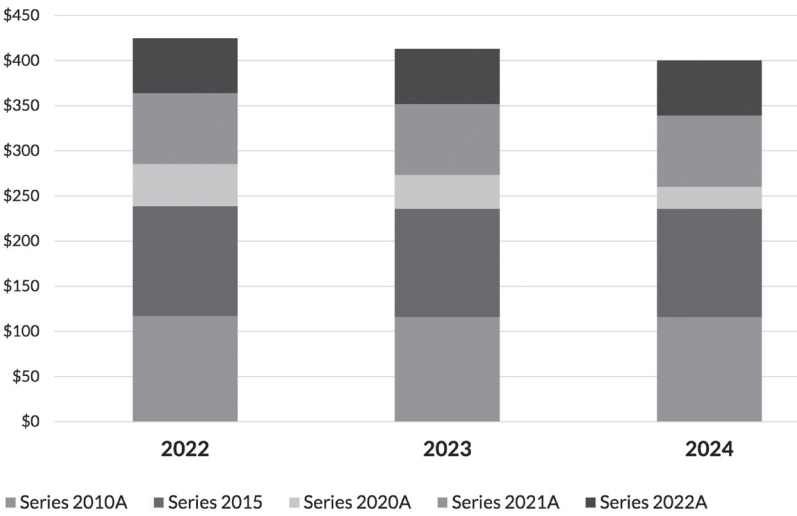
The PUD utilizes a combination of revenues, cash reserves, grants, and Revenue bonds to fund investments in the electric distribution and transmission system infrastructure. In addition, the PUD receives capital contributions from developers to fund infrastructure construction directly related to growth.

In June 2021, the Electric System issued \$79 million of Series 2021A Revenue bonds, the first sale of new money tax-exempt bonds since 2015. The bonds, which have a final maturity of 2051, were sold at an average interest rate of 1.5%, benefiting from a historically low long-term interest rate environment and strong bond ratings. In July 2022, the Electric System issued \$61 million of Series 2022A Revenue bonds with a final maturity of 2052 and an average interest rate of 3.4%. Proceeds from the bond sales are 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 advanced meter project, and development of the PUD’s North County community office. By March of 2024, proceeds from the previously issued Series 2021A were fully expended. The PUD expects proceeds from the 2022A bonds to be fully expended in 2025.

In conjunction with the 2022A bond sale, S&P and Moody’s, two major bond rating agencies, affirmed the PUD’s bond ratings of AA and Aa2, respectively.

Long-term debt of the Electric System, including current maturities, totaled \$400 million as of December 31, 2024, compared to \$413 million in 2023 and \$425 million in 2022.

Electric System Revenue Bonds (in millions)



Martin Luther King Weekend Freeze

In January 2024, Western Washington experienced some of its coldest temperatures since 1990. These extreme cold temperatures significantly impacted electricity demand, as many residents and businesses rely on electric heating. Consequently, the PUD had to purchase a substantial amount of energy from the open market to meet this increased demand. Throughout January, the PUD purchased 183 thousand megawatts of energy. During this period, energy prices hit the soft cap limit of \$1,000 per megawatt, compared to the PUD average price of about \$294 per megawatt. Overall, the PUD spent approxi-

mately \$54 million on open market energy in January 2024, compared to \$9.3 million in January 2023.

Bomb Cyclone Event

In November 2024, Western Washington experienced a storm system known as a bomb cyclone, characterized by a rapid drop in barometric pressure in a short period of time that intensified the impact of powerful winds. Sustained winds reached speeds of fifty-two miles per hour, with gusts up to seventy miles per hour. These strong winds, blowing in an unusual wind direction from the east, combined with waterlogged soil, caused many trees to fall, damaging homes, businesses, PUD infrastructure, and resulting in widespread power outages. During the storm, at the peak of the outages, the number of customers impacted was approximately 165 thousand.

The PUD received mutual aid from across the region to help restore power. The response included fourteen PUD line crews, nineteen service crews, twenty-three mutual aid crews, two contract line crews, two PUD tree crews, and fifteen contracted tree crews. Over seven days, these crews worked a total of 42 thousand hours without any reportable injuries. They used twenty-two miles of wire, replaced 102 poles, and replaced 112 transformers. The total cost of the event was approximately \$15 million, and it is pending recognition from the Federal Emergency Management Agency for cost recovery efforts.

Guam Mutual Aid

In May 2023, the island of Guam was struck by Typhoon Mawar. Mawar was the strongest storm to strike the island in twenty years; wind speeds surpassed 130 miles per hour and impacted nearly all of island's 52 thousand electrical customers. Guam Power Authority (GPA) reached out to the American Public Power Association for mutual aid assistance. In response, the PUD dispatched its personnel and equipment to the restoration effort including fifteen-line workers, equipment operators, and mechanics, two bucket trucks, and a mechanic truck. PUD personnel contributed over 9 thousand labor hours and repaired several miles of a major transmission line that services critical operations such as a hospital and United States (U.S.) military base. PUD equipment was returned, and GPA reimbursed the PUD \$2.5 million in related expenses.

Connect Up Project

In August 2020, the Commission approved the Connect Up program. This infrastructure and technology project includes installation of new meters capable of two-way communication. The installation process is scheduled to be completed in 2026, as every PUD customer is slated to receive a new meter. The initial network will consist of 149 base stations dispersed throughout the service territory on existing or new poles or towers. Due to supply chain constraints sourcing meters, the PUD has delayed components of this project. Upon the project's completion, the PUD will have deployed over 385,000 new electric meters and 25,000 water meters.

Benefits for the Electric System include improved system visibility, outage responses, and 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, 2024, the PUD has expended \$53 million on this project.

Washington Families Clean Energy Credits Grant

In May 2024, the PUD was awarded a \$14 million grant from the Washington State Department of Commerce, as part of the Washington Families Clean Energy Credit Program, dedicating \$150 million statewide to assist low-to moderate-income households with the clean energy transition. This initiative provided funding for bill credits of \$200 per household to eligible residential customers through their electric utility provider. In 2024, the PUD received and distributed the \$14 million grant to eligible residential customers in the PUD's service area. Households with income less than 150% of the area median income qualify as low or moderate income. These funds were distributed to over 71 thousand accounts, helping to offset current and future balances and lifting more than 1 thousand customers out of distressed status. To be eligible for the balance adjustment, residential customers needed to be enrolled in one of several approved programs, such as Low-Income Home Energy Assistance Program, Community Energy Fund (formerly Project Pride), Income Qualifies, Budgeted Payments, or through a formal self-attestation process.

South Everett Community Solar Array - El Sol al Alcance de Tus Manos (The sun at your fingertips) Grant

In December 2024, the PUD completed a 375-kilowatt solar array installation at Walter E Hall Park on Casino Road in Everett, Washington. The PUD will donate all the solar-generated kilowatts to the Community Energy Fund over a fifteen-

year lease with the City of Everett. This project utilizes Distributed Energy Resources (DER) as a non-wire alternative, advancing the PUD’s DER planning efforts. The solar array aims to reduce summer peaking demand on PUD circuits in the Casino Road area. The project received initial funding of \$868 thousand from the Washington State Department of Commerce’s Clean Energy Fund 3 Low-Income Community Solar Deployment Grant, including American Recovery and Reinvestment Act funding from the U.S. Department of Energy (DOE), with an additional \$652 thousand from PUD cost share funds. Further funding of \$400 thousand is being provided by the Washington State University Community Solar Expansion Program. The PUD also plans to use Inflation Reduction Act Direct Tax credits to lower the total project costs.

Snohomish County PUD’s Secure Modern Automated and Reliable Technology Project (SnoSMART) Grant

In October 2023, the PUD was awarded \$30 million from the DOE Grid Deployment Office for SnoSMART. The contract was signed in September 2024, with \$33 million in PUD cost share funds allocated for the project. This project aims to fast-track a twenty-year plan into just five years.

SnoSMART is an infrastructure and software endeavor designed to enhance the PUD’s system reliability, mitigate wildfire risks, and enable demand management. It will revolutionize system visibility and control for grid operators, further prepare the grid for transportation and building electrification, and improve the integration of DER through advanced system planning. The project involves deploying hundreds of wireless-connected smart grid devices to the distribution grid and upgrading the software tools to operate them. Supervisory Control and Data Acquisition, Advanced Distribution Management System, and the Distribution Automation Infrastructure will work together to create improved information and planning tools with new data analytics, moving toward a smarter grid.

Generation System

Henry M. Jackson Hydroelectric Project (Jackson Project) Maintenance and Capital Improvement

In 2024, as part of the Jackson Project’s Federal Energy Regulatory Commission license obligations, approximately 2 thousand feet of side channel was added along the Sultan River. This million-dollar project, funded by a Department of Ecology grant, extends the existing 12 thousand feet of side channel, providing resting space for fish during their annual migratory journeys. This is one of many PUD projects to preserve and enhance habitats within our service area.

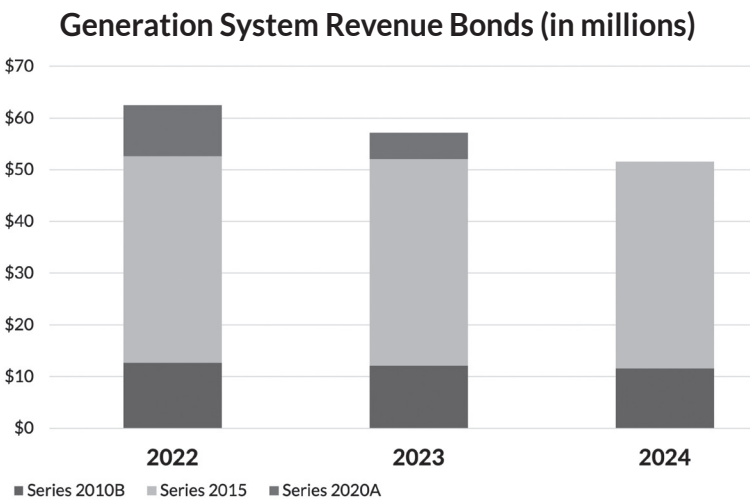
In September 2024, Jackson Project underwent a planned shutdown, allowing the PUD to inspect the intake gate for the Culmback Dam at Spada Lake for the first time in twenty years. The gate, which controls water flow, was found to be in good condition. This inspection was one of several projects completed during the shutdown.

In June 2023, the PUD completed the replacement of forty-eight-inch and ten-inch cone valves. The valves are used to maintain minimum flows of water on the Sultan River, which is a crucial component to maintaining water levels for natural resource operations to maintain healthy flows for migratory fish. These valves have a useful life of sixty years and will provide continued serviceability of the Jackson project. The valve replacement cost was approximately \$3.2 million as of December 2023 and involved PUD planning resources from September of 2020 through October of 2023.

The Jackson Project is embarking on a multiyear switchyard transformer redesign project to increase the facility’s reliability, resiliency, and overall service life. This project is expected to cost \$9.3 million and be completed in 2028.

Debt Levels

Debt levels in the Generation System continue to decline. Long-term debt for the Generation System, including current maturities, totaled \$52 million as of December 31, 2024, compared to \$57 million in 2023, and \$63 million in 2022. The Series 2020A Revenue bonds were fully paid off in 2024.



Water System

Water System Operating Results

In 2024, retail sales for the Water System remained steady at \$15 million in 2024, the same as it was in 2023. Although water retail rates increased in March 2024, this was balanced by a decrease in water usage, causing revenue to be flat. This stability followed an increase from \$14 million in 2022. The revenue growth in 2023 was driven by higher water residential rate and customer growth. The Water System added 203 and 257 customer connections in 2024 and 2023, respectively.

Operating expenses increased slightly from \$16 million in 2023 to \$17 million in 2024, following an increase of \$1.7 million in 2023 from 2022. The 2024 increase was the result of higher operations and maintenance costs of \$1.5 million, partially offset by lower purchased water of \$0.5 million. The 2023 increase resulted from higher purchased water due to a shutdown of the Lake Stevens Well, as well as higher operation and maintenance costs. The Lake Stevens Well was shut down due to a failure of pump motors. The extended nature of the shutdown was a result of longer than normal lead times for replacement parts. The well was back in operation in May of 2023, but the PUD did not see usual production until June of the same year.

Water System capital contributions were \$4.0 million in 2024, an increase of \$1.1 million from the \$2.9 million in 2023, but lower than the \$4.9 million in 2022. The 2024 increase indicates a strengthening in developer activity after previous periods of rising interest rates and supply chain constraints in the central Snohomish County area that the Water System serves.

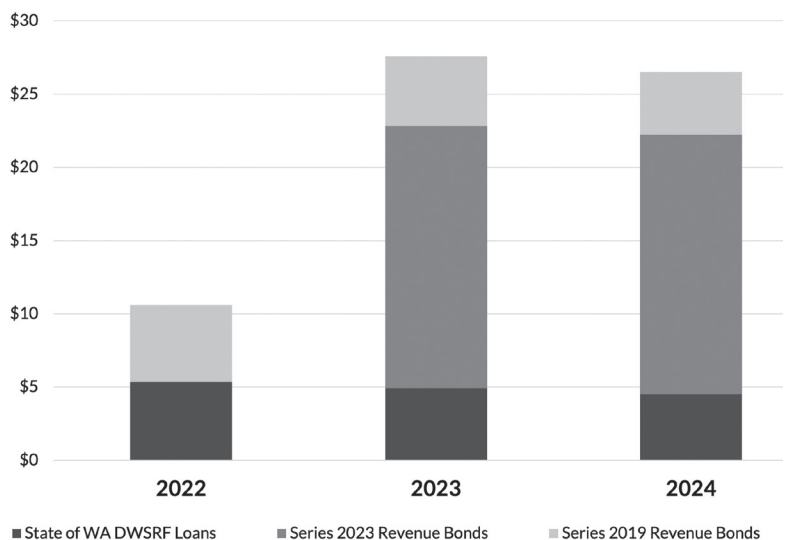
Capital Funding and Debt Levels

The PUD utilizes a combination of revenues, cash reserves, grants, Washington State loans, and Revenue bonds to fund Water System capital improvements. In addition, the Water System receives capital contribution fees from developers to address growth in the Water System service area.

In October 2023, the Water System issued \$18 million of Series 2023A Revenue bonds. The bonds, which have a final maturity of 2043, were sold at an average interest rate of 4.2%. Proceeds of the bond sale are being used to fund qualifying additions, replacements, and improvements to the Water System, including construction and upgrades relating to the water distribution system and the Connect Up advanced meter project. The PUD expects proceeds to be fully expended in 2026.

Long-term debt of the Water System, including current maturities, totaled \$27 million as of December 31, 2024, compared to \$28 million in 2023, and \$11 million in 2022.

Water System Revenue Bonds (in millions)



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)

	2024	As restated 2023	As restated 2022
Current Assets, Investments, and Special Funds	\$ 664	\$ 716	\$ 763
Net Utility Plant	1,947	1,856	1,761
Other Assets	56	82	85
Total Assets	2,667	2,654	2,609
Deferred Outflows of Resources	58	44	51
Current Liabilities	151	136	157
Long-Term Debt	500	521	525
Other Liabilities	103	107	115
Total Liabilities	754	764	797
Deferred Inflows of Resources	29	60	84
Net Investment in Capital Assets	1,462	1,417	1,366
Restricted	96	223	220
Unrestricted	384	234	193
Net Position	\$ 1,942	\$ 1,874	\$ 1,779
Operating Revenues	\$ 889	\$ 819	\$ 781
Operating Expenses	866	771	709
Net Operating Income	23	48	72
Interest Charges	21	20	14
Other Income and Expense	28	33	3
Net Income (Loss) before Capital Contributions	30	61	61
Capital Contributions	38	34	33
Net Income	68	95	94
Net Position, Beginning of year	1,874	1,779	1,685
Net Position	\$ 1,942	\$ 1,874	\$ 1,779

Assets

Current assets, investments, and special funds decreased \$52 million in 2024. This decline was primarily due to reductions in special funds that were partially offset by increases in current assets and investments. Current assets, investments and special funds decreased \$47 million in 2023 from 2022 balances.

As of December 31, 2024, and 2023, the PUD had approximately \$1.9 billion invested in a broad range of net utility capital assets. Utility capital assets, reported as net utility plant on the Combined Statement of Net Position, include five operating hydroelectric power generation plants, one biofuel generator, electric transmission and distribution lines, substations, water transmission and distribution pipes, storage and pump station facilities, buildings, and equipment. Utility plant additions were \$181 million in 2024 and \$173 million in 2023, 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 \$29 million and \$11 million due to routine retirements and transfers in 2024 and 2023, respectively. Accumulated depreciation and amortization increased \$61 million and \$66 million due to annual depreciation and amortization expense along with routine plant asset retirements and transfer activity in 2024 and 2023, respectively. For additional details on capital assets, see footnote 4. Other assets decreased \$26 million in 2024 and decreased \$3.2 million in 2023. Changes in lease asset receivables contributed \$14 million, while net pension assets accounted for \$11 million of the decrease from 2023 to 2024.

Deferred Outflows of Resources

Deferred outflows of resources increased to \$58 million in 2024. This resulted from net increases of \$15 million in the other post-employment benefits (OPEB) and net pension liability deferrals in 2024. The PUD experienced a \$1.2 million decrease on the unamortized loss on the refunding of debt.

Deferred outflows of resources decreased to \$44 million in 2023 from \$51 million in 2022. This resulted from net decreases of \$7.3 million in the OPEB and net pension liability deferrals in 2023 and unamortized loss on the refunding of debt.

Liabilities

Current liabilities increased \$15 million in 2024, primarily due to an \$8.1 million rise in accounts payable balances and an \$7.6 million increase in other accrued liabilities. The accounts payable increase was mainly driven by a \$4.1 million rise in outstanding purchase power invoices. The increase in other accrued liabilities was attributed to compensated absences. Current liabilities decreased \$22 million in 2023 resulting from lower vendor payable balances primarily from market power purchases in 2022.

Long-term debt decreased \$21 million and \$4.0 million in 2024 and 2023, respectively. The smaller decrease in 2023 long-term debt levels is the result of the issuance of 2023 Water System bonds. In 2024 without the issuance of new debt the PUD resumed normal declines in the long-term debt balance. For additional details on long-term debt, see footnote 7.

Total other liabilities decreased \$4.1 million in 2024 and decreased \$7.7 million in 2023 primarily due to actuarial valuation changes in post-employment liabilities.

Deferred Inflows of Resources

Deferred inflows decreased \$31 million in 2024, primarily due to changes in the valuation of lease contracts and decreased \$24 million in 2023, primarily due to changes in the valuation of the net pension deferrals.

Net Position

Net investment in capital assets increased \$45 million and \$51 million in 2024 and 2023, respectively, reflecting the growth in net utility plant.

Restricted net position represents resources that are subject to external restrictions, such as bond covenants or third-party contractual agreements, and resources restricted by a Commission resolution. Restricted net position decreased \$128 million in 2024 and increased \$3.3 million in 2023 due to changes in the actuarial valuation of a net pension asset. In 2024, the PUD reclassified the rate stabilization fund from restricted to unrestricted following a resolution by the Commission.

Unrestricted net position is available to finance day-to-day operations without constraints established by covenants, legal requirements, or the Commission's resolutions. Unrestricted net position increased \$150 million in 2024 due to the changes in recognition of post-employment liabilities, material inventory, and the reclassification of the rate stabilization fund. Unrestricted net position increased \$41 million in 2023 due to the changes in recognition of post-employment liabilities.

Operating Revenues

Operating revenues increased to \$889 million in 2024, from \$819 million in 2023. Retail revenues increased \$60 million in 2024 due to increases in billed residential and commercial revenues. Wholesale revenues increased \$31 million primarily due to the PUD's adoption of higher energy and capacity targets in May 2024. The increased targets generally resulted in higher volumes of market sales as the PUD aligned their energy position with the observed system loads. Other operating revenues declined by \$21 million, primarily due to reductions in BPA programs such as the RDC, ECA, and REP.

Operating revenues increased to \$819 million in 2023, from \$781 million in 2022. Retail revenues increased \$11 million in 2023 due to increases in billed residential and commercial revenues. Wholesale revenues decreased \$734 thousand due to decreases in power available for sale in the wholesale market. The largest contributor to the changes in operating revenues were the changes from other operating revenues. This consisted of changes in revenues from BPA programs including the RDC, ECA, and REP.

Operating Expenses

Operating expenses increased \$97 million in 2024 to \$867 million from \$770 million in 2023. During 2024, purchased power costs increased by \$29 million. One major cold snap in January 2024 required significant purchases of power at high premiums. The PUD deferred budgeted maintenance and capital projects to help alleviate the high prices being paid for energy. Operations and maintenance costs increased by \$63 million which can be attributed to repairs and general operating of PUD infrastructure.

Operating expenses increased \$61 million in 2023 to \$770 million from \$709 million in 2022. During 2023, purchased power costs increased by \$45 million due to a particularly poor water year. The PUD, like many other utilities in the Northwest, saw a poor water year with remarkably high prices on the open market. The PUD deferred budgeted maintenance and capital projects to help alleviate the high prices being paid for energy. Operations and maintenance costs still increased by \$11 million which can be attributed to repairs and general operating of PUD infrastructure.

Interest Charges

Interest charges rose by \$382 thousand from 2023 to 2024.

Interest charges increased \$5.8 million from 2022 to 2023.

Other Income and Expense

Other income and expense had a slight decline to \$28 million in 2024 from \$33 million in 2023. This is the result of an overall reduction of interest rates observed in the broader economy.

Other income and expense increased significantly to \$33 million in 2023 from \$2.6 million in 2022. This is the result of higher interest rates observed in the overall economy.

Capital Contributions

Capital contributions increased by \$3.9 million in 2024 and \$0.6 million in 2023. Capital contributions are collected from property developers when they request to connect to the PUD's electric or water distribution systems or request engineering or construction services. The PUD collected an increase of \$3.4 million in cash contributions where the remainder of the change came from non-cash contributions.

Requests for Information

The basic financial statements, notes, and management's discussion and analysis are designed to provide a general overview of the PUD's finances. Questions concerning any of the information provided in this report should be directed to the PUD at 2320 California Street, Everett, WA 98201.

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Combined Statement of Net Position

December 31, 2024 and 2023

(In thousands)

	2024				2023
	Electric System	Generation System	Water System	Combined	Combined
Assets					
Current Assets:					
Cash and temporary investments:					
Cash and cash equivalents	\$ 56,362	\$ 5,644	\$ 3,183	\$ 65,189	\$ 54,104
Temporary investments	114,561	2,245	986	117,792	77,331
Total Cash and Temporary Investments	170,923	7,889	4,169	182,981	131,435
Accounts and other receivables, net	104,250	95	1,997	106,342	107,063
Intersystem loans receivable	2,425	-	-	-	-
Materials and supplies	72,969	-	2,634	75,603	61,631
Prepayments and other	11,653	392	194	12,239	8,558
Total Current Assets	362,220	8,376	8,994	377,165	308,687
Long-Term Investments & Special Funds:					
Long-term investments	152,637	5,816	2,664	161,117	106,358
Special funds – bond funds and other	85,073	11,210	29,534	125,817	301,093
Total Long-Term Investments & Special Funds	237,710	17,026	32,198	286,934	407,451
Utility Plant:					
Plant in service	2,427,947	366,937	196,318	2,991,202	2,832,441
Construction work in progress	172,597	3,565	7,791	183,953	191,152
Total Utility Plant	2,600,544	370,502	204,109	3,175,155	3,023,593
Accumulated depreciation and amortization	(1,000,295)	(174,144)	(53,796)	(1,228,235)	(1,166,796)
Net Utility Plant	1,600,249	196,358	150,313	1,946,920	1,856,797
Other Assets:					
Conservation loans and other receivables, net	-	-	201	201	245
Lease asset receivable	5,330	-	350	5,680	20,101
Intersystem loans and receivables	22,630	-	-	-	-
FERC licenses	-	12,882	-	12,882	13,426
Net pension assets	34,311	627	1,018	35,956	46,833
Other assets	796	356	-	1,152	1,014
Total Other Assets	63,067	13,865	1,569	55,871	81,619
Total Assets	2,263,246	235,625	193,074	2,666,890	2,654,554
Deferred Outflows of Resources					
Unamortized loss on refunding debt	320	-	-	320	1,475
Net pension and OPEB deferrals	54,641	1,574	1,476	57,691	42,669
Total Deferred Outflows of Resources	54,961	1,574	1,476	58,011	44,144
Total Assets and Deferred Outflows	\$ 2,318,207	\$ 237,199	\$ 194,550	\$ 2,724,901	\$ 2,698,698

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

Combined Statement of Net Position

December 31, 2024 and 2023

(In thousands)

	2024				As restated 2023
	Electric System	Generation System	Water System	Combined	Combined
Liabilities					
Current Liabilities:					
Accounts payable	\$ 60,617	\$ 677	\$ 1,437	\$ 62,731	\$ 54,651
Accrued taxes	20,845	93	130	21,068	19,428
Accrued interest	1,646	221	104	1,971	2,007
Other accrued liabilities	44,804	77	2	44,883	37,292
Customer deposits	2,786	-	2	2,788	2,880
Current maturities of long-term debt	14,860	1,410	1,128	17,398	19,503
Intersystem loans payable	-	2,425	-	-	-
Total Current Liabilities	145,558	4,903	2,803	150,839	135,761
Long-Term Debt:					
Revenue bonds	420,451	53,039	22,847	496,337	516,673
Other notes payable	-	-	4,082	4,082	4,500
Total Long-Term Debt	420,451	53,039	26,929	500,419	521,173
Other Liabilities:					
Intersystem loans and payables	-	22,630	-	-	-
FERC license obligations	-	12,882	-	12,882	13,426
Net pension liability	14,510	376	340	15,226	20,330
Lease liability	7,818	180	-	7,998	8,330
SBITA liability	3,488	-	-	3,488	2,042
OPEB liability	47,020	935	990	48,945	47,460
Other liabilities	13,264	1,627	7	14,898	15,906
Total Other Liabilities	86,100	38,630	1,337	103,437	107,494
Total Liabilities	652,109	96,572	31,069	754,695	764,428
Deferred Inflows of Resources					
Unearned FERC license contributions	-	3,000	-	3,000	3,500
Net pension deferrals	14,362	(36)	399	14,725	25,854
Other deferred inflows	10,354	45	543	10,942	30,499
Total Deferred Inflows of Resources	24,716	3,009	942	28,667	59,853
Net Position					
Net investment in capital assets	1,186,718	141,412	133,886	1,462,016	1,417,452
Restricted:					
Reserve funds	1,006	5,772	831	7,609	7,448
Rate stabilization	-	-	-	-	114,816
Net pension assets	34,311	627	1,017	35,955	46,833
Debt service and other	29,517	5,217	17,310	52,044	54,297
Unrestricted	389,830	(15,410)	9,495	383,915	233,571
Total Net Position	1,641,382	137,618	162,539	1,941,539	1,874,417
Total Liabilities, Deferred Inflows and Net Position	\$ 2,318,207	\$ 237,199	\$ 194,550	\$ 2,724,901	\$ 2,698,698

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, 2024 and 2023

(In thousands)

	2024				As restated 2023
	Electric System	Generation System	Water System	Combined	Combined
Operating Revenues:					
Retail sales	\$ 725,451	\$ -	\$ 15,409	\$ 740,860	\$ 680,664
Wholesale sales	103,988	26,342	713	104,701	73,410
Other	42,664	400	439	43,503	64,637
Total Operating Revenues	872,103	26,742	16,561	889,064	818,711
Operating Expenses:					
Purchased power	435,487	-	-	409,145	379,896
Purchased water	-	-	3,689	3,689	4,230
Operations	247,958	7,221	5,929	261,108	224,971
Maintenance	61,749	5,229	3,164	70,142	42,999
Depreciation and amortization	66,971	6,301	3,831	77,103	75,353
Taxes	45,285	92	841	46,218	42,998
Total Operating Expenses	857,450	18,843	17,454	867,405	770,447
Net Operating Income (Loss)	14,653	7,899	(893)	21,659	48,264
Interest Charges:					
Interest	20,083	3,993	1,182	24,183	23,801
Amortization of debt related costs	(2,366)	(892)	(253)	(3,511)	(3,511)
Total Interest Charges	17,717	3,101	929	20,672	20,290
Other Income and Expense:					
Interest income, fair value adjustments, net	21,478	1,323	2,092	23,818	26,569
Other income and expense, net	3,651	827	(17)	4,461	6,698
Total Other Income and Expense	25,129	2,150	2,075	28,279	33,267
Net Income Before Capital Contributions	22,065	6,948	253	29,266	61,241
Capital Contributions	33,795	36	4,025	37,856	33,930
Net Income	55,860	6,984	4,278	67,122	95,171
Net Position, Beginning of year	1,585,522	130,634	158,261	1,874,417	1,779,246
Net Position, End of year	\$ 1,641,382	\$ 137,618	\$ 162,539	\$ 1,941,539	\$ 1,874,417

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, 2024 and 2023

(In thousands)

	2024				As restated 2023
	Electric System	Generation System	Water System	Combined	Combined
Cash Flows from Operating Activities:					
Cash received from customers	\$ 833,472	\$ 28,011	\$ 16,251	\$ 851,392	\$ 767,723
Cash payments to suppliers	(647,338)	(5,989)	(6,557)	(633,542)	(593,183)
Cash payments to employees	(129,133)	(7,506)	(6,318)	(142,957)	(113,056)
Cash payments for taxes	(45,312)	(75)	(818)	(46,205)	(43,884)
Other cash received (paid)	31,987	544	296	32,827	50,260
Net Cash Provided by Operating Activities	43,676	14,985	2,854	61,515	67,860
Cash Flows from Capital & Related Financing Activities:					
Capital construction	(141,697)	(3,012)	(10,086)	(154,795)	(158,714)
Proceeds from debt	-	-	-	-	19,652
Repayment of debt	(12,815)	(5,610)	(1,078)	(19,503)	(18,233)
Debt issuance costs	-	-	-	-	(227)
Interest paid	(20,091)	(4,017)	(1,186)	(24,219)	(23,771)
Capital contributions	23,411	37	1,777	25,225	20,926
Intercompany loans	2,483	(2,483)	-	-	-
Other cash received (paid)	15,409	(35)	256	15,630	5,535
Net Cash Provided by (Used for) Capital & Related Financing Activities	(133,300)	(15,120)	(10,317)	(157,662)	(154,832)
Cash Flows from Investing Activities:					
Sale of special funds and investment securities	313,899	16,450	25,185	355,534	337,630
Purchase of special funds and investment securities	(235,928)	(17,728)	(19,031)	(272,687)	(265,341)
Interest on investment securities	20,475	1,443	1,993	22,836	18,802
Net Cash Provided by (Used for) Investing Activities	98,446	165	8,147	105,683	91,091
Cash Flows from Non-Capital Financing Activities:					
Non-capital grants received	569	980	-	1,549	10,669
Net Cash Provided by Non-Capital Financing Activities	569	980	-	1,549	10,669
Net Increase (Decrease) in Cash & Cash Equivalents	9,391	1,010	684	11,085	14,788
Beginning of Year	46,971	4,634	2,499	54,104	39,316
Cash & Cash Equivalents – End of Year	\$ 56,362	\$ 5,644	\$ 3,183	\$ 65,189	\$ 54,104

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

Combined Statements of Cash Flows (continued)

Years Ended December 31, 2024 and 2023

(In thousands)

	2024				As restated 2023
	Electric System	Generation System	Water System	Combined	Combined
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:					
Net Operating Income (Loss)	\$ 14,653	\$ 7,899	\$ (893)	\$ 21,659	\$ 48,264
Adjustments to net operating income					
Depreciation expense	66,971	6,301	3,831	77,103	75,353
Pension and OPEB related	(23,059)	(659)	(714)	(24,432)	(27,216)
Other cash received (paid)	(258)	(154)	(17)	(429)	2,190
(Increase)decrease in receivables	398	1,355	(64)	1,689	7,698
(Increase)decrease in other assets	(17,201)	(43)	(40)	(17,284)	(15,380)
Increase(decrease) in payables	7,183	(85)	982	8,080	(28,694)
Increase(decrease) in other liabilities	(5,011)	371	(231)	(4,871)	5,645
Total Adjustments	29,023	7,086	3,747	39,856	19,596
Net Cash Provided by Operating Activities	\$ 43,676	\$ 14,985	\$ 2,854	\$ 61,515	\$ 67,860

Non-cash Investing, Capital and Related Financing Activities:

Non-cash capital contributions	\$ 10,180	\$ -	\$ 2,248	\$ 12,428	\$ 11,853
Changes in valuation of financial instruments	2,707	72	96	2,875	8,977
Amortization of debt related costs	2,366	892	253	3,511	3,511

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

Notes to Combined Financial Statements

December 31, 2024 and 2023

Note 1

Summary of Significant Accounting Policies

General

Public Utility District No. 1 of Snohomish County, Washington, (the PUD) is a public electric and water utility serving Snohomish County and Camano Island in Island County, Washington. The PUD's operations consist of three systems: Electric, Generation, and Water. The PUD is governed by a three-member Board of Commissioners (Commission), which is elected for staggered six-year terms. The legal responsibilities and powers of the PUD, including the establishment of rates and charges for services rendered, are exercised through the Commission.

The Electric System is made up of the PUD's electric transmission and distribution system. The Generation System is composed of the PUD's Henry M. Jackson Hydroelectric Project (Jackson Project), four smaller hydroelectric projects, and a biofuel generator. The Water System is made up of the PUD's water distribution system.

The accompanying financial statements for 2024 include the Combined Statements of Net Position, the Combined Statements of Revenues, Expenses, and Changes in Net Position, and the 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 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 other income and expense.

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 monthly. 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 \$38 million and \$42 million as of December 31, 2024, and 2023, respectively. Unbilled water revenue was \$701 thousand and \$709 thousand as of December 31, 2024, and 2023, respectively.

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 \$2.7 million and \$2.1 million as of December 31, 2024 and 2023, respectively.

Material and Supplies

Material and supplies are recorded at average cost and consist primarily of materials for construction and maintenance of utility plant.

Special Funds

Special funds are restricted or limited-use funds that have been established in accordance with Commission resolutions, bond resolutions, state law, or other agreements. These funds, which consist of cash, cash equivalents, and investments, are restricted for specific purposes, including debt service, bond reserves, qualifying capital expenditures, other post-employment benefits

(OPEB), Federal Energy Regulatory Commission (FERC) license commitments, and other reserve requirements. It is the PUD's practice to use unrestricted funds prior to using restricted funds, except for funds set aside for specific expenditures and debt service payments.

In September 2024, the Commission adopted resolutions which reclassified its Electric and Water System rate stabilization funds from restricted to unrestricted within the investment portfolio. As a result, \$115 million of Electric System funds and \$1.5 million of Water System funds were prospectively reclassified on the Combined Statements of Net Position from restricted net position to unrestricted net position and from special funds to long-term and temporary investment assets.

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 method. The 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 and amortization 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 Commission 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 accumulate earned but unused paid time off, vacation, holidays, compensatory time off, sick and extended sick pay benefits, collectively referred to as compensated absences. The liability for compensated absences is calculated under the provisions of GASB Statement No. 101 Compensated Absences. As of December 31, 2024 and 2023, the accrued liability for these benefits was \$29 million and \$27 million, respectively, reflecting a net increase of \$2 million. These liabilities are included in other accrued 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 receivable, accrued liability for injuries and damages, compensated absences, depreciable lives of utility plant, pensions, and other contingencies. Actual results could differ from these estimates.

Note 2

Accounting Changes and Reclassifications

Change in Accounting Principles

In June 2022, GASB issued Statement No. 100 Accounting Changes and Error Corrections, which establishes accounting and financial reporting requirements for accounting changes and error corrections. This new standard has been issued to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The PUD adopted the provisions of GASB Statement No. 100 for the year ended December 31, 2024.

In June 2022, GASB issued Statement No. 101 Compensated Absences, which establishes a financial reporting requirement for the recognition and measurement of compensated absences. This statement provides for more consistent reporting of compensated absence liabilities and related expenses. A liability for compensated absences is recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability is recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates,

and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The PUD adopted the provisions of GASB Statement No. 101 effective January 1, 2023. To reflect the cumulative effect of implementing this statement, the Combined Statements of Net Position and Combined Statements of Revenues, Expenses, and Changes in Net Position have been restated, as summarized below (in thousands) as of December 31, 2023.

	Electric			Combined		
	As Previously Reported	Change in Accounting Principle	As Restated	As Previously Reported	Change in Accounting Principle	As Restated
Operations expense	\$ 208,087	\$ 5,586	\$ 213,673	\$ 219,385	\$ 5,586	\$ 224,971
Maintenance expense	36,008	1,135	37,143	41,864	1,135	42,999
Net Income	87,394	(6,721)	80,673	101,892	(6,721)	95,171
Other accrued liabilities	30,495	6,721	37,216	30,571	6,721	37,292
Net Position	\$ 1,592,243	\$ (6,721)	\$ 1,585,522	\$ 1,881,138	\$ (6,721)	\$ 1,874,417

In May 2020, GASB issued Statement No. 96 Subscription-Based Information Technology Arrangements (SBITAs), which establishes a standard of accounting for the right-to-use subscription assets that are a financial exchange when specific conditions are met. These arrangements are considered right-to-use assets. The PUD adopted the provisions of GASB Statement No. 96 for the year ended December 31, 2023. (Footnote 6)

Certain reclassifications have been made in the 2023 financial statements to conform to the 2024 presentation.

Note 3

Special Funds and Cash and Temporary Investments

The PUD's investment policy authorizes the investment of funds in United States (U.S.) Treasury, federally guaranteed and U.S. government-sponsored enterprise agency obligations, municipal bonds, supranational securities, commercial paper, certificates of deposit, bankers' acceptances, bank deposits and savings accounts. Certificates of deposit and bank deposits are held with qualified public depositories of the State of Washington and are 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 State of Washington statutes, PUD investment policy, 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 as of December 31, 2024 and 2023 are summarized below.

	Electric System		Generation System		Water System	
	2024	2023	2024	2023	2024	2023
U.S. Treasury Securities	42%	50%	27%	23%	41%	42%
U.S. Agency Obligations						
Federal Home Loan Bank	10%	16%	6%	11%	1%	8%
Federal Farm Credit Bank	12%	8%	6%	-	4%	13%
Federal National Mortgage Association	3%	2%	7%	7%	4%	4%
Supranational Securities						
Inter-American Development Bank	5%	2%	-	-	-	2%
International Bank for Reconstruction and Development	-	-	5%	5%	3%	2%
International Finance Corporation	1%	1%	1%	-	3%	-
Municipal Bonds						
State of California	1%	1%	-	5%	-	1%
State of Hawaii	-	-	-	-	5%	4%
State of Maryland	-	-	-	-	10%	-
Cash and Interest-bearing Demand or Time Deposits	3%	4%	-	-	1%	-
Washington State Local Government Investment Pool	23%	16%	48%	49%	28%	24%

The PUD invests funds consistent with the following objectives: conform with state and local statutes, preserve principal, maintain adequate liquidity, and maximize yield. The PUD's investments are purchased with the intent 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 under the Washington State Public Deposit Protection Act.

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, 2024, LGIP investments include primarily U.S. Treasury securities, repurchase agreements, U.S. agency securities, and interest-bearing bank deposits. The PUD records these investments at amortized cost.

The PUD must give notice to the LGIP of planned withdrawals over \$1 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 U.S. bond markets are closed, and if the Securities and Exchange Commission declares an emergency.

To address custodial credit risk, all investments except bank deposits, certificates of deposit, and funds held in the LGIP, are held in the PUD's name by a third-party custodian. The PUD addresses concentration of credit risk by diversifying investments by security type and issuer.

The PUD manages its exposure to decreases in the fair value of its investments arising from increasing interest rates by diversifying investments by time to maturity. 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 to mitigate interest rate risk. Investment maturities for combined special funds and cash and temporary investments as of December 31, were as follows:

Term	2024		2023	
	Amount Invested (In thousands)	Percent of invested funds	Amount Invested (In thousands)	Percent of invested funds
Less than 30 days	\$ 98,020	21%	\$ 93,717	17%
30 to 90 days	37,257	8%	30,671	6%
90 days to 1 year	104,177	22%	174,522	32%
1 year to 5 years	202,884	43%	212,165	40%
Bond reserves invested to bond maturity	27,577	6%	27,811	5%
Total	\$ 469,915	100%	\$ 538,886	100%

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):

	2024				2023			
	Electric		Generation		Water		Combined	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
U.S. Treasury Notes	\$ 173,176	\$ -	\$ 6,806	\$ -	\$ 14,822	\$ -	\$ 263,447	\$ -
U.S. Agency Obligations	-	102,641	-	4,765	-	3,316	-	137,422
Supranational Securities	-	25,802	-	1,488	-	2,184	-	19,007
Municipal Bonds	-	2,638	-	-	-	5,322	-	6,150
Assets Valued at Fair Value	\$ 173,176	\$ 131,081	\$ 6,806	\$ 6,253	\$ 14,822	\$ 10,822	\$ 263,447	\$ 162,579

Note 4

Capital Assets

Utility Plant

The PUD's utility plant is stated at cost, which includes both direct and indirect costs of construction or acquisition. The capitalization threshold for utility plant is \$5 thousand and \$35 thousand for information technology. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from five to seventy-seven years.

When utility plant assets are retired, the original cost together with removal costs, less salvage, is charged to accumulated depreciation. The cost of maintenance and repairs is charged to expense as incurred, while the cost of replacements and betterments is capitalized. See Table 1 for additional utility plant details.

The PUD reviews the carrying value of its utility plant and other equipment when 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, relating to expansions to the PUD's infrastructure, as a separate category of non-operating revenue.

Note 5

Leases

The PUD is both a lessee and a lessor. For leases with a maximum possible term of twelve months or less at commencement, the PUD considers those short-term leases and recognizes expense or revenue in the year incurred based on the provisions in each contract. For all other leases, as a lessee or lessor, the PUD recognizes a right-to-use asset and lease liability, or a lease receivable and a deferred inflow, respectively.

PUD as a Lessee

The following table summarizes the balances of right-to-use assets by major classes reported in net utility plant as of December 31 (in thousands):

	2024		2023	
	Electric	Generation	Electric	Generation
Right-to-use assets – Land	\$8,210	\$ 102	\$ 8,117	\$ 102
Less Accumulated Amortization	(1,075)	(17)	(647)	(9)
Right-to-use assets – Land, Net	7,135	85	7,470	93
Right-to-use assets – Building	-	162	419	162
Less Accumulated Amortization	-	(60)	(279)	(30)
Right-to-use assets – Building, Net	-	102	140	132
Right-to-use assets – Equipment	287	-	339	-
Less Accumulated Amortization	(81)	-	(52)	-
Right-to-use assets – Equipment, Net	206	-	287	-
Total Right-to-use Assets	\$7,341	\$ 187	\$ 7,897	\$ 225

The PUD is involved in several leases and subleases of land and buildings to perform PUD operations. The obligations relating to these leases have been recognized on the Combined Statements of Net Position under lease liability and the related right-to-use asset under plant in service, equal to the present value of the lease payments in each agreement payable during the contracted term. For years ended December 31, 2024 and 2023, the PUD recorded \$740 thousand and \$644 thousand as amortization of right-to-use lease assets, as well as \$265 thousand and \$238 thousand in interest expense, respectively.

Table 1 Utility Plant

(In thousands)

	As restated 2022	2023			2024		
	Ending Balance	Additions	Retirements & Transfers	Ending Balance	Additions	Retirements & Transfers	Ending Balance
Electric System							
Transmission	\$ 189,178	\$ 9,300	\$ (515)	\$ 197,963	\$ 18,752	\$ (440)	\$ 216,275
Distribution	1,436,941	91,172	(8,645)	1,519,468	108,392	(11,127)	1,616,733
General Plant & Other	446,072	30,300	(279)	476,093	24,629	(5,028)	495,694
Right-to-use Lease Assets	4,490	4,542	(157)	8,875	151	(529)	8,497
Right-to-use Subscription Assets ¹	7,157	1,069	(1,721)	6,505	3,491	(2,619)	7,377
Land & Non-Depreciable Assets	77,312	2,056	-	79,368	4,003	-	83,371
Plant in Service	2,161,150	138,439	(11,317)	2,288,272	159,418	(19,743)	2,427,947
Construction Work in Progress	155,155	19,861	-	175,016	-	(2,419)	172,597
Utility Plant	2,316,305	158,300	(11,317)	2,463,288	159,418	(22,162)	2,600,544
Less Accumulated Depreciation and Amortization ¹	(891,231)	(60,339)	3,624	(947,946)	(60,318)	7,969	(1,000,295)
Net Utility Plant	\$ 1,425,074	\$ 97,961	\$ (7,693)	\$ 1,515,342	\$ 99,100	\$ (14,193)	\$ 1,600,249
Generation System							
Generation/Production	\$ 297,767	\$ 4,583	\$ (25)	\$ 302,325	\$ 5,650	\$ (509)	\$ 307,466
Transmission	2,916	100	(43)	2,973	-	-	2,973
Distribution	8,814	-	16	8,830	-	-	8,830
General Plant & Other	31,343	1,603	(22)	32,924	632	(7)	33,549
Right-to-use Lease Assets	161	103	-	264	-	-	264
Land & Non-Depreciable Assets	13,850	1	4	13,855	-	-	13,855
Plant in Service	354,851	6,390	(70)	361,171	6,282	(516)	366,937
Construction Work in Progress	6,230	471	-	6,701	-	(3,136)	3,565
Utility Plant	361,081	6,861	(70)	367,872	6,282	(3,652)	370,502
Less Accumulated Depreciation and Amortization	(162,063)	(6,180)	17	(168,226)	(6,220)	302	(174,144)
Net Utility Plant	\$ 199,018	\$ 681	\$ (53)	\$ 199,646	\$ 62	\$ (3,350)	\$ 196,358
Water System							
Generation/Production	\$ 9,418	\$ 389	\$ -	\$ 9,807	\$ 437	\$ -	\$ 10,244
Transmission & Distribution	153,522	1,062	(21)	154,563	13,850	(1,147)	167,266
General Plant & Other	14,216	243	-	14,459	542	(362)	14,639
Land & Non-Depreciable Assets	4,169	-	-	4,169	-	-	4,169
Plant in Service	181,325	1,694	(21)	182,998	14,829	(1,509)	196,318
Construction Work in Progress	3,731	5,704	-	9,435	-	(1,644)	7,791
Utility Plant	185,056	7,398	(21)	192,433	14,829	(3,153)	204,109
Less Accumulated Depreciation	(47,562)	(3,086)	24	(50,624)	(3,677)	505	(53,796)
Net Utility Plant	\$ 137,494	\$ 4,312	\$ 3	\$ 141,809	\$ 11,152	\$ (2,648)	\$ 150,313
Combined Net Utility Plant	\$ 1,761,586	\$ 102,954	\$ (7,743)	\$ 1,856,797	\$ 110,314	\$ (20,191)	\$ 1,946,920

¹Right-to-use subscription assets and associated accumulated amortization restated in 2022 in accordance with GASB 96

Lessee activity resides within the Electric System except for two Generation System leases. As of December 31, 2024, the PUD had principal and interest requirements for active leasing activities, as follows (in thousands):

Year Ended December 31	Principal	Interest	Total
2025	\$ 358	\$ 259	\$ 617
2026	336	251	587
2027	294	244	538
2028	248	238	486
2029	263	233	496
2030-2034	1,381	1,063	2,444
2035-2039	1,608	844	2,452
2040-2044	1,159	587	1,746
2045-2049	951	410	1,361
2050-2054	1,400	142	1,542
Total	\$ 7,998	\$ 4,271	\$ 12,269

PUD 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 one month to twenty-two years. The agreements are recorded as a lease asset receivable at their net present value of \$5.7 million and \$20 million on the Combined Statements of Net Position as of December 31, 2024 and 2023, respectively. The PUD recognized \$1.9 million and \$4.3 million of lease income and \$93 thousand and \$244 thousand in lease interest income recorded as other income for both years ended December 31, 2024 and 2023, respectively.

Note 6

Subscription Based Information Technology Arrangements

The PUD considers SBITAs with a maximum possible term of twelve months or less at commencement to be short-term and expensed as incurred. For all other SBITAs, the PUD recognizes a right-to-use subscription asset and a subscription liability. Currently, all SBITAs are held by the Electric System. The PUD has eighteen SBITAs that meet the criteria for recognition and the PUD's information technology capitalization threshold of \$35 thousand. The right-to-use asset relating to these SBITAs are recognized on the Combined Statements of Net Position within plant in service.

The following table shows the total amount of SBITA assets and the related accumulated amortization as of December 31 (in thousands):

	2024	2023
Subscription Assets	\$ 7,377	\$ 6,505
Accumulated Amortization	(2,598)	(2,557)
Net Subscription Asset	\$ 4,779	\$ 3,948

The PUD's eighteen SBITAs have terms through 2027 that meet the criteria for recognition under GASB Statement No. 96. For years ended December 31, 2024 and 2023, the PUD recorded \$2.8 million and \$2.4 million as amortization of right-to-use subscription assets, as well as \$49 thousand and \$19 thousand in interest expense, respectively. As of December 31, 2024, the PUD had principal and interest requirements for their SBITA activities, as follows (in thousands):

	Principal	Interest	Total
2025	\$ 1,905	\$ 60	\$ 1,965
2026	1,564	20	1,584
2027	19	1	20
Total	\$ 3,488	\$ 81	\$ 3,569

The PUD excludes variable payments from the measurement of the right-to-use assets and subscription liability. Those payments totaled \$358 thousand and \$227 thousand for the years ended December 31, 2024 and 2023, respectively.

Note 7

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 2 (in thousands):

Table 2

	Electric System Revenue Bonds		Generation System Revenue Bonds		Water System Revenue Bonds		Loans	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 14,860	\$ 19,682	\$ 1,410	\$ 2,654	\$ 710	\$ 1,100	\$ 418	\$ 48
2026	14,275	19,173	1,480	2,583	685	1,065	418	43
2027	14,695	18,678	1,560	2,505	740	1,031	418	38
2028	15,140	18,153	1,640	2,423	840	994	354	33
2029	15,620	17,595	1,730	2,337	885	952	354	29
2030-2034	88,015	74,388	10,100	10,225	5,135	4,049	1,360	100
2035-2039	110,475	48,590	13,025	7,295	6,505	2,635	736	44
2040-2044	46,865	24,786	16,750	3,569	6,510	834	442	9
2045-2049	50,325	15,678	3,870	194	-	-	-	-
2050-2053	29,910	2,578	-	-	-	-	-	-
Total	\$ 400,180	\$ 259,301	\$ 51,565	\$ 33,785	\$ 22,010	\$ 12,660	\$ 4,500	\$ 344

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 in 2024 and 2023 were \$43 million and \$41 million, respectively. Total revenues available for debt service as defined for the same periods were \$126 million and \$144 million in 2024 and 2023, respectively. Annual principal and interest payments required 34% and 29% of revenues as of December 31, 2024 and 2023, respectively.

Tax-exempt Revenue bonds make up the majority of the PUD's long-term debt and are subject to Internal Revenue Service Code (the Code) requirements for arbitrage rebate. Rebates are calculated based on earnings on gross proceeds of the bonds that are in excess of the amount prescribed by the Code. The estimated arbitrage liability as of December 31, 2024, was \$505 thousand and \$354 thousand as of December 31, 2023.

Electric System

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

	December 31,	
	2024	2023
Series 2022A Revenue bonds, 4.0-5.0%, due 2025-2052, earliest call 2032	\$ 61,050	\$ 61,050
Series 2021A Revenue bonds, 5.0%, due 2026-2051, earliest call 2031	78,685	78,685
Series 2020A Revenue Refunding bonds, 0.7-1.5%, due 2025-2028	24,975	37,790
Series 2015 Revenue bonds, 5.0%, due 2025-2040, earliest call 2025	119,475	119,475
Series 2010A Revenue bonds, 5.5-5.6%, due 2025-2035, currently callable	115,995	115,995
Total Principal Outstanding on Long-Term Debt	\$ 400,180	\$ 412,995

Changes in the Electric System long-term debt for the years ending as of December 31, follow (in thousands):

	2022	2023			2024		
	Balance	Additions	Reductions	Balance	Additions	Reductions	Balance
Revenue bonds, face amount	\$ 424,980	\$ -	\$ (11,985)	\$ 412,995	\$ -	\$ (12,815)	\$ 400,180
Unamortized bond premium	40,454	-	(2,660)	37,794	-	(2,623)	35,171
Unamortized bond discount	(51)	-	6	(45)	-	5	(40)
Total Debt	465,383	-	(14,639)	450,744	-	(15,433)	435,311
Less: Current maturities	(11,985)			(12,815)			(14,860)
Total Long-Term Debt	\$ 453,398			\$ 437,929			\$ 420,451

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. As of December 31, 2024 and 2023, the PUD maintained the reserve requirement of \$21 million in the Electric System.

The fair value of the Electric System's long-term debt was \$411 million and \$437 million as of December 31, 2024 and 2023, respectively. 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,	
	2024	2023
Series 2020A Revenue Refunding bonds, 5.0%, due 2024	\$ -	\$ 5,080
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 2025-2040, currently callable	11,580	12,110
Total Principal Outstanding on Long-Term Debt	\$ 51,565	\$ 57,175

Changes in the Generation System long-term debt for the years ending as of December 31, follow (in thousands):

	2022			2023			2024		
	Balance	Additions	Reductions	Balance	Additions	Reductions	Balance	Additions	Reductions
Revenue bonds, face amount	\$ 62,530	\$ -	\$ (5,355)	\$ 57,175	\$ -	\$ (5,610)	\$ 51,565	\$ -	\$ (5,610)
Unamortized bond premiums	4,098	-	(720)	3,378	-	(489)	2,889	-	(489)
Unamortized bond discounts	(6)	-	1	(5)	-	-	(5)	-	-
Total Debt	66,622	-	(6,074)	60,548	-	(6,099)	54,449	-	(6,099)
Less: Current maturities	(5,355)			(5,610)			(1,410)		
Total Long-Term Debt	\$ 61,267			\$ 54,938			\$ 53,039		

The PUD is required to maintain a cash reserve for certain Generation System bonds. As of December 31, 2024 and 2023, the PUD maintained the reserve requirement of \$5.1 million and \$5.3 million, respectively, in the Generation System.

The fair value of the Generation System's long-term debt was \$54 million and \$60 million as of December 31, 2024 and 2023, respectively. 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,	
	2024	2023
Series 2023 Revenue Refunding bonds, 5.0%, due 2025-2043	\$ 17,725	\$ 17,885
Series 2019 Revenue Refunding bonds, 5.0%, due 2025-2031	4,285	4,785
State of Washington Drinking Water Revolving Fund loans:		
equal principal payments plus 1.0% interest due annually through 2042	2,649	2,797
equal principal payments plus 1.0% interest due annually through 2034	1,246	1,370
equal principal payments plus 1.5% interest due annually through 2029	413	496
equal principal payments plus 1.5% interest due annually through 2027	192	256
Total Principal Outstanding on Long-Term Debt	\$ 26,510	\$ 27,589

During October of 2023, the PUD issued \$18 million of Series 2023 Water System Revenue bonds at a premium of \$1.1 million with an average interest rate of 4.2%. The proceeds from the bonds will be used to finance additions, betterments, and improvements to and renewals, replacements, and extensions of the Water System.

Changes in the Water System long-term debt for the years ending December 31, follow (in thousands):

	2022		2023		2024		
	Balance	Additions	Reductions	Balance	Additions	Reductions	Balance
Revenue bonds, face amount	\$ 5,260	\$ 17,885	\$ (475)	\$ 22,670	\$ -	\$ (660)	\$ 22,010
Unamortized bond premiums	843	1,142	(189)	1,796	-	(249)	1,547
Other notes payable	5,337	-	(419)	4,918	-	(418)	4,500
Total Debt	11,440	19,027	(1,083)	29,384	-	(1,327)	28,057
Less: Current maturities	(893)			(1,078)			(1,128)
Total Long-Term Debt	\$ 10,547			\$ 28,306			\$ 26,929

The Water System periodically enters into low-interest loan agreements with the Washington State Public Works Trust Fund and the Drinking Water State Revolving Fund (DWSRF). These funds have provided various loans to the PUD for the repair, replacement, rehabilitation, and reconstruction of water facilities.

The PUD is required to maintain a cash reserve for certain Water System bonds. As of December 31, 2024 and 2023, the PUD maintained the reserve requirement of \$1.2 million in the Water System.

The fair value of the Water System's long-term Revenue bonds was \$24 million and \$26 million, respectively, as of December 31, 2024 and 2023. The fair value for the Washington State Public Works Trust Fund loan and the DWSRF loans approximates the carrying amounts since such loans are exclusive and have no market.

Note 8

Retirement and Deferred Compensation Plans

Pensions – State Sponsored Plans

The table that follows represents the aggregate pension amounts for all plans ending December 31, (in thousands):

	2024	2023
Pension liabilities	\$ (15,226)	\$ (20,330)
Pension assets	\$ 35,956	\$ 46,833
Deferred outflows of resources	\$ 54,172	\$ 38,478
Deferred inflows of resources	\$ (14,725)	\$ (25,854)
Pension expense/expenditures (credits)	\$ (21,050)	\$ (21,679)

State Sponsored Pension Plans

Substantially all PUD full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The Washington State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

DRS, a department within the primary government of the State of Washington, issues a publicly available Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials, state employees, employees of local governments, and higher education employees not participating in higher education retirement programs.

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the 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. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits 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 Plan 2 or Plan 3 members or beneficiaries.

PERS Plan 1 Description & Contributions

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's twenty-four highest consecutive service months. Members are eligible for retirement from active status at any age with at least thirty years of service, at age fifty-five with at least twenty-five years of service, or at age sixty with at least five years of service.

PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of sixty-five may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). 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 Washington State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary (OSA), adopted by the Pension Funding Council and is subject to change by the legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) were as follows:

Actual Contribution Rates	Employer	Employee
September 2022 through June 2023	10.39%	6.00%
July 2023 through August 2023	9.39%	6.00%
September 2023 through June 2024	9.53%	6.00%
July 2024 through August 2024	9.03%	6.00%
September 2024 through December 2024	9.11%	6.00%

PERS 2/3 Description & Contributions

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's sixty highest-paid consecutive service months. Members are eligible for retirement with a full benefit at sixty-five with at least five years of service credit. Retirement before age sixty-five is considered an early retirement. PERS Plan 2/3 members who have at least twenty years of service credit and are fifty-five 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 sixty-five. PERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the Consumer Price Index, capped at 3% annually. 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 twelve months of that service are earned after age forty-four. PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. 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 OSA to fully fund Plan 2 and the defined benefit portion of Plan 3. The rates are adopted by the Pension Funding Council and are subject to change by the Legislature. The employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plan 2/3 defined benefit required contribution rates (expressed as a percentage of covered payroll) were as follows:

Actual Contribution Rates	Employer Plan 2/3	Employee Plan 2	Employee Plan 3
September 2022 through June 2023	10.39%	6.36%	varies
July 2023 through August 2023	9.39%	6.36%	varies
September 2023 through June 2024	9.53%	6.36%	varies
July 2024 through August 2024	9.03%	6.36%	varies
September 2024 through December 2024	9.11%	6.36%	varies

Both the PUD and employees made the required contributions. The PUD's required contributions for the years ended December 31, were (in thousands):

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2024	\$39	\$14,888	\$2,927
2023	\$37	\$13,046	\$2,687
2022	\$39	\$13,262	\$2,666

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2024 with a valuation date of June 30, 2023. The actuarial assumptions used in the valuation were based on the results of the OSA 2013-2018 Demographic Experience Study and the 2023 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2023 actuarial valuation report (AVR). The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2024. Plan liabilities were rolled forward from June 30, 2023, to June 30, 2024, reflecting each plan's normal cost (using the entry-age cost method), assumed interest, and actual benefit payments.

- **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 service-based salary increase.
- **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.

Assumptions did not change from the prior contribution rate setting June 30, 2022, AVR. OSA adjusted their methods for calculating UAAL contribution rates in PERS 1 to reflect the delay between the measurement date of calculated Plan 1 rates and when the rates are collected. OSA made an adjustment to their model to reflect past inflation experience when modeling future COLAs for current annuitants in all plans except PERS 1.

Discount Rate

The discount rate used to measure the TPL 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.

Long-term Expected Rate of Return

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 CMAs 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 pen-

sion plan's target asset allocation as of June 30, 2024. The inflation component used to create the table is 2.5% 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	19%	2.1%
Tangible assets	8%	4.5%
Real estate	18%	4.8%
Global equity	30%	5.6%
Private equity	25%	8.6%
	<u>100%</u>	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the PUD's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.0%, as well as what the PUD's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate (in thousands).

	2024			2023		
	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	\$ 22,397	\$ 15,226	\$ 8,937	\$ 28,402	\$ 20,330	\$ 13,285
PERS 2/3	\$ 64,817	\$ (35,956)	\$ (118,718)	\$ 50,936	\$ (46,833)	\$ (127,156)

Pension Plan Fiduciary Net Position

Detailed information about Washington State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liability (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, the PUD reported its proportionate share of the net pension liabilities and assets as follows (in thousands):

Plan	Liability (or Asset)	
	2024	2023
PERS 1	\$ 15,226	\$ 20,330
PERS 2/3	(35,956)	(46,833)
Total	\$ (20,730)	\$ (26,503)

As of June 30, the PUD's proportionate share of the collective net pension liabilities was as follows:

Plan	Proportionate Share 6/30/24	Proportionate Share 6/30/23	Change in Proportion
PERS 1	0.86%	0.89%	(0.03%)
PERS 2/3	1.09%	1.14%	(0.05%)
Total	1.95%	2.03%	(0.08%)

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2024, are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the Schedules of Employer and Nonemployer Allocations for all plans.

Pension Expense

For the years ended December 31, the PUD recognized pension expense (credits) as follows (in thousands):

Plan	2024	2023
PERS 1	\$ (6,502)	\$ (6,784)
PERS 2/3	(14,548)	(14,895)
Total	<u>\$ (21,050)</u>	<u>\$ (21,679)</u>

Deferred Outflows of Resources and Deferred (Inflows) of Resources

As of December 31, the PUD reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following (in thousands):

	2024				2023			
	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	\$ -	\$ -	\$ 20,431	\$ (83)	\$ -	\$ -	\$ 9,540	\$ (523)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,218)	-	(10,304)	-	(2,293)	-	(17,649)
Change of assumptions	-	-	19,855	(2,278)	-	-	19,662	(4,286)
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	4,228	(842)	-	-	1,694	(1,103)
Contributions subsequent to measurement date	2,803	-	6,855	-	2,479	-	5,103	-
	<u>\$ 2,803</u>	<u>\$ (1,218)</u>	<u>\$ 51,369</u>	<u>\$ (13,507)</u>	<u>\$ 2,479</u>	<u>\$ (2,293)</u>	<u>\$ 35,999</u>	<u>\$ (23,561)</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 ending December 31, 2025. Other amounts reported as deferred outflows and deferred (inflows) of resources related to pensions will be recognized through pension expense as follows (in thousands):

Year Ended December 31	PERS 1	PERS 2/3
2025	\$ (2,016)	\$ (7,178)
2026	1,036	16,375
2027	(110)	7,547
2028	(128)	7,301
2029	-	3,854
2030	-	3,108
	<u>\$ (1,218)</u>	<u>\$ 31,007</u>

Post-Employment Benefits Other than Pensions

The PUD implemented GASB Statement No. 75 to recognize the 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. The two OPEB plans, and other employee benefits are administered by a Voluntary Employees'

Beneficiary Association (VEBA) Trust, of which the PUD is a plan sponsor and makes irrevocable employer and employee contributions to the trust for the benefit of plan beneficiaries. There are no stand-alone financial statements presented for either of these plans, however the combined VEBA Trust financial statements are available upon request.

OPEB 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 HRA. For retirees and their dependents under the age of sixty-five 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 the age of sixty-five 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 sixty-five, 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 June 30, 2009. The PUD continues to make contributions and calculate future liabilities; however, the plan itself is closed to new members. In 2024 and 2023, the PUD contributed \$3.5 and \$2.9 million, respectively, to the plan. Plan members receiving benefits contributed \$504 thousand and \$463 thousand in 2024 and 2023, respectively.

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 thousand 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 \$361 thousand and \$328 thousand toward the premium in 2024 and 2023, respectively.

Valuation Date, Measurement Date, and Reporting Date

The valuation date of OPEB liability is December 31, 2022. This is the date as of which the census data is gathered, and the actuarial valuation is performed. The measurement date is December 31, 2023. This is the date as of which the total OPEB liability is determined and rolled forward to the reporting date of December 31, 2024. 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 for the period ended December 31, 2024, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- **Inflation:** 2.5% based on Actuary's capital market expectations
- **Salary increases:** 3.25% for which the assumption above inflation is based upon the most recent pension valuation for PERS Plan 2, a subset DRS
- **Discount rate:** 3.26% as of the measurement date of December 31, 2023
- **Healthcare cost trend rates:** 6.8% for 2023, decreasing to an ultimate rate of 4.5% for 2042 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 2023-2027, increasing to 5.0% in 2028-2057, and decreasing to an ultimate rate of 2.0% in 2067 and later years
- **Retirees' share of life benefit-related costs:** 25% of projected life insurance premiums for retirees

The discount rate was based on the twenty-year, tax-exempt general obligation municipal bond yield, as required by GASB Statement No. 75.

Mortality rates were based on the PUB 2010 Tables for Males or Females, as appropriate, projected generationally.

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 valuation were based on the results of the OSA 2013-2018 Demographic Experience Study.

OPEB Liability

As of December 31, 2024, the PUD's total OPEB liability for retiree healthcare was \$37.8 million, and \$4.3 million for retiree life benefits, recorded in other accrued and other liabilities. The annual payroll of active employees covered by the plan was \$68.7 million in 2024, compared to \$64.2 million in 2023.

The following census of membership was used in the actuarial valuation:

	Healthcare	Life
Retirees (and beneficiaries for healthcare)	692	191
Active employees	394	3
Total	1,086	194

The following table shows the changes in the PUD's net OPEB liability (in thousands):

	2024				2023
Healthcare	Electric	Generation	Water	Combined	Combined
Net OPEB liability – beginning of year	\$ 35,333	\$ 824	\$ 869	\$ 37,026	\$ 41,574
Changes for the year:					
Service Cost	630	18	19	667	1,016
Interest on total OPEB liability	1,276	36	40	1,352	851
Effect of economic/demographic gains/(losses)	–	–	–	–	2,470
Effect of assumptions changes or inputs	1,361	39	42	1,442	(6,371)
Expected benefit payments	(2,529)	(72)	(78)	(2,679)	(2,514)
Net Changes	738	21	23	782	(4,548)
Net OPEB liability – end of year	\$ 36,071	\$ 845	\$ 892	\$ 37,808	\$ 37,026

	2024				2023
Life	Electric	Generation	Water	Combined	Combined
Net OPEB liability – beginning of year	\$ 4,123	\$ 101	\$ 104	\$ 4,328	\$ 5,511
Changes for the year:					
Service Cost	2	–	–	2	4
Interest on total OPEB liability	146	4	5	155	110
Effect of economic/demographic gains/(losses)	–	–	–	–	(205)
Effect of assumptions changes or inputs	164	5	5	174	(742)
Expected benefit payments	(314)	(8)	(10)	(332)	(350)
Net Changes	(2)	1	–	(1)	(1,183)
Net OPEB liability – end of year	\$ 4,121	\$ 102	\$ 104	\$ 4,327	\$ 4,328

Changes of assumptions and other inputs reflect a change in the discount rate from 3.72% in 2023 to 3.26% in 2024. 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 3.26%, as well as what the PUD's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.26%) or one percentage point higher (4.26%) than the current rate (in thousands):

	2024		
	1% Decrease (2.26%)	Current Discount Rate (3.26%)	1% Increase (4.26%)
Healthcare	\$ 41,264	\$ 37,808	\$ 34,777
Life	\$ 4,749	\$ 4,327	\$ 3,965

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate

The following presents the total OPEB liability of the PUD, calculated using the current healthcare cost trend rates as well as what the PUD's total OPEB liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates (in thousands):

	2024		
	1% Decrease 5.80% Graded Down to 3.50%	Current Trend Rate 6.80% Graded Down to 4.50%	1% Increase 7.80% Graded Down to 5.50%
Healthcare	\$36,427	\$37,808	\$39,386

OPEB Financial Statement Balances

For the year ended December 31, 2024, and 2023, the PUD recognized an OPEB healthcare expense of \$1.4 million and expense reduction of \$0.1 million, respectively. For OPEB life insurance, the PUD recognized an OPEB expense of \$331 thousand and expense reduction of \$833 thousand for each of the years ended December 31, 2024 and 2023, respectively.

As of December 31, 2024, the PUD reported deferred outflows of resources and deferred inflows of resources related to OPEB healthcare from the following sources (in thousands):

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 876	\$ -
Changes of assumptions or other inputs	1,017	(2,261)
Total	\$ 1,893	\$ (2,261)

There were no deferred outflows or deferred inflows of resources related to the OPEB life plan.

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB credit (expense) as follows (in thousands):

Measurement Period Ending December 31:	
2025	\$ (754)
2026	339
2027	47
Thereafter	-
Total	\$ (368)

Post-Employment Healthcare Plan

The PUD offers a healthcare Retirement Health Savings (RHS) plan to employees.

Employees hired after June 30, 2009, are not eligible for the post-employment defined benefit healthcare plan but are instead eligible for a defined contribution healthcare plan. This plan is also known as a RHS plan. Under this plan, the PUD contributed \$57.30 per month into an employee's individual RHS account in January through June 2024. Effective July 2024, the PUD contribution increased to \$125 each month into the plan. These funds are available to the employee for qualified health

care costs upon separation from employment from the PUD.

Effective January 2023, the Commission approved adding a retention incentive for the CEO/General Manager in the form of a premium only RHS plan in the amount of \$125 thousand. The funds are held in a revokable trust, requiring the CEO/General Manager to remain employed with PUD through February 15, 2027. If employment terms are not met, the plan balance will be forfeited. The plan was funded in November 2023. These funds are available to the employee for qualified health care costs upon separation from employment from the PUD.

Post-Employment Defined Contribution Plans

The PUD offers several defined contribution plans to employees.

The PUD administers a non-PERS 401(a) plan and trust effective October 1, 1998. Participation in this profit-sharing plan is offered to eligible employees of the PUD as defined in the plan document. The plan provides certain employer contributions to participants equal to the employer contributions that would have been made to Plan 2 of PERS if participants in the plan had been eligible to participate in PERS. The PUD recorded as pension expense contributions to the 401(a) plan of \$5 thousand and \$4 thousand in 2024 and 2023, respectively. These funds are available to participants 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.

Effective January 2023, the Commission approved adding a retention incentive for the CEO/General Manager in the form of a 457(f) deferred compensation plan in the amount of \$600 thousand. The funds are not held in trust and requires the CEO/General Manager to remain employed with PUD through January 12, 2029. If employment terms are not met, the plan balance will be forfeited. The plan was funded in September 2023. The plan balance as of December 31, 2023 and 2024 was \$659 thousand and \$796 thousand, respectively.

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 pre-tax basis, up to the maximum Internal Revenue Service limit. In 2024 the PUD implemented requirements outlined in the Secure 2.0 Act of 2022, including the ability for employees to make voluntary salary deferral contributions on a post-tax basis. In 2024, the contribution limit for employees was \$23 thousand. The catch-up contribution limit for employees aged fifty and over was \$7,500. Employee contributions are fully vested. Employer contributions are vested after 3 years of employment. Effective January 2023, the PUD makes matching contributions in an amount equal to 100% of the first 3% of a participant's compensation, contributed as a salary deferral. The PUD recorded matching contributions to the plan of \$4.7 million and \$3.9 million in 2024 and 2023, respectively.

Service Pay Benefits

The PUD offers a service pay benefit under which eligible employees receive a one-time payment based on compensation and years of service at retirement. Employees hired on or after July 1, 2009, must have 120 consecutive service credit months (ten years) to be eligible. Eligible employees will receive one day of pay (eight hours) for every six months of continuous employment at the PUD, paid upon retirement. For the years ended December 31, 2024 and 2023, the PUD's total liability for service pay was \$12 million and \$11 million, respectively, reported within the OPEB liability and net pension and OPEB deferrals.

Note 9

Bonneville Power Administration (BPA) Power Purchase Agreement

The PUD is a preferred customer of the BPA, from which it acquired approximately 75% and 78% of its energy purchases in 2024 and 2023, 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.

In August 2024, the Commission signed a resolution authorizing the PUD to enter into negotiations with BPA to amend the existing contract, which will transition between power products from Block/Slice to Load Following. This change will supply approximately 95% of the PUD's power requirements. The future financial impact on the PUD remains uncertain currently.

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 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 10

Generation System Projects

The Generation System consists of the Jackson Project, four smaller hydroelectric projects and a biofuel generator. In 2024 and 2023, these projects supplied 4% of the PUD's energy needs.

Jackson Project

The Jackson Project is a multipurpose hydroelectric project with a capacity of 111.8 megawatts. The project is currently operating under a forty-five-year license issued by 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, U.S. Forest Service, and the Tulalip Tribes that call for funding commitments over the course of the forty-five-year license.

Small Hydroelectric Projects

The Generation System owns four small hydroelectric projects. Two of these, Youngs Creek Hydroelectric Project (Youngs Creek) and 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 and Hancock Creek Hydroelectric Project, 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 fifty-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.

The PUD has committed the Electric System to purchase the output of its Generation System projects at the cost of the power produced.

Note 11

Related Party Transactions

PUD Generation System

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 \$26 million of power in both 2024 and 2023, 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 \$25 million and \$28 million as of December 31, 2024 and 2023, respectively. The Generation System recorded interest expense on these loans of \$1.1 million in 2024 and \$1.2 million in 2023.

VEBA Trust

The PUD is a plan sponsor of a VEBA Trust. The VEBA Trust was founded in 1988 for the purpose of funding the health benefit and other plans on behalf of PUD retirees and employees. The PUD remits employer and employee contributions to the trust for the benefit of the trust beneficiaries. The plan had 1,193 active participants and 81 retired participants as of December 31, 2024, and 1,146 active participants and 91 retired participants as of December 31, 2023. The PUD made employee and employer contributions to the trust of \$31 million and \$27 million in 2024 and 2023, respectively.

City of Everett (the City)

The PUD operates the Jackson Project in cooperation with the City. This project includes the reservoir at Spada Lake, Culmback Dam, and other infrastructure along the Sultan River. The PUD manages most of the operations, maintenance, and capital improvement projects, with costs shared between the PUD and the City. These shared costs are typically billed quarterly and include both fixed maintenance and administrative costs, as well as agreed-upon shared projects, with a cost share ranging from 38.13% to 50%.

Every fifth year, the City's share of the fixed costs is adjusted to 38.13% of the normalized historical annual costs of shared maintenance and administrative actions for the previous five years. Additionally, these costs are adjusted annually for inflation based on the Handy-Whitman Index. The PUD also invoices the City annually for 26.5% of the insurance premium for Culmback Dam.

The PUD provides electricity to the City, which in turn, supplies water to the PUD. In 2024, the electric revenue was \$4.8 million, with water expenses totaling \$ 3.6 million. In 2023, the electric revenue was \$4.4 million, with water expenses totaling \$4.3 million. As of December 31, 2024, the PUD had accounts payable of \$1 thousand and accounts receivable of \$366 thousand with the City. Similarly, as of December 31, 2023, the PUD had accounts payable of \$5 thousand and accounts receivable of \$1.6 million with the City.

Note 12

Self-Insurance Fund

The PUD maintains a comprehensive insurance program that includes liability insurance coverage of \$50 million in excess of a \$2.0 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, 2024, the PUD's \$2.0 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 \$9.6 million as of December 31, 2024, and 2023, respectively.

Note 13

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 or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial

Required Supplementary Information (Unaudited)

Schedule of Proportionate Share of the Net Pension Liability As of June 30 (In thousands)

PERS 1	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.86%	0.89%	0.92%	0.92%	0.85%	0.88%	0.87%	0.87%	0.91%	0.89%
Employer's proportionate share of the net pension liability	\$ 15,226	\$ 20,330	\$ 25,670	\$ 11,285	\$ 29,903	\$ 33,889	\$ 38,769	\$ 41,111	\$ 48,809	\$ 46,613
Employer's covered employee payroll	\$ 396	\$ 373	\$ 482	\$ 773	\$ 649	\$ 642	\$ 608	\$ 768	\$ 1,059	\$ 1,481
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	3842.50%	5450.40%	5325.73%	1459.90%	4607.55%	5278.66%	6376.48%	5352.03%	4608.97%	3147.40%
Plan fiduciary net position as a percentage of the total pension liability	84.05%	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%
PERS 2/3	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	1.09%	1.14%	1.19%	1.17%	1.08%	1.12%	1.10%	1.10%	1.14%	1.11%
Employer's proportionate share of the net pension liability	\$ (35,956)	\$ (46,833)	\$ (44,112)	\$ (116,645)	\$ 13,864	\$ 10,915	\$ 18,707	\$ 38,094	\$ 57,276	\$ 39,776
Employer's covered employee payroll	\$ 168,825	\$ 157,959	\$ 147,593	\$ 140,052	\$ 126,542	\$ 122,155	\$ 114,293	\$ 107,494	\$ 106,886	\$ 98,786
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	(21.30%)	(29.65%)	(29.89%)	(83.29%)	10.96%	8.94%	16.37%	35.44%	53.59%	40.26%
Plan fiduciary net position as a percentage of the total pension liability	105.17%	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

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 UAAL.

Schedule of Employer Contributions – PERS As of December 31 (In thousands)

PERS 1	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 39	\$ 37	\$ 39	\$ 83	\$ 91	\$ 81	\$ 81	\$ 71	\$ 98	\$ 124
Contributions in relation to the contractually required contributions	(39)	(37)	(39)	(83)	(91)	(81)	(81)	(71)	(98)	(124)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employer payroll	417	370	380	696	705	632	632	594	879	1,221
Contributions as a percentage of covered employee payroll	9.35%	10.00%	10.26%	11.93%	12.91%	12.82%	12.82%	11.95%	11.15%	10.14%
PERS 2/3	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 17,815	\$ 15,733	\$ 15,928	\$ 16,892	\$ 17,458	\$ 15,640	\$ 15,239	\$ 13,267	\$ 11,925	\$ 10,581
Contributions in relation to the contractually required contributions	(17,815)	(15,733)	(15,928)	(16,892)	(17,458)	(15,640)	(15,239)	(13,267)	(11,925)	(10,581)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employer payroll	\$ 191,695	\$ 158,819	\$ 155,062	\$ 146,019	\$ 135,327	\$ 121,760	\$ 119,564	\$ 110,945	\$ 106,716	\$ 103,383
Contributions as a percentage of covered employee payroll	9.29%	9.91%	10.27%	11.57%	12.90%	12.84%	12.75%	11.96%	11.17%	10.23%

Schedule of Changes in Total OPEB Liability and Related Ratios As of December 31 (In thousands)

Total OPEB Liability

POST- EMPLOYMENT - HEALTH	2024	2023	2022	2021	2020	2019	2018	2017*	2016*	2015*
Components of Change in Total OPEB Liability										
Service cost	\$ 667	\$ 1,016	\$ 976	\$ 1,569	\$ 1,198	\$ 1,151	\$ 1,066			
Interest on total OPEB liability	1,352	851	883	1,274	1,704	1,565	1,673			
Effect of economic/demographic gains (losses)	-	2,470	-	(906)	-	794	-			
Effect of assumption changes or inputs	1,443	(6,371)	237	(3,602)	4,442	(4,629)	1,395			
Expected benefit payments	(2,680)	(2,514)	(2,421)	(2,739)	(2,775)	(2,954)	(3,007)			
Net change in total OPEB liability	\$ 782	\$ (4,548)	\$ (325)	\$ (4,404)	\$ 4,569	\$ (4,073)	\$ 1,127	\$ -	\$ -	\$ -
Total OPEB liability, beginning	37,026	41,574	41,899	46,302	41,733	45,806	44,679	45,800	57,400	57,100
Total OPEB liability, ending	\$ 37,808	\$ 37,026	\$ 41,574	\$ 41,898	\$ 46,302	\$ 41,733	\$ 45,806	\$ 45,800	\$ 57,400	\$ 57,100
Covered employee payroll	\$ 68,712	\$ 64,174	\$ 70,135	\$ 74,130	\$ 71,826	\$ 70,291	\$ 71,696	\$ 71,409	\$ 74,667	\$ 105,400
Total OPEB liability as a % of covered employee payroll	55.02%	57.70%	59.28%	56.52%	64.46%	59.37%	63.89%	64.14%	76.87%	54.17%

*Components of Change in Total OPEB Liability detailed data was unavailable in actuarial reports prior to 2018.

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POST- EMPLOYMENT - LIFE	2024	2023	2022	2021	2020	2019	2018	2017*	2016*	2015*
Components of Change in Total OPEB Liability										
Service cost	\$ 2	\$ 4	\$ 4	\$ 12	\$ 7	\$ 7	\$ 12			
Interest on total OPEB liability	155	110	117	132	175	163	177			
Effect of economic/demographic gains (losses)	-	(205)	-	884	-	(14)	-			
Effect of assumption changes or inputs	173	(743)	34	38	653	(312)	178			
Expected benefit payments	(331)	(350)	(350)	(301)	(298)	(321)	(305)			
Net change in total OPEB liability	\$ (1)	\$ (1,184)	\$ (195)	\$ 765	\$ 537	\$ (477)	\$ 62	\$ -	\$ -	\$ -
Total OPEB liability, beginning	4,328	5,512	5,707	4,942	4,405	4,882	4,820	5,000	5,300	8,100
Total OPEB liability, ending	\$ 4,327	\$ 4,328	\$ 5,512	\$ 5,707	\$ 4,942	\$ 4,405	\$ 4,882	\$ 5,000	\$ 5,300	\$ 8,100
Covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a % of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

*Components of Change in Total OPEB Liability detailed data was unavailable in actuarial reports prior to 2018.

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 2024: 3.26%, 2023: 3.72%, 2022: 2.06%.

The PUD has established a fund to address the unfunded portion of future post-employment benefits. The balance of this account was \$34 million and \$42 million as of December 31, 2024 and 2023, 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 UAAL 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,	As restated 2022	As restated 2023	2024
Operating Revenues:			
Sale of electric energy	\$ 722,260	\$ 743,396	\$ 833,039
Other operating revenues	36,161	64,031	42,664
Unbilled revenues	6,900	(5,400)	(3,600)
Total Operating Revenues	765,321	802,027	872,103
Operating Expenses:			
Purchased power	363,509	406,324	435,487
Operations and maintenance	240,278	250,817	309,707
Depreciation and amortization	62,797	65,651	66,971
Taxes	40,732	42,107	45,285
Total Operating Expenses	707,316	764,899	857,450
Net Operating Income (Loss)	58,005	37,128	14,653
Interest Charges	13,269	17,715	17,717
Other Income and Expense:			
Interest income	8,276	16,671	18,771
Net increase (decrease) in the fair value of investments	(11,390)	8,265	2,707
Other income and expense, net	3,587	6,538	3,651
Total Other Income and Expense	473	31,474	25,129
Capital Contributions:			
Cash contributions	24,317	19,533	23,615
Non-cash contributions	3,977	10,252	10,180
Total Capital Contributions	28,294	29,785	33,795
Net Income	73,503	80,672	55,860
Non-cash contributions	(3,977)	(10,252)	(10,180)
Interest charges	13,269	17,715	17,717
Depreciation and amortization	62,797	65,651	66,971
Pension & OPEB liability actuarial adjustments	(20,549)	(25,782)	(22,962)
Net increase (decrease) in the fair value of investments	11,390	(8,265)	(2,707)
Balance Available for Debt Coverage	136,433	119,739	104,699
Parity Debt Service Costs:			
Interest	18,488	19,969	19,773
Principal	11,510	11,985	12,815
Total Parity Debt Service Costs	\$ 29,998	\$ 31,954	\$ 32,588
Parity Debt Service Coverage	4.5x	3.7x	3.2x

Electric System

Revenue and Statistical Data (Unaudited)

Years Ended December 31,	2022	2023	2024	% change from 2023
Retail Customers (average):				
Residential	338,130	342,025	346,094	1.2%
Commercial	34,709	34,957	35,130	0.5%
Industrial	76	78	76	-2.6%
Other	211	209	211	1.0%
Retail Customers	373,126	377,269	381,511	1.1%
Megawatt-Hours Billed:				
Residential	3,917,803	3,922,390	3,933,257	0.3%
Commercial	2,345,764	2,391,503	2,407,322	0.7%
Industrial	469,471	457,802	440,364	-3.8%
Wholesale	1,847,108	1,473,414	2,031,807	37.9%
Other	28,381	28,159	30,112	6.9%
Megawatt-Hours Billed	8,608,527	8,273,268	8,842,862	6.9%
Revenues Billed (in thousands):				
Residential	\$ 403,146	\$ 419,675	\$ 452,789	7.9%
Commercial	208,569	213,133	226,541	6.3%
Industrial	33,188	32,778	33,545	2.3%
Wholesale	73,375	72,441	103,988	43.5%
Other	3,981	4,073	4,550	11.7%
Revenues Billed	\$ 722,259	\$ 742,100	\$ 821,413	10.7%
Average Retail Rate per kWh:				
Residential	\$ 0.103	\$ 0.107	\$ 0.115	7.5%
Commercial	\$ 0.089	\$ 0.089	\$ 0.094	5.6%
Industrial	\$ 0.071	\$ 0.072	\$ 0.076	5.6%
Number of Employees	1,047	1,079	1,106	2.5%
Electric Line Miles	6,652	6,697	6,721	0.4%
New Electric Service Connections	5,051	4,649	5,138	10.5%

Water System

Statements of Revenues, Expenses, Debt Service Coverage, and Statistical Data (Unaudited)

(In thousands)

Years Ended December 31,	2022	2023	2024
Operating Revenues:			
Sale of water	\$ 15,098	\$ 16,078	\$ 16,122
Other operating revenues	408	389	439
Total Operating Revenues	15,506	16,467	16,561
Operating Expenses:			
Purchased water	3,600	4,230	3,689
Operations and maintenance	6,641	7,586	9,093
Depreciation and amortization	3,497	3,583	3,831
Taxes	775	817	841
Total Operating Expenses	14,513	16,216	17,454
Net Operating Income	993	251	(893)
Interest Charges	(28)	546	929
Other Income and Expense:			
Interest income	367	1,088	1,996
Net increase (decrease) in the fair value of investments	(405)	454	96
Other income and expense, net	3,123	(54)	(17)
Total Other Income and Expense	3,085	1,488	2,075
Capital Contributions:			
Cash contributions	1,724	1,330	1,777
Non-cash contributions	3,210	1,601	2,248
Total Capital Contributions	4,934	2,931	4,025
Net Income	9,040	4,124	4,278
Non-cash contributions	(3,210)	(1,601)	(2,248)
Interest charges	(28)	546	929
Depreciation and amortization	3,496	3,583	3,831
Pension and OPEB liability actuarial adjustments	(538)	(762)	(711)
Net increase (decrease) in the fair value of investments	405	(454)	(96)
Balance Available for Debt Coverage	9,165	5,436	5,983
Parity Debt Service Costs:			
Interest	328	385	1,134
Principal	1,300	475	660
Total Parity Debt Service Costs	1,628	860	1,794
Less: Assessment payments received	(4)	(10)	(4)
Debt Service Paid from Revenues	\$ 1,624	\$ 850	\$ 1,790
Parity Debt Service Coverage	5.6x	6.4x	3.3x
Number of Water Customers (average)	23,156	23,475	23,724
Water Sales & Purchases (thousand cubic feet):			
Retail Cubic Feet Sold	218,913	233,223	219,759
Wholesale Cubic Feet Sold	33,677	40,831	30,917
Total Cubic Feet Sold	252,590	274,054	250,676
Average Retail Water Rates (thousand cubic feet):			
Residential	\$3.57	\$3.66	\$3.85
Commercial	\$3.37	\$3.53	\$3.77

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION

The following summary is an outline of certain provisions of the Electric System Bond Resolution, is not to be considered a full statement thereof and is qualified by reference to the complete Electric System Bond Resolution. All capitalized words or phrases (other than those conventionally capitalized) used in this summary are defined in the Electric System Bond Resolution. Certain of those definitions are summarized below. For purposes of this Appendix, “Bonds” means Electric System Bonds and “Revenues” means Electric System Revenues.

Certain Definitions

“Annual Debt Service” for any Fiscal Year means the sum of the amounts required to be paid in such Fiscal Year to pay: (a) the interest due in such Fiscal Year on all Outstanding Bonds, excluding interest to be paid from the proceeds of sale of Bonds or other bonds; and (b) the principal of all Outstanding Serial Bonds due in such Fiscal Year; and (c) the Sinking Fund Requirement, if any, for such Fiscal Year. The Electric System Bond Resolution specifies how debt service is calculated for Capital Appreciation Bonds, Deferred Income Bonds, Tender Option Bonds and Variable Interest Rate Bonds.

“Code” means the Internal Revenue Code of 1986 as amended, and applicable regulations.

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

The District may, by resolution, combine the Generation System and the Electric System into a single system. Upon consolidation of the Electric System and Generation System, the Bonds shall have a lien on revenues of the consolidated System equal to the lien thereon of any then outstanding senior lien revenue bonds of the Generation System and subject to the lien thereon of the costs of operation and maintenance of the consolidated System. Prior to consolidating the Electric System and the Generation System, the District must obtain confirmation from each rating agency then rating the Bonds that the consolidation will not adversely impact the then current rating(s) on the Bonds. In addition, the District must obtain an opinion of bond counsel that the consolidation will not adversely affect the tax-exempt status of any Outstanding Bonds.

“Electric System Costs” means costs of additions, betterments, extensions, renewals, repairs, replacements and extraordinary operating expenses of the Electric System and all costs incident thereto, including but not limited to engineering, financing, or legal costs.

“Net Revenues” means, for any period, the excess of Revenues over Operating Expenses for such period excluding from the computation of Operating Expenses any expenses paid from insurance proceeds and excluding from the computation of Revenues (a) any profit or loss derived from the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets of the Electric System, or resulting from the early extinguishment of debt; and (b) any other extraordinary, nonrecurring income or donation other than the proceeds of insurance intended to replace Revenues.

“Operating Expenses” means all the District’s expenses for operation and maintenance of the Electric System, including all operation and maintenance expenses as defined by generally accepted accounting principles and shall include, without limiting the generality of the foregoing, (a) all amounts required to be paid to the United States with respect to the Bonds pursuant to Section 148 of the Code; (b) Resource Obligations for any month in which any power and energy or other goods and services from such Resource Obligation were made available to the Electric System during such month (regardless of whether or not the Electric System actually scheduled or received energy from the Resource Obligation during such month); and (c) so long as any Generation System Bond is Outstanding, the amounts covenanted in the Generation System Resolution to be paid into the Generation System Revenue Fund with respect to Generation System Power Costs on or prior to the last day of any month during which any power and energy or other goods and services from the Generation System were made available to the Electric System during such month (regardless of whether or not the Electric System actually scheduled or received energy from the Generation System during such month). Operating Expenses shall not include any extraordinary, nonrecurring expenses of the Electric System, any judgments or amounts to be paid in settlement of claims against the Electric System, any costs or expenses for new construction for the Electric System, interest on bonds or other obligations of the Electric System, amortization or any allowance for depreciation.

“Outstanding” when used with respect to Bonds means, as of any date, Bonds theretofore or thereupon issued pursuant to the Electric System Bond Resolution except: (i) any Bonds cancelled by the Registrar or paid at or prior to such date; (ii) Bonds for which other Bonds have been substituted; and (iii) Bonds that have been defeased.

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

“Permitted Investments” means the following to the extent the same are legal for investments of funds of the District: (a) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States, including obligations of any of the federal agencies set forth in clause (b) below to the extent unconditionally guaranteed by the United States; (b) obligations of the Export-Import Bank of the United States, the Government National Mortgage Association, the Federal National Mortgage Association to the extent guaranteed by the Government National Mortgage Association, the Federal Financing Bank, the Farmers Home Administration, the Federal Housing Administration, the Private Export Funding Corporation, the Federal Home Loan Bank, and the Federal Home Loan Mortgage Bank, or any agency or instrumentality of the Federal Government which shall be established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefor; (c) new housing authority bonds issued by the public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement

with the United States; (d) direct and general obligations of any State within the territorial United States, to the payment of the principal of and interest on which the full faith and credit of such State is pledged, provided, that at the time of their purchase, such obligations are rated in one of the two highest rating categories by either Moody's Investors Service ("Moody's") or Standard & Poor's Ratings Services ("S&P") or in the event each of such rating agencies rates such obligations, by each of them; (e) certificates of deposit, whether negotiable or nonnegotiable, issued by any bank, savings and loan association, or trust company, provided that such certificates of deposit shall be (i) continuously and fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or (ii) issued by a recognized qualified public depository of the State of Washington under RCW Chapter 39.58, as amended, or (iii) continuously and fully secured by such securities as are described above in clauses (a) or (b), which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit or (iv) certificates of deposit with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's; (f) any written repurchase agreement with any bank, savings institution or trust company which is insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or with any brokerage dealer with retail customers which falls under Securities Investors Protection Corporation protection, provided that such repurchase agreements are fully secured by direct obligations of the United States of America, and provided further that (i) such collateral is held by the District or its agent or trustee during the term of such repurchase agreement, (ii) such collateral is not subject to liens or claims of third parties, (iii) such collateral has a market value (determined at least once weekly) at least equal to 100% of the amount invested in the repurchase agreement, (iv) the District or its agent or trustee has a perfected first security interest in the collateral, (v) the agreement shall be for a term not longer than 270 days and (vi) the failure to maintain such collateral at the level required in (iii) above will require the District or its agent or trustee to liquidate the collateral; (g) Refunded Municipals; (h) banker's acceptances with commercial banks that have a rating on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1 +" by S&P or "P-1" by Moody's, or in the event each of such rating agencies rates such obligations, by each of them, and that mature no more than 360 days after the date of purchase; and (i) any investments or investment agreements permitted under the laws of the State of Washington as amended from time to time.

"Qualified Insurance" means any municipal bond insurance policy or surety bond issued by a licensed insurance company that at the time of issuance of the policy or surety bond is rated in one of the two highest rating categories by Moody's Investors Service or Standard & Poor's Ratings Services, or if rated by both, by each of them.

"Reserve Account Requirement" means (a) with respect to a series of Bonds, the lesser of (i) 10% of the proceeds of such series of Bonds and recalculated as of the date of issuance of any obligation of the District issued to refund any Bonds or (ii) the maximum amount of interest due in any Fiscal Year on such series of Bonds, calculated as of their date of issuance and (b) with respect to all Bonds, the sum of the Reserve Account Requirements for all series of Bonds. A Supplemental Resolution may establish a separate reserve account for Bonds or provide that Bonds be secured by a common reserve account other than the Reserve Account, in either of which case such Bonds shall not be secured by the Reserve Account created under the Electric System Bond Resolution. If the District establishes a separate reserve account for a series of Bonds, "Reserve Account Requirement" means with respect to a series of Bonds, an amount set forth in the Supplemental Resolution authorizing such Bonds. The Electric System Bond Resolution specifies how interest is calculated for Variable Interest Rate Bonds.

"Resource Obligation" has the meaning set forth in the provisions of the Electric System Bond Resolution summarized in "Additional Indebtedness—Separate System Bonds; Resource Obligation."

“Revenues” means all income, revenues, receipts and profits derived by the District through the ownership and operation of the Electric System together with the proceeds received by the District directly or indirectly from the sale, lease or other disposition of any of the properties, rights or facilities of the Electric System and together with the investment income earned on money held in any fund or account of the District, including any bond redemption funds and the accounts therein, in connection with the ownership and operation of the Electric System, exclusive of insurance proceeds compensating the District for the loss of a capital asset and income derived from investments irrevocably pledged to the payment of any Bonds defeased or other bonds defeased, or the payment of which is provided for, under any similar provision of any other bond resolution of the District, and exclusive of investment income earned on money in any fund or account created for the purpose of complying with the rebate provision of Section 148 of the Code.

“Serial Bonds” means Bonds falling due by their terms in specified years, for which no Sinking Fund Requirements are mandated.

“Sinking Fund Requirement” means, for any Fiscal Year, the principal amount and premium, if any, of Term Bonds required to be purchased, redeemed or paid at maturity or paid into any sinking fund account for such Fiscal Year as established by the Supplemental Resolution authorizing the issuance of such Term Bonds.

“Term Bonds” means Bonds of any principal maturity that are subject to mandatory redemption or for which Sinking Fund Requirements are mandated.

Funds and Accounts

Revenue Fund

The District has pledged to pay all Revenues into the Revenue Fund except as specifically provided in the Electric System Bond Resolution. The Revenue Fund consists of the General Account and the Rate Stabilization Account. All Electric System Revenues paid into the Electric System Revenue Fund are first to be credited to the General Account and applied as follows:

First, to pay Operating Expenses of the Electric System;

Second, to pay amounts as follows equally and without priority: (i) to deposit in the interest account, principal account and reserve account in the bond fund for the Electric System the amounts required by the Electric System Bond Resolution in the order of priority established by the Electric System Bond Resolution; (ii) to pay all Parity Lien Obligations (as defined in the Electric System Bond Resolution) including, so long as any Generation System Bond is outstanding, the obligation to deposit in the Revenue Fund the amounts required by the Generation System Resolution to be paid on or prior to the last day of each month with respect to Generation System Power Costs; and (iii) in the event the District has entered into a reimbursement agreement pursuant to the Electric System Bond Resolution that ranks on a parity of lien with the Bonds, to make all payments required to be made pursuant to such reimbursement agreement in connection with a qualified letter of credit, qualified insurance, or other credit facility, provided that if there is not sufficient money to make all payments under more than one reimbursement agreement, the payments shall be made on a pro rata basis;

Third, to make all payments required to be made into any junior lien fund or account in the order of priority, if any, set forth in the resolution of the Commission creating such junior lien fund or account; and

Fourth, to make additions, betterments, extensions, renewals, replacements and other capital improvements to the Electric System.

To the extent that Electric System Revenues remain after the payments required to be made out of the General Account in the Electric System Revenue Fund, the District may credit the full amount of such surplus to the Rate Stabilization Account in the Electric System Revenue Fund to be applied as set forth in the Electric System Bond Resolution.

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

Bond Fund

The District has covenanted, as long as any Bonds are Outstanding, to make payments as follows:

(1) Into the Interest Account, not later than the day prior to the day on which any installment of interest falls due, an amount sufficient to pay such installment of interest falling due.

(2) Into the Principal Account, not later than the day prior to the day on which any installment of principal on Serial Bonds or any Sinking Requirement on Term Bonds falls due, an amount sufficient to pay such installment of principal or such Sinking Fund Requirement.

(3) Into the Reserve Account from money received upon the delivery of each series of Bonds (but not to exceed the amount permitted by the Code), the amount that together with other money meets the Reserve Account Requirement. The District has reserved the rights to substitute Qualified Insurance or a Qualified Letter of Credit (as defined in the Electric System Bond Resolution) to satisfy the Reserve Account Requirement for any Bonds provided that the letter of credit or insurance is not cancelable on less than five years notice. If the amount in the Reserve Account is less than the Reserve Account Requirement, the District shall have 12 months to restore the Reserve Account to the Reserve Account Requirement. Money in the Reserve Account is to be applied to make up a deficiency in the Interest Account or the Principal Account.

Money in the Bond Fund shall be invested in Permitted Investments (as defined in the Electric System Bond Resolution).

Construction Fund

The proceeds from the sale of the Bonds (other than any accrued interest received and amounts deposited into the Reserve Account) issued to pay Electric System Costs or to repay advances for Electric System Costs are to be deposited in the Construction Fund.

Additional Indebtedness

Additional Bonds

The Electric System Bond Resolution provides that additional series of Bonds may be issued for a lawful corporate purpose of the District only if at the time of the delivery of each series of Bonds to the initial purchasers:

(1) There is no deficiency in the Bond Fund or in any of the accounts therein, provision has been made to meet the Reserve Account Requirement with respect to such series of Bonds and no Event of Default has occurred and is continuing; and

(2) One of the two following certificates has been filed with the Secretary of the Commission;

(a) a certificate of the Treasurer stating that Net Revenues in any 12 consecutive months out of the most recent 24 months preceding the delivery of the Bonds then proposed to be issued (the "Base Period"), after deducting amounts paid in the Base Period to satisfy all Parity Lien Obligations and, for so long as the Reserve Policy is in effect, to pay all Policy Costs, were not less than 125% of maximum Annual Debt Service in any future Fiscal Year on all Outstanding Bonds and the Bonds then proposed to be issued (provided that (i) in the event that any adjustment in the rates, fees and charges for the services of the Electric System will be effective at any time on or prior to the date of delivery of the Bonds then proposed to be issued or within 60 days subsequent to the delivery, the Treasurer shall reflect in his or her certificate the Net Revenues he or she calculates would have been collected in the Base Period if such new rates, fees and charges had been in effect for the entire Base Period and (ii) with respect to any Variable Interest Rate Bonds Outstanding on the date such certificate is delivered, the Treasurer must estimate the debt service on such Bonds in accordance with the Electric System Bond Resolution); or

(b) a certificate of the Professional Utility Consultant setting forth:

(i) the amount of the Adjusted Net Revenues computed as provided in the Electric System Bond Resolution, after deducting amounts paid from Revenues in the Base Period to satisfy all Parity Lien Obligations; and

(ii) the amount of maximum Annual Debt Service in any Fiscal Year thereafter on account of all Bonds to be Outstanding in such Fiscal Year, including the Bonds proposed to be issued, and stating that the amount shown in (i) above is not less than 125% of the amount shown in this paragraph (ii).

The District may contract with the entity providing a Qualified Letter of Credit or Qualified Insurance for the Reserve Account that the District's reimbursement obligation to such entity ranks on a parity of lien with the Bonds. In the event that the District elects additionally to secure any issue of Variable Interest Rate Bonds or Tender Option Bonds through the use of a letter of credit or other credit enhancement device, the District may contract with the entity providing such credit enhancement device that the District's reimbursement obligation, if any, to such entity ranks on a parity of lien with the Bonds; provided that the payments due under such reimbursement obligation are such that if such reimbursement obligation were a series of additional Bonds and assuming that such credit enhancement device were to be drawn upon for the full amount available, such Bonds could be issued in compliance with the provisions described above for issuing additional Bonds.

Refunding Bonds

The District may issue Refunding Bonds if it complies with the requirements set forth in paragraph (2) above or if there is on file a certificate of the Treasurer of the District stating that immediately after the issuance of such Refunding Bonds the Annual Debt Service in any Fiscal Year that Bonds (other than such Refunding Bonds) are then Outstanding shall not be increased by more than \$5,000 by the issuance of such Refunding Bonds.

Junior Lien Bonds

The District may issue bonds, notes, certificates or other evidences of indebtedness for any corporate use or purpose of the District payable from Revenues subordinate to the payments required to be made from the Revenue Fund into the Bond Fund for the Bonds.

Generation System Bonds

The District may issue Generation System Bonds in accordance with the requirements of the Generation System Resolution. See “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE GENERATION SYSTEM BOND RESOLUTION—Additional Indebtedness.”

Separate System Bonds; Resource Obligations

The Electric System Bond Resolution provides, that upon compliance with the conditions of the Electric System Bond Resolution summarized below, the District by resolution may declare that the following constitute a “Resource Obligation” of the Electric System:

- (1) costs for the purchase of energy, capacity, capability, or reserves pursuant to a contract; or
- (2) costs for a facility or facilities for the generation of power and energy acquired or constructed by the District as a separate system of the District, which such costs shall include but are not limited to costs of operation and maintenance, renewals and replacements, additions and betterments and debt service on bonds or other evidences of indebtedness payable from the revenues of such separate system issued or incurred by the District, but shall exclude costs paid or to be paid from the proceeds of such bonds or other evidences of indebtedness.

The Electric System Bond Resolution provides that the District may declare such costs to be a Resource Obligation of the Electric System provided that the requirements summarized below have been met at the time of such declaration:

- (i) No Event of Default has occurred and is continuing.
- (ii) There shall have been filed with the Secretary of the Commission a certificate of the Professional Utility Consultant to the effect that the acquisition of the power and energy from such Resource Obligation is consistent with prudent utility practice.
- (iii) There shall have been filed with the Secretary of the Commission a report of the Professional Utility Consultant to the effect that estimated annual Net Revenues for the second full Fiscal Year after the date of commercial operation of such facilities, or after the date of first delivery of energy, capacity, capability or reserves pursuant to such contract, as the case may be, shall be at least equal to 125% of maximum Annual Debt Service in any future Fiscal Year. The Professional Utility Consultant shall base

such estimate on factors the Professional Utility Consultant deems to be reasonable; provided, that the Professional Utility Consultant shall for purposes of such estimate include all Generation System Power Costs and Resource Obligations in Operating Expenses.

(iv) In the event that the Resource Obligation is a contract to purchase energy, capacity, capability or reserves, there shall have been filed with the Secretary of the Commission opinions of counsel to the District and each other party to the contract, respectively, to the effect that such party has all requisite right, power and authority to execute and deliver the contract and to perform its obligations thereunder and that such contract constitutes a legally valid and binding obligation of such party thereto.

Except as permitted by the provisions of the Electric System Bond Resolution summarized under this subsection, the District is not permitted to enter into a contract or other similar arrangement with a third party for the purchase of energy, capacity, capability or reserves from a new or existing generating facility, payments under which contract or arrangement are payable as Operating Expenses of the Electric System, if: (a) such payments are pledged directly to secure the payment of bonds or other indebtedness issued or incurred to finance such facility, and (b) such payments are due regardless of whether the District takes delivery of any power or such facility or resource is producing or is capable of producing any power.

Defeasance of Bonds

The District may refund or defease all or a portion of the then Outstanding Bonds by setting aside in a special fund money, Government Obligations and/or Refunded Municipals sufficient, together with known earned income, to accomplish the refunding or defeasance. In that case all rights of the owners of the defeased or refunded Bonds in the benefit or security of the Electric System Bond Resolution will cease, except that such owners will have the right to receive payment of the principal of, premium, if any, and interest on their Bonds.

Certain Covenants

Rate Covenants

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

Debt Service Coverage. The District has also covenanted to establish, maintain and collect rates and charges that shall be adequate to provide in each Fiscal Year Net Revenues (after deducting therefrom amounts paid in such Fiscal Year to satisfy all Parity Lien Obligations and amounts transferred to the Rate Stabilization Account from the General Account and adding thereto amounts transferred to the General Account from the Rate Stabilization Account during such Fiscal Year) in an

amount equal to at least 1.25 times the Annual Debt Service on the then Outstanding Bonds in such Fiscal Year.

Maintenance and Repair of Electric System

The District has covenanted in the Electric System Bond Resolution to operate the properties and business of the Electric System in an efficient manner and at reasonable cost; to maintain, preserve, and keep the properties of the Electric System in good repair, working order and condition; and to make all necessary and proper repairs, renewals, replacements, additions, improvements, betterments and extensions of and to the Electric System.

No Free Service; Enforcement of Accounts Owing

Except as permitted by statute, the District will not supply electric power or energy free of charge to any other system of the District or to any person or entity and the District will promptly enforce the payment of all accounts owing to the District by reason of the Electric System.

Disposition of All or Part of the Electric System

The District will not, nor will it permit others to, sell, mortgage, lease or otherwise dispose of or encumber all or any portion of the Electric System except:

(1) The District may dispose of all or substantially all of the Electric System, provided that simultaneously the District shall cause all of the Bonds to be, or deemed to be, no longer Outstanding.

(2) Except as provided below, the District will not dispose of any part of the Electric System in excess of 5% of the value of the net utility plant of the District in service unless prior to such disposition

(a) there has been filed with the Secretary of the Commission a certificate of the Professional Utility Consultant stating that such disposition will not impair the ability of the District to comply with the rate covenants previously set forth under this heading; or

(b) provision is made for the payment, redemption or other retirement of a principal amount of Bonds equal to the greater of the following amounts:

(i) An amount which will be in the same proportion to the net principal amount of Bonds then Outstanding (defined as the total principal amount of Bonds then Outstanding less the amount of cash and investments in the Bond Fund) that the Revenues attributable to the part of the Electric System sold or disposed of for the 12 preceding months bears to the total Revenues for such period; or

(ii) An amount which will be in the same proportion to the net principal amount of Bonds then Outstanding that the book value of the part of the Electric System sold or disposed of bears to the book value of the entire Electric System immediately prior to such sale or disposition.

(3) The District may dispose of any portion of the Electric System that has become unserviceable, inadequate, obsolete, or unfit to be used or no longer necessary for use in the operation of the Electric System.

(4) If the ownership of all or part of the Electric System is transferred from the District through the operation of law, the District shall reconstruct or replace the portion using any proceeds of the transfer unless the Commission determines that such reconstruction or replacement is not in the best interests of the District and the Bondowners, in which case any proceeds shall be used to retire Bonds prior to maturity.

Insurance

The District will either insure or self-insure the Electric System against risks, accidents or casualties, at least to the extent that insurance is usually carried by municipal corporations operating like properties; provided, however, that the District may, if deemed advisable by the Commission, institute or continue a self-insurance program with respect to any or all of the aforementioned risks.

Books of Account

The District will keep proper books of account, which will be audited annually by a Certified Public Accountant or by the Washington State Auditor's office. Any Bondowner may obtain at the office of the District copies of the District's balance sheet and statement of income and retained earnings showing in reasonable detail the financial condition of the Electric System as of the close of each Fiscal Year.

To Make Economically Sound Improvements and Extensions

The District will not expend any of the revenues derived by it from the operation of the Electric System or the proceeds of Bonds for any renewals, replacement, capital additions, improvements, betterments or extensions that are not economically sound or that will not properly and advantageously contribute to the conduct of the business of the Electric System in an efficient and economical manner unless required to do so by or pursuant to law so as to permit the continued operation of the Electric System. Nothing in this section shall prohibit or be construed to prohibit the District from transferring revenues of the Electric System to any fund or account created by the Generation System Resolution or by any resolution creating any other separate system of the District in accordance with the provisions thereof.

To Pay Principal, Premium and Interest on Bonds

The District will duly and punctually pay, or cause to be paid, solely from the Revenues and other moneys pledged in the Electric System Bond Resolution to the payment thereof, the principal, premium, if any, and interest on each and every Bond on the date and at the places and in the manner provided in the Bonds, according to the true intent and meaning thereof, and will faithfully do and perform and fully observe and keep any and all covenants, undertakings, stipulations and provisions contained in the Bonds and in the Electric System Bond Resolution.

Protection of Security

The Revenues and other moneys, securities and funds pledged by the Electric System Bond Resolution are and will be free and clear of any pledge, lien, charge or encumbrance thereon

or with respect thereto prior to, or of equal rank with, the pledge created by the Electric System Bond Resolution, except as otherwise expressly provided in the Electric System Bond Resolution, and all corporate action on the part of the District to that end has been duly and validly taken. The Bonds and the provisions of the Electric System Bond Resolution are and will be valid and legally enforceable obligations of the District in accordance with their terms and the terms of the Electric System Bond Resolution. The District shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues, other moneys, securities and funds pledged under the Electric System Bond Resolution and all the rights of the Bondowners under the Electric System Bond Resolution against all claims and demands of all persons whomsoever.

Authority of District to Provide for the Operation and Maintenance of the Electric System and to Fix and Collect Rates and Charges

The District has good, right and lawful power to provide for the operation and maintenance of the Electric System and to fix, establish, maintain and collect rates and charges for the power and energy and other services, facilities and commodities sold, furnished or supplied through the facilities of the Electric System.

Payment of Taxes, Assessments and Other Governmental Charges and Payments in Lieu Thereof; Payment of Claims

The District shall, from time to time, duly pay and discharge, or cause to be paid or discharged, all taxes, assessments or other governmental charges, or payments in lieu thereof, lawfully imposed upon the Electric System, or on the revenues, income, receipts, profits or other moneys derived by the District therefrom when the same shall become due, and all lawful claims for labor and materials and supplies that, if not paid, might become a lien or charge upon such properties, or any part thereof, or upon the Revenues and other moneys derived by the District directly or indirectly from the Electric System, or that might in any way impair the security of the obligations issued by the District payable from the Revenues and other moneys, except those assessments, charges or claims that the District shall in good faith contest by proper legal proceedings.

Merger, Consolidation or Dissolution

The District shall use its best efforts to avoid dissolution, termination of its existence, or consolidation with another entity without paying or providing for the payment of all Outstanding Bonds.

Trustee

U.S. Bank Trust Company, National Association is appointed to act as Trustee for the owners of all Bonds for the purposes set forth in the Electric System Bond Resolution. The Trustee may resign upon 45 days' notice mailed to each bondowner or published once. Such resignation shall take effect upon the appointment of a new Trustee. The Trustee may be discharged by the District as long as an Event of Default has not occurred and is continuing or by the owners of a majority of the Outstanding Bonds. If the Trustee resigns or is discharged the District shall appoint a new Trustee. At any time within one year after such appointment, the owners of a majority in principal amount of the Bonds then Outstanding may appoint a successor Trustee, which shall supersede any Trustee appointed by the District.

The Electric System Bond Resolution provides that recitals of fact contained in the Electric System Bond Resolution and in the Bonds shall be taken as the statements of the District and the Trustee assumes no responsibility for the correctness of the same and that the Trustee makes no representations as to the validity or sufficiency of the Electric System Bond Resolution or of any Bonds or in respect of the security afforded by the Electric System Bond Resolution, and the Trustee shall not incur any liability in respect thereof. The Electric System Bond Resolution provides further that the Trustee shall not be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof, except to the extent that proceeds are paid to the Trustee, or the application of any moneys paid to the District, or for any losses incurred upon the sale or redemption of any securities purchased for or held in any Fund or Account under the Electric System Bond Resolution.

The Electric System Bond Resolution provides that the Trustee may exercise any powers under the Electric System Bond Resolution and perform any duties required of it through its attorneys, agents, officers or employees, and shall be entitled to advice of counsel (which may be Bond Counsel) concerning all questions under the Electric System Bond Resolution. The Electric System Bond Resolution provides further that the Trustee shall not be answerable for the exercise of any discretion or power under the Electric System Bond Resolution nor for anything whatever in connection with the trust under the Electric System Bond Resolution, except only its own willful misconduct or gross negligence, including but not be limited to failure to make a debt service payment when due if the Trustee has sufficient funds on hand with which to make such payment.

The Electric System Bond Resolution provides that the duties and obligations of the Trustee appointed by or pursuant to the provisions of the Electric System Bond Resolution prior to the occurrence of an Event of Default, and subsequent to the waiving or curing of such Event of Default, shall be determined solely by the express provisions of the Electric System Bond Resolution, and the Trustee shall not be liable except for the performance of its duties and obligations as specifically set forth in the Electric System Bond Resolution and to act in good faith in the performance thereof, and no implied duties or obligations shall be incurred by the Trustee other than those specified in the Electric System Bond Resolution, and the Trustee shall be protected and shall have no liability when acting or omitting to act in good faith upon the advice of counsel, who may be counsel to the District. The Electric System Bond Resolution provides further that in case an Event of Default has occurred which has not been waived or cured, the Trustee shall exercise such of the rights and powers vested in it by the Electric System Bond Resolution and use the same degree of care and skill in the exercise thereof as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Subject to the provisions of the Electric System Bond Resolution, the Trustee may conclusively rely, as to the correctness of the statements, conclusions and opinions expressed therein, upon any certificate, report, opinion or other document furnished to the Trustee pursuant to any provision of the Electric System Bond Resolution. Except as otherwise expressly provided in the Electric System Bond Resolution, any request, consent, certificate, demand, notice, order, appointment or other direction made or given by the District to the Trustee are to be deemed to have been sufficiently made or given by the proper party or parties if executed on behalf of the District by an Authorized Officer.

None of the provisions contained in the Electric System Bond Resolution shall require the Trustee appointed by or pursuant to the provisions of the Electric System Bond Resolution to take any action or exercise any remedies, including but not limited to spending or risking its own funds or otherwise incurring individual financial responsibility in the performance of any of its duties

or in the exercise of any of its rights or powers if in the Trustee's judgment there are reasonable grounds for believing that the prompt repayment thereof is not reasonably assured to it under the terms of the Electric System Bond Resolution.

Events of Default and Remedies

Events of Default

The following constitute "Events of Default" under the Electric System Bond Resolution:

- (1) Default in the due and punctual payment of the principal of any of the Bonds within five days when the same becomes due;
- (2) Default in the due and punctual payment of interest on any of the Bonds within five days when the same becomes due;
- (3) Failure to provide for any required Sinking Fund Requirements within five days when the same becomes due;
- (4) Default under any agreement with respect to a Qualified Letter of Credit or Qualified Insurance or other credit enhancement device providing security for the Bonds, which results in suspension, expiration or termination of the payment obligation of the issuer of the device and the District within ten days of such suspension, expiration or termination of payment obligations fails to obtain a substitute credit enhancement device or take other measures to remedy such default;
- (5) Default in the observance of any other of the covenants, conditions and agreements in the Electric System Bond Resolution and such default continues for 90 days after the District receives from the Trustee or from the owners of not less than 66% in principal amount of any series of Bonds Outstanding a written notice specifying and demanding the cure of such default; or
- (6) If the District shall admit in writing its inability to pay its debts as they become due, file a petition in bankruptcy, make an assignment for the benefit of its creditors, or consent to the appointment of a receiver for the Electric System.

Payment of Funds to Trustee

If an Event of Default is not remedied, the District, upon demand of the Trustee, shall pay to the Trustee only to the extent necessary to cure the Event of Default all funds held by the District and pledged under the Electric System Bond Resolution and Revenues upon receipt. The Trustee shall apply the funds in accordance with the Electric System Bond Resolution.

Application of Funds by Trustee

During the continuance of an Event of Default the Revenues received by the Trustee pursuant to the Payment of Funds to Trustee provisions above shall be applied by the Trustee, first, to the payment of the reasonable and proper charges, expenses and liabilities paid or incurred by the Trustee (including the cost of securing the services of any engineer or firm of engineers selected for the purpose of rendering advice with respect to the operation, maintenance, repair and replacement of the necessary to prevent any loss of Revenues, and with respect to the sufficiency of the rates and charges for power and energy sold, furnished or supplied by the Electric System),

and second, in accordance with the provisions of this section concerning Application of Funds by Trustee.

In the event that at any time the funds held by the Trustee and the Paying Agent for the Bonds shall be insufficient for the payment of the principal of, premium, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and all Revenues and other moneys received or collected for the benefit or for the account of owners of the Bonds by the Trustee shall be applied as follows: First, to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, earliest maturities first, and, if the amount available shall not be sufficient to pay in full any installment or installments or interest maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and Second, to the payment to the persons entitled thereto of the unpaid principal and premium, if any, of any Bonds that shall have become due, whether at maturity or by call for redemption, in the order of their due dates, earliest maturities first, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal and premium, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

Remedies

The Trustee may, if an Event of Default is not remedied, take such steps and institute such proceedings as it deems appropriate to collect all sums owing and to protect the rights of bondowners. The owners of the Bonds shall be deemed to irrevocably appoint the Trustee as the lawful trustee of the bondowners. The owners of at least 66% of the Outstanding Bonds may, in certain circumstances, direct the time, method and place of conducting any proceedings for any remedy available to the Trustee or exercising any power conferred upon the Trustee.

No bondowner may institute any proceeding for the enforcement of the Electric System Bond Resolution unless an Event of Default is continuing and the owners of not less than 66% of the Outstanding Bonds have given the District and the Trustee written notice to institute such proceeding and the Trustee has refused to comply.

Supplemental Resolutions

Supplemental Resolutions Without Consent of Bondowners

The District may adopt a supplemental resolution authorizing the issuance of additional Bonds or a resolution amending or supplementing the Electric System Bond Resolution (1) to add to the covenants and agreements of the District in the Electric System Bond Resolution which will not adversely affect the interest of the bondowners or (2) to cure any ambiguities or correct any defective provisions in the Electric System Bond Resolution or any supplemental resolution which shall not adversely affect the bondowners' interest.

Supplemental Resolutions With Consent of Bondowners

With the consent of the owners of not less than 66% of the Outstanding Bonds, the District may adopt a resolution amending or supplementing the Electric System Bond Resolution; provided, that, without the specific consent of the owner of each Bond that would be affected, no such supplemental resolution shall: (1) change the fixed maturity date for the payment of the

principal of any Bond or the date for the payment of interest or the terms of the redemption thereof, or reduce the principal amount of any Bond or the rate of interest thereon or the redemption price (or the redemption premium) payable upon the redemption or prepayment thereof; (2) reduce the percentage of Bonds the owners of which are required to consent to any Supplemental Resolution; (3) give to any Bond any preference over any other Bond; (4) create any pledge of the Revenues superior or equal to the pledge of and lien and charge for the payment of the Bonds; or (5) deprive any owner of the Bonds of the security afforded by the Electric System Bond Resolution.

Rights of Insurer

Upon an Event of Default, the insurer for any series of Bonds shall be considered a Bondowner of all outstanding Bonds that it insures for purposes of the amendment provisions and remedies provisions of the Electric System Bond Resolution so long as the bond insurance policy is in effect and the Insurer is not in default.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE GENERATION SYSTEM BOND RESOLUTION

The following summary is an outline of certain provisions of the Generation System Bond Resolution (the “Resolution”), is not to be considered a full statement thereof and is qualified by reference to the complete Resolution. Many of the capitalized words or phrases (other than those conventionally capitalized) used in this summary and elsewhere in this Official Statement are defined in the Resolution. Certain of those definitions are summarized below. For purposes of this Appendix, “Bonds” means Generation System Bonds and “Revenues” means Generation System Revenues.

Certain Definitions

“Annual Debt Service” for any Fiscal Year means the sum of the amounts required in such Fiscal Year to pay: (a) the interest due in such Fiscal Year on all Outstanding Bonds, excluding interest to be paid from the proceeds of sale of Bonds or other bonds; (b) the principal of all Outstanding Serial Bonds due in such Fiscal Year; (c) the sinking fund installment for Term Bonds, if any, for such Fiscal Year; and (d) any regularly scheduled District Payments adjusted by any regularly scheduled Reciprocal Payments during such Fiscal Year (See “Additional Indebtedness—Derivative Products” in this Appendix C). The Resolution specifies how debt service is calculated for Capital Appreciation Bonds, Deferred Income Bonds, Tender Option Bonds and Variable Interest Rate Bonds.

“Annual Debt Service of the Electric System” means “Annual Debt Service” as such term is defined in the Electric System Bond Resolution. (See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Certain Definitions.”)

“Code” means the Internal Revenue Code of 1986, as amended, and applicable regulations.

“Debt Service Reserve Requirement” means, for the Bonds of all Series secured by the Reserve Account, the lesser of (i) ten percent (10%) of the principal amount of such Bonds, (ii) maximum Annual Debt Service on the Bonds in any Fiscal Year, and (iii) 125% of average Annual Debt Service on the Bonds in any Fiscal Year, in each case as determined from time to time. Any future Series of Bonds may be secured by the Reserve Account if specified in the Supplemental Resolution authorizing the issuance of such Series of Bonds. In the case of Variable Interest Rate Bonds, the interest rate thereon shall be calculated on the assumption that such Bonds will bear interest at a rate equal to a rate reported within the previous 30 days by “The Bond Buyer” as the Bond Buyer’s Municipal Bond or 40-Bond Index, or its successor index; provided that in no event shall such assumed Series of Variable Interest Rate exceed the Maximum Interest Rate for such series of Variable Interest Rate bonds. In the case of Capital Appreciation Bonds, the maximum amount of interest thereon shall be calculated to be the maximum annual accretion in value of such Capital Appreciation Bonds from the date of calculation until the final maturity thereof. In the case of Deferred Income Bonds, the maximum amount of interest thereon shall be calculated to be equal to the higher of (a) the maximum annual accretion in value of such Deferred Income Bonds from the date of calculation until the Interest Commencement Date, and (b) the maximum annual interest from the Interest Commencement Date to the final maturity thereof. In the case of a Derivative Product, the maximum amount of interest shall be calculated to include the amount of any regularly schedule District Payments adjusted by any regularly scheduled Reciprocal Payments.

“Generation System” means (i) the electric utility properties, rights and assets, real and personal, tangible and intangible, of the “Jackson Hydroelectric Project of Public Utility District No. 1 of Snohomish County, Washington,” and additions, improvements, betterments and extensions thereof and

thereto, and (ii) any facilities or resources for the generation, transmission or conservation of power and energy including any incidental properties to be constructed or acquired in connection therewith, which facilities or resources are designated by resolution of the Commission as a part of the Generation System, and addition, improvements, betterments and extensions thereof and thereto. The Generation System shall not include any properties or assets of the Electric System except as heretofore or hereafter transferred and sold to the Generation System by resolution of the Commission or of any generating, conservation, transmission or distribution facilities acquired by the District as a separate electric utility system, the revenues of which are pledged to the payment of notes, bonds or other obligations issued to purchase, construct or otherwise acquire such separate electric utility system. The District may, by resolution, consolidate the Electric System and Generation System into a single system. Prior to consolidating the Electric System and Generation System, the District must obtain confirmation from each rating agency then rating the Bonds that the consolidation will not adversely impact the then current rating(s) on the Bonds. In addition, the District must obtain an opinion of bond counsel that the consolidation will not adversely affect the tax-exempt status of any Outstanding Bonds.

“Generation System Power Costs” has the meaning set forth under “SECURITY FOR THE BONDS —Payment of Generation System Power Costs.”

“Investment Securities” means the following to the extent the same are legal, from time to time, for investments of funds of the District: (a) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States, including obligations of any of the federal agencies set forth in clause (b) below to the extent unconditionally guaranteed by the United States; (b) obligations of the Export-Import Bank of the United States, the Government National Mortgage Association, the Federal National Mortgage Association to the extent guaranteed by the Government National Mortgage Association, the Federal Financing Bank, the Farmers Home Administration, the Federal Housing Administration, the Private Export Funding Corporation, the Federal Home Loan Bank, and the Federal Home Loan Mortgage Bank, or any agency or instrumentality of the Federal Government which shall be established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefor; (c) new housing authority bonds issued by the public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States; (d) direct and general obligations of any State within the territorial United States, to the payment of the principal of and interest on which the full faith and credit of such State is pledged, provided, that at the time of their purchase, such obligations are rated in one of the two highest rating categories by Moody’s and S&P (in the event S&P rates such obligations); (e) certificates of deposit, whether negotiable or nonnegotiable, issued by any bank, savings and loan association, or trust company, provided that such certificates of deposit shall be (i) continuously and fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or (ii) issued by a recognized qualified public depository of the State of Washington under RCW Chapter 39.58, as amended, or (iii) continuously and fully secured by such securities as are described above in clauses (a) or (b), which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit or (iv) certificates of deposit with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s; (f) any written repurchase agreement with any bank, savings institution or trust company which is insured by the Federal Deposit Insurance Corporation, or with any brokerage dealer with retail customers which falls under Securities Investors Protection Corporation protection, provided that such repurchase agreements are fully secured by direct obligations of the United States of America, or any agency thereof and provided further that (i) such collateral is held by the District or its agent or trustee during the term of such repurchase agreement, (ii) such collateral is not subject to liens or claims

of third parties, (iii) such collateral has a market value (determined at least once weekly) at least equal to 100% of the amount invested in the repurchase agreement, (iv) the District or its agent or trustee has a perfected first security interest in the collateral, (v) the failure to maintain such collateral at the level required in (iii) above will require the District or its agent or trustee to liquidate the collateral; (g) Refunded Municipals rated Aaa by Moody's; (h) banker's acceptances with commercial banks that have a rating on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P or "P-1" by Moody's, or in the event each of such rating agencies rates such obligations, by each of them, and that mature no more than 360 days after the date of purchase; and (i) notwithstanding any of the foregoing provisions any investments permitted under the laws of the State of Washington as amended from time to time.

"Net Revenues of the Electric System" means "Net Revenues" as such term is defined in the Electric System Bond Resolution. (See "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Certain Definitions.")

"Operating Expenses" means (i) all the District's expenses for operation and maintenance of the Generation System, and ordinary repairs, replacements and reconstruction of the Generation System not constituting a unit of property (as prescribed in the Uniform System of Accounts of FERC), including all costs of producing and delivering electric power and energy from the Generation System and payments (other than payments out of Bond proceeds) into reasonable reserves in the Revenue Fund for items of Operating Expenses and other costs without limiting the generality of the foregoing the payment of which is not immediately required, and shall include costs of transmission service, generating capacity reserve service and scheduled, emergency, economy or other interchange service, all other costs of purchased power (except costs under any purchased power contracts which secure the payment of debt issued to finance the facilities providing such power), rents, administrative and general expenses, engineering expenses, legal and financial advisory expenses, required payments to pension, retirement, health and hospitalization funds, insurance premiums and any taxes or payments in lieu of taxes, all to the extent properly allocable to the Generation System, (ii) any current expenses or obligations required to be paid by the District under the provisions of the Resolution or by law, all to the extent properly allocable to the Generation System, and (iii) the fees and expenses of the Trustee and Registrar. Operating Expenses shall not include District Payments (as hereinafter defined), any costs or expenses for new construction or any allowance for depreciation and there shall be included in Operating Expenses of the Generation System only that portion of the total administrative and general expenses of the District that are properly allocable to the Generation System.

"Outstanding" when used with respect to Bonds means, as of any date, Bonds theretofore or thereupon issued pursuant to the Resolution except (i) any Bonds canceled by the Registrar or paid at or prior to such date; (ii) Bonds in lieu of or in substitution for which Bonds have been delivered; and (iii) Bonds deemed to be no longer Outstanding under the Resolution.

"Parity Lien Obligations" means such term as it is defined in the Electric System Bond Resolution. (See "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Certain Definitions.")

"Qualified Insurance" means any noncancelable municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies) which insurance company or companies, as of the time of issuance of such policy or surety bond, are currently rated in one of the two highest rating categories by Moody's Investors Service and Standard & Poor's Ratings Services or their comparably recognized business successors.

“Qualified Letter of Credit” means any irrevocable letter of credit issued by a financial institution for the account of the District on behalf of the owners of the Bonds, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit, is currently rated in one of the two highest rating categories by Moody’s Investors Service and Standard & Poor’s Ratings Services or their comparably recognized business successors.

“Resource Obligation” means such term as defined in the Electric System Bond Resolution. (See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Certain Definitions.”)

“Revenues” means the income, revenues, and receipts derived by the District through the ownership and operation by it of the Generation System, but, except as provided in the Resolution, shall not include any income derived by the District through the ownership and operation by it of the Electric System or of any other generation, transmission and distribution facilities that may hereafter be purchased, constructed or otherwise acquired by the District as a separate electric utility system, or any Reciprocal Payments (as hereinafter defined). Federal and state grant moneys received by the District in any Fiscal Year to pay or reimburse all or a portion of periodic payments of principal of and/or interest or redemption premium on the Bonds shall constitute Revenues if designated as such by the District.

“Serial Bonds” means Bonds that are not Term Bonds.

“Series” or “Series of Bonds” or “Bonds of a Series” means all Bonds designated as being of the same series issued and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter delivered in lieu thereof or in substitution therefor pursuant to the Resolution.

“Term Bonds” means Bonds the retirement or the redemption of which shall be provided from money credited to the Term Bond Principal Account in the Bond Fund.

“Treasurer” means the Treasurer of the District as designated, from time to time, by resolution of the Commission.

“Value of Investment Securities” means the total market value of such Investment Securities (inclusive of any accrued interest not subject to rebate to the United States Treasury) except for securities that mature within six months from their date, which shall be valued at the par value thereof.

Authorization of Issuance of Bonds

The Resolution continues and confirms an issue of Bonds of the District to be issued in series and provides for the issuance of the initial Series of Bonds subsequent to the adoption of the Resolution. The Bonds of each Series issued under the Resolution are to be equally and ratably payable and secured under the Resolution without priority by reason of date of adoption of the Supplemental Resolution providing for their issuance or by reason of their series, number or date of sale, issuance, execution or delivery, and by the liens, pledges, charges, trusts, assignments and covenants made by the Resolution, except as otherwise expressly provided or permitted by the Resolution and except as to insurance which may be obtained by the District to insure the repayment of one or more Series or maturities within a Series.

Additional Indebtedness

Additional Bonds

The Resolution provides that additional Bonds (other than Refunding Bonds) may be issued in one or more Series to pay the Generation System Costs (as defined in the Resolution) or the costs of the reconstruction or replacement of the Generation System, or any portion thereof, to the extent any money received as a result of any transfer by operation of law or any insurance proceeds received as a result of any loss or damage thereto are insufficient for such purpose or for any other lawful purpose only if at the time of the delivery of each Series of Bonds:

(1) There shall have been adopted by the Commission a Supplemental Resolution authorizing the issuance of such Series of Bonds and providing for compliance with the requirements of the Resolution with respect to the Debt Service Reserve Account;

(2) There shall have occurred no default in the payment of debt service on any Bond nor shall the District be in default in performance of any covenants in the Resolution or if such default exists, an opinion of Bond Counsel shall be provided that any such default does not deprive any Bondowner of the security provided by the Resolution in any material respect; and

(3) There has been filed with the Secretary of the Commission either:

(a) a certificate of the Treasurer stating that Net Revenues of the Electric System in any 12 consecutive months out of the most recent 24 months preceding the delivery of the Bonds then proposed to be issued (the "Base Period"), after deducting therefrom amounts paid in the Base Period to satisfy all Parity Lien Obligations (including projected maximum Annual Debt Service on the Bonds then proposed to be issued), were not less than 125% of maximum Annual Debt Service of the Electric System in any future Fiscal Year on all Outstanding Electric System Bonds (provided that (i) in the event that any adjustment in the rates, fees and charges for the services of the Electric System shall be effective at any time on or prior to the date of delivery of the Bonds then proposed to be issued or within sixty days subsequent to the delivery of such Bonds, the Treasurer shall reflect in his or her certificate the Net Revenues of the Electric System he or she calculates would have been collected in the Base Period if such new rates, fees and charges had been in effect for the entire Base Period and (ii) with respect to any Variable Interest Rate Bonds of the Electric System or Generation System Outstanding on the date such certificate is delivered, the Treasurer shall estimate the debt service on such Bonds in accordance with the Resolution), or

(b) a certificate of a Professional Utility Consultant stating that

(i) (taking into consideration such adjustments as he or she deems appropriate) the issuance of the additional Bonds then proposed to be issued will not result in the District's inability to comply with its rate covenants in the Resolution; and

(ii) if such additional Bonds are being issued to pay Generation System Costs incurred or to be incurred for additions, improvements, betterments and extensions to the Generation System which will increase the total installed capacity thereof or the total energy output thereof, the plan for such additions, improvements, betterments and extensions is consistent with sound utility power supply planning and will not materially adversely interfere with operation of the Generation System.

The District may contract with the entity providing a Qualified Letter of Credit or Qualified Insurance or other equivalent credit enhancement device for the Reserve Account that the District's reimbursement obligation to such entity ranks on a parity of lien with the Bonds. In the event that the District elects additionally to secure any issue of Variable Interest Rate Bonds or Tender Option Bonds through the use of a letter of credit or other credit enhancement device, the District may contract with the entity providing such credit enhancement device that the District's reimbursement obligation, if any, to such entity ranks on a parity of lien with the Bonds; provided that the payments due under such reimbursement obligation are such that if such reimbursement obligation were a series of additional Bonds and assuming that such credit enhancement device were to be drawn upon for the full amount available, such Bonds could be issued in compliance with the provisions described above for issuing additional Bonds.

Obligations Payable From Electric System Revenues

The District may issue bonds or other evidences of indebtedness, other than bonds or other evidences of indebtedness issued in anticipation of permanent financing, for any lawful purpose of the District, payable from Electric System Revenues on a parity with the payment of Generation System Power Costs, if the District complies with the provisions summarized in paragraph number three in the preceding section entitled "Additional Bonds."

Refunding Bonds

The District may issue one or more Series of Bonds for the purpose of refunding any Bonds then outstanding if there is on file with the Secretary of the Commission either (1) a certificate of the chief financial officer of the District that immediately after the issuance of such Bonds the aggregate amount of principal and interest becoming due in any Fiscal Year with respect to all Series of Bonds Outstanding shall not be greater than that becoming due immediately prior to such issuance or (2) a certificate of the Professional Utility Consultant that the issuance of such Bonds will not result in a reduction of the Revenues and Electric System Revenues below the amount covenanted in the Resolution to be maintained by the District. In the event that simultaneously with the issuance of such Bonds, the District is also issuing Bonds for other purposes, the computations referred to immediately above are to be made without reference to such Bonds issued for other purposes.

Subordinate Lien Obligations Payable from Revenues

The District may incur indebtedness and issue bonds or other evidences of indebtedness for any corporate use or purpose of the District payable from Revenues subject and subordinate to the payments required to be made from the Revenue Fund for Operating Expenses and the deposits from the Revenue Fund into the Bond Fund and may secure such bonds or other evidences of indebtedness and the payment thereof by a lien and pledge on the Revenues junior and inferior to the lien and pledge on the Revenues created by the Resolution.

Subordinate Lien Obligations Payable from Electric System Revenues

The District may incur indebtedness and issue bonds or other evidences of indebtedness for any corporate use or purpose of the District payable from Electric System Revenues subject and subordinate to the deposits and payments required to be made from the Electric System Revenues into the Revenue Fund for the payment of Generation System Power Costs and may secure such bonds or other evidences of indebtedness and the payment thereof by a lien and pledge on Electric System Revenues junior and inferior to the lien and pledge on Electric System Revenues created by the Resolution.

Separate System Bonds

Nothing in the Resolution will prevent the District from issuing bonds or other evidences of indebtedness, other than Bonds, to acquire or construct facilities or resources for the generation of power and energy, or for the conservation, transformation or transmission of power and energy, which facilities shall be a separate system and which bonds or other evidences of indebtedness shall be payable solely from the revenues or other income derived from the ownership or operation of such separate utility system.

Derivative Products

To the extent permitted by state law the District may enter into Derivative Products on a parity with the Bonds subject to the conditions set forth in the Resolution and summarized below. The following terms have the following meanings:

(1) “Derivative Facility” means a letter of credit, an insurance policy, a surety bond or other credit enhancement device, given, issued or posted as security for the District’s obligations under one or more Derivative Products.

(2) “Derivative Payment Date” means any date specified in the Derivative Product on which a District Payment is due and payable under the Derivative Product.

(3) “Derivative Product” means a written contract or agreement between the District and a third party that has or whose obligations are unconditionally guaranteed by a party that has (as of the date of the Derivative Product) at least an investment grade rating from a rating agency (the “Reciprocal Payor”) (who, if the District’s Bonds are rated by Moody’s Investors Service, must have a rating as high as that of the District), which provides that the District’s obligations thereunder will be conditioned on the performance by the Reciprocal Payor of its obligations under the agreement, and

(a) under which the District is obligated to pay, on one or more scheduled and specified Derivative Payment Dates, the District Payments in exchange for the Reciprocal Payor’s obligation to pay or to cause to be paid to the District, on scheduled and specified Derivative Payment Dates, the Reciprocal Payments;

(b) for which the District’s obligations to make District Payments may be secured by a pledge of and lien on the Revenues on an equal and ratable basis with the Outstanding Bonds;

(c) under which Reciprocal Payments are to be made directly into the Bond Fund;

(d) for which the District Payments are either specified to be one or more fixed amounts or are determined as provided by the Derivative Product; and

(e) for which the Reciprocal Payments are either specified to be one or more fixed amounts or are determined as set forth in the Derivative Product.

(4) “District Payment” means any payment (designated as such by a Supplemental Resolution) required to be made by or on behalf of the District under a Derivative Product and which is determined according to a formula set forth in the Derivative Product.

(5) “Reciprocal Payment” means any payment (designated as such by a Supplemental Resolution) to be made to, or for the benefit of, the District under a Derivative Product by the Reciprocal Payor.

(6) “Reciprocal Payor” means a party to a Derivative Product that is obligated to make one or more Reciprocal Payments thereunder.

The following are conditions precedent to the use of any Derivative Product on a parity with any Bonds under the Resolution:

(1) General Parity Tests. The Derivative Product must satisfy the requirements for additional Bonds described in the Resolution, taking into consideration regularly scheduled District Payments and regularly scheduled Reciprocal Payments under the Derivative Product.

(2) Opinion of Bond Counsel. The District shall obtain an opinion of Bond Counsel on the due authorization and execution of such Derivative Product, the validity and enforceability thereof and opining that the action proposed to be taken is authorized or permitted by the Resolution or the applicable provisions of any Supplemental Resolution and will not adversely affect the excludability for federal income tax purposes of the interest on any Outstanding Bonds.

(3) Payments. Each Derivative Product shall set forth the manner in which the District Payments and Reciprocal Payments are to be calculated and a schedule of Derivative Payment Dates.

(4) Supplemental Resolutions to Govern Derivative Products. Prior to entering into a Derivative Product, the District shall adopt a Supplemental Resolution, which shall:

(a) establish general provisions for the rights of providers of Derivative Products or Derivative Facilities; and

(b) set forth such other matters as the District deems necessary or desirable in connection with the management of Derivative Products as are not clearly inconsistent with the provisions of the Resolution.

Application of Bond Proceeds

The proceeds derived from each Series of Bonds issued to pay Generation System Costs are required to be deposited:

(1) to the Interest Account in the Bond Fund in an amount equal to the accrued interest on such Series of Bonds paid by the initial purchasers thereof and such additional amount as the Commission determines in the Supplemental Resolution authorizing such Series of Bonds to be credited thereto to provide for the payment of interest on Bonds which is defined as a Generation System Cost;

(2) to the Debt Service Reserve Account in the Bond Fund, in an amount which, together with amounts insured by Qualified Insurance or guaranteed by a Qualified Letter of Credit, shall equal the Debt Service Reserve Requirement, as defined above;

(3) in the Revenue Fund such amount, if any, as the Commission determines in the Supplemental Resolution authorizing such Series of Bonds to be deposited thereto to provide a working capital reserve; and

(4) in the Construction Fund the balance of such Bond proceeds to be applied to the payment of Generation System Costs.

The District is authorized and directed to make disbursements from the Construction Fund to pay Generation System Costs. The District is required to prepare and keep in its files in respect of each disbursement from the Construction Fund a written requisition signed by the General Manager or by another Authorized Officer with respect to each payment made or to be made.

In the event a Series of Bonds is issued to pay the costs of additions, improvements, repairs, renewals and replacements to the Generation System which are not Operating Expenses, if the Construction Fund no longer exists, the District is required to create a new construction fund, to be held and administered by the District substantially in accordance with the Resolution.

Revenues and Flow of Funds

To secure the payment of the Bonds, the Resolution continues in existence the previously created Revenue Fund and Construction Fund to be held and administered by the District and creates the Bond Fund, which is comprised of the Interest Account, the Serial Bond Principal Account, the Term Bond Principal Account and the Debt Service Reserve Account, to be held and administered by the District.

Revenue Fund

The Resolution provides that the District will pay into the Revenue Fund all of the Revenues and other money required to be paid into the Revenue Fund (other than the Revenues and other amounts expressly required or permitted to be credited to, or deposited in, any other fund or account). The District shall make monthly payments into the Revenue Fund in an amount, together with amounts then on deposit in the Revenue Fund and available for such purpose, which is equal to Generation System Power Costs for that month then unpaid plus estimated Generation System Power Costs for the next month provided power or energy or other goods and services from the Generation System was made available to the Electric System during such month pursuant to the Resolution. In any month in which no power and energy or other goods or services of the Generation System were made available to the Electric System, the District shall pay into the Revenue Fund out of Electric System Revenues, after payment of operation and maintenance expenses of the Electric System, an amount sufficient to pay estimated Generation System Power Costs for the next succeeding month and to pay any deficiencies in the payment of Generation System Power Costs for the then current or any prior month. The District will apply money in the Revenue Fund first to the payment of Operating Expenses for such month and second to the deposit in the Bond Fund of the amounts required, if any, and, in the event that any Derivative Product exists on a parity of lien with the Bonds, to make regularly scheduled District Payments as adjusted by regularly scheduled Reciprocal Payments and to make payments required by a reimbursement agreement which is on a parity of lien with the Bonds. There will be retained in the Revenue Fund, after amounts are applied to Operating Expenses and the amounts required to be deposited in the Bond Fund have been so deposited, any balance of the Revenues. Such money may, in the discretion of the District, be used (1) to pay principal, premium, if any, and interest on the Bonds; (2) for transfer to any other fund or account created by the Resolution; (3) for the purchase or redemption of any Bonds; (4) to pay any subordinated indebtedness of the Generation System; or (5) for any lawful corporate purpose of the District.

Bond Fund

At the times provided below, after payment of Operating Expenses the District is required under the Resolution to withdraw from the Revenue Fund and transfer to the Bond Fund, amounts as follows and in the following order of priority:

(1) Interest Account. In the case of all Bonds other than Variable Interest Rate Bonds, not later than the day prior to the date on which an installment of interest falls due on the Bonds of a Series, the District shall transfer to the Interest Account an amount equal to the installment of interest then falling due on all Bonds of such Series. In the case of Variable Interest Rate Bonds, the District shall make transfers to the Interest Account at such times and in such amounts as shall be specified in the Supplemental Resolution authorizing the Series of Variable Interest Rate Bonds. Any amounts credited to the Interest Account representing accrued interest received on the sale of Bonds, interest capitalized from the proceeds of the Bonds of a Series and any other transfers and credits otherwise made or required to be made to the Interest Account shall be taken into consideration and allowance made with respect to the full amount of such transfers and credits.

(2) Serial Bond Principal Account and Term Bond Principal Account. Not later than the day prior to the date upon which an installment of principal on Serial Bonds or Term Bonds falls due, the District shall transfer to the Serial Bond Principal Account or the Term Bond Principal Account, as appropriate, an amount equal to such installment.

Not later than the day prior to the date upon which a sinking fund installment on Term Bonds falls due, the District is to transfer to the Term Bond Principal Account an amount equal to such installment.

The District is required to apply the money credited to the Term Bond Principal Account as sinking fund installments to the retirement of the Term Bonds of such Series by redemption in accordance with the Supplemental Resolution providing for the issuance of such series of Bonds (a) on each date upon which a sinking fund installment is due with respect to a particular series of Bonds, or (b) on the first day of any month prior to such date, in respective principal amounts credited to the Term Bond Principal Account on such dates for such Term Bonds, so that the aggregate amounts so applied will equal the respective principal amounts required to be credited to the Term Bond Principal Account on such sinking fund installment dates by the Supplemental Resolution providing for their issuance; provided that if the last sinking fund installment for such Term Bonds falls due on the stated maturity date thereof, the amount of such installment shall be applied to the payment thereof at such maturity date. The District shall apply the money credited to the Term Bond Principal Account as sinking fund installments for the retirement of the Term Bonds of a particular Series to the purchase of such Bonds, at a purchase price (including accrued interest and any brokerage or other charge) not to exceed the redemption price then applicable upon the redemption of such Bonds from sinking fund installments, plus accrued interest, in which event the principal amount of such Bonds required to be redeemed on the next sinking fund installment date shall be reduced by the principal amount of the Bonds so purchased; provided, however, that no Bonds of such Series shall be purchased during the interval between the date on which notice of redemption of such Bonds from sinking fund installments is given and the date of redemption set forth in such notice, unless the Bonds so purchased are Bonds called for redemption in such notice or are purchased from money other than that credited to the Term Bond Principal Account with respect to such sinking fund installments. Money in the Term Bond Principal Account, other than money credited thereto as sinking fund installments, may be applied to the purchase or redemption of a Series of Bonds. The price payable on any such purchase shall not exceed the highest redemption price applicable at the time or any time thereafter with respect to such Series of Bonds.

In the event of the purchase or redemption of Term Bonds of a particular Series, except from money credited to the Term Bond Principal Account as sinking fund installments, the principal amount of Term Bonds of such Series so purchased or redeemed are to be credited to future sinking fund installments for the Term Bonds of such Series in such manner as the District shall determine.

Any purchase of Bonds may be made with or without tenders of Bonds and at either public or private sale, as shall be determined by the District. The accrued interest to be paid on the purchase or redemption of such Bonds is to be paid from the Interest Account.

(3) Debt Service Reserve Account. The Resolution requires that, to the extent permitted under the Code, there shall be deposited from the proceeds of each Series of Bonds into the Bond Fund for credit to the Debt Service Reserve Account an amount so that there will be on deposit therein money and Value of Investment Securities equal to the Debt Service Reserve Requirement. If with respect to any Series of Bonds the amount of proceeds of such Series of Bonds permitted by the Code to be deposited into the Bond Fund for credit to the Debt Service Reserve Account is less than the Debt Service Reserve Requirement allocable to such Series of Bonds, the Supplemental Resolution providing for the issuance of such Series of Bonds shall provide for further and additional payments into the Bond Fund for credit to the Debt Service Reserve Account from money in the Revenue Fund in such amounts and at such times so that by no later than five years from the date of issuance of such additional Series of Bonds or by the final maturity thereof, whichever occurs first, there will be credited to the Debt Service Reserve Account an amount equal to the Debt Service Reserve Requirement. Notwithstanding the foregoing provisions, any Supplemental Resolution authorizing the issuance of Bonds may provide for the District to obtain Qualified Insurance or a Qualified Letter of Credit for specific amounts required by the Resolution to be paid out of the Debt Service Reserve Account. The face amount of any such Qualified Insurance or a Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Debt Service Reserve Account to the extent that such payments and credits to be made are insured by an insurance company, or guaranteed by a letter of credit from a financial institution. Such Qualified Letter of Credit or Qualified Insurance shall not be cancelable on less than three years notice. In the event of any cancellation, the Debt Service Reserve Account shall be funded in accordance with the provisions of the Resolution providing for payments to the Debt Service Reserve Account in the event of a deficiency therein, provided that the deficiency shall be funded in equal monthly installments over the period remaining until such cancellation becomes effective.

A determination as to the money and Value of Investment Securities in the Debt Service Reserve Account is to be made by the District as of January 1 and July 1 of each year and immediately following any withdrawal of amounts in the Debt Service Reserve Account as required by the Resolution. If the money and Value of Investment Securities in the Debt Service Reserve Account shall be less than the Debt Service Reserve Requirement as of the date of any valuation thereof, the District shall so notify any insurer of Bonds and shall then, beginning with last day of the month next succeeding such date, after paying Operating Expenses and making the transfers to the Bond Fund for credit to the Interest Account, the Serial Bond Principal Account and the Term Bond Principal Account, make monthly transfers from the Revenue Fund to the Bond Fund for credit to the Debt Service Reserve Account equal to one-sixth of the amount as originally determined by which the money and Value of Investment Securities in the Debt Service Reserve Account is less than the Debt Service Reserve Requirement, until there shall be on deposit in the Debt Service Reserve Account money and Value of Investment Securities equal to the Debt Service Reserve Requirement based upon the most recent valuation of that account; provided that if a Series of Bonds is issued during a period in which a deficiency exists in the Debt Service Reserve Account, to the extent permitted under the Code, the District shall deposit proceeds of such Series in the Bond Fund for credit to the Debt Service Reserve Account sufficient to make up any of the deficiency in the Debt Service Reserve Account at the time of such issuance, based upon the most recent valuation of that account.

If, as of the first business day of any Fiscal Year or as of a date upon which there is a withdrawal from the Debt Service Reserve Account (other than earnings on Investment Securities), the money and Value of Investment Securities as of the last date of calculation thereof, in the Debt Service Reserve Account shall exceed the Debt Service Reserve Requirement, the amount of such excess may be transferred as of such date to the Revenue Fund.

When a Series of Bonds is refunded in whole or in part, money may be withdrawn from the Debt Service Reserve Account to provide for the payment of refunded Bonds; provided that after such withdrawal there shall be on credit to the Debt Service Reserve Account money and Value of Investment Securities in an amount equal to the Debt Service Reserve Requirement.

The Resolution provides that in the event amounts in the Interest Account, the Serial Bond Principal Account or the Term Bond Principal Account shall be insufficient for the purposes of such payment, the District shall promptly make up such deficiency from the Debt Service Reserve Account by the withdrawal of cash therefrom and by the sale or redemption of Investment Securities held in the Debt Service Reserve Account, if necessary, in such amounts as will provide cash in the Debt Service Reserve Account sufficient to make up any such deficiency. If a deficiency still exists immediately prior to an interest payment date and after the withdrawal of cash, the District shall then draw from any Qualified Letter of Credit, Qualified Insurance, or other equivalent credit facility in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as the Resolution and the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide. Any deficiency created in the Debt Service Reserve Account by reason of any withdrawal therefrom for payment into the Interest Account, the Serial Bond Principal Account or the Term Bond Principal Account shall be made up from money in the Revenue Fund first available after providing for the required payments into such Interest, Serial Bond Principal and Term Bond Principal Accounts and after providing for payments under a reimbursement agreement entered into by the District pursuant to the Resolution.

The Resolution provides that whenever the amount in the Debt Service Reserve Account, together with the amount in the Interest Account, the Serial Bond Principal Account and the Term Bond Principal Account, is sufficient to pay in full all Outstanding Bonds in accordance with their terms, the funds on deposit in the Debt Service Reserve Account shall be transferred to the Interest Account, the Serial Bond Principal Account and the Term Bond Principal Account as appropriate, and that prior to the transfer, investments held in the Debt Service Reserve Account shall be liquidated to the extent necessary in order to provide for the timely payment of principal or redemption price of and interest on Bonds.

Anything in the Resolution to the contrary notwithstanding, references in this subsection to "Bonds" shall refer only to the Bonds of those Series secured by the Debt Service Reserve Account.

Notwithstanding any provision of the Resolution requiring the deposit of any earnings or other money in the Bond Fund, any such earnings that are subject to any rebate or other payment requirement pursuant to applicable provisions of the Code and applicable regulations thereunder may be withdrawn from the Bond Fund for deposit into a separate fund or account created for that purpose. Any amounts required at any time to be withdrawn from the Debt Service Reserve Account or other accounts in the Bond Fund in order to preserve the tax-exempt status of the Bonds are to be withdrawn and deposited in the Revenue Fund.

Investment of Money in Funds

Money on deposit in the Construction Fund and the Revenue Fund are required to be invested by the District, to the fullest extent reasonable and practicable, in Investment Securities (as defined in the Resolution) maturing in such amounts and at such times as is anticipated by the District that such money will be required to pay the Generation System Costs to be satisfied from the Construction Fund and to make the payments contemplated to be made from the Revenue Fund, as the case may be.

Money in the Bond Fund are required to be invested by the District to the fullest extent reasonable and practicable, in Investment Securities maturing in such amounts and at such times as the District determines so that payments required to be made from the Bond Fund may be made when due, provided that the money on credit to the Debt Service Reserve Account shall be invested in Investment Securities maturing no later than the final maturity date of all Bonds then Outstanding.

All earnings and income derived from investment of money in the funds, other than earnings and income required by the Resolution to be segregated to protect the federal tax exemption of interest in the Bonds, shall, at the option of the District, be deposited in the Construction Fund or the Revenue Fund, provided that all earnings and income derived from investment of money in the Debt Service Reserve Account shall be retained in such account to the extent necessary to satisfy the Debt Service Reserve Requirement.

Covenants To Purchase Electric Power and Energy of the Generation System

The District covenants that the Generation System will sell, and the Electric System will purchase, and by the terms of the Resolution the Generation System does thereby sell and the Electric System does thereby purchase, in each month all of the electric power and energy or other goods and services of the Generation System available in such month for use in the Electric System.

Additional Covenants

The District has covenanted as follows:

To Maintain the Generation System

The District will (1) at all times operate the properties of the Generation System and the business in connection therewith in an efficient manner and at reasonable cost, (2) maintain, preserve and keep the properties of the Generation System in good repair, working order and condition, and (3) make all necessary and proper repairs, renewals, replacements, additions, improvements and betterments thereto and extensions thereof, so that the business carried on in connection therewith shall be properly and advantageously conducted. The District will take all lawful measures required to issue and sell Bonds to the extent required to enable the District to pay Generation System Costs.

To Comply With Licenses

The District will use its best efforts to comply with the terms and conditions of any federal, state or local governmental permit or license for the Generation System and with any federal, state or local law or regulation applicable to the operation, maintenance and repair of the Generation System, including the FERC license for the Jackson Project; provided that the District may, in good faith, contest by appropriate proceedings, duly prosecuted, the applicability or validity of any such permit, license, law, regulation or approval, if and so long as such contest or proceeding does not impair the security for or the payment of the Bonds.

Not to Render Service Free of Charge; Enforcement of Accounts Owning

Except as required or expressly permitted by statute, so long as any Bonds are Outstanding, the District will not furnish or supply electric power or energy or any other commodity, service or facility furnished by or in connection with the Generation System free of charge to any other system of the District or to any person, firm or corporation, public or private, and the District will promptly enforce the payment of any and all accounts owing to the District by reason of the Generation System.

Disposition of All or Part of the Generation System

The District will not sell, mortgage, lease or otherwise dispose of or encumber all or any portion of the Generation System except that:

(1) The District may sell, lease or otherwise dispose of all or substantially all of the Generation System, provided that simultaneously with such sale, lease or other disposition, the District shall cause all of the Bonds to be, or deemed to be, no longer Outstanding.

(2) Except as provided below, the District will not dispose any part of the Generation System in excess of 5% of the value of the net utility plant of the District in service unless prior to such disposition

(a) there has been filed with the Secretary of the Commission a certificate of a Professional Utility Consultant stating that such disposition will not impair the ability of the District to comply with the rate covenants set forth in the Resolution; or

(b) provision is made for the payment, redemption or other retirement of a principal amount of Bonds equal to the greater of the following amounts:

(i) An amount which will be in the same proportion to the net principal amount of Bonds then Outstanding (defined as the total principal amount of Bonds then Outstanding less the amount of cash and investments in the Bond Fund) that the Revenues attributable to the part of the Generation System sold or disposed of for the 12 preceding months bears to the total Revenues for such period; or

(ii) An amount which will be in the same proportion to the net principal amount of Bonds then Outstanding that the book value of the part of the Generation System sold or disposed of bears to the book value of the entire Generation System immediately prior to such sale or disposition.

(3) The District may dispose of any portion of the Generation System that has become unserviceable, inadequate, obsolete, or unfit to be used or no longer necessary for the use in the operation of the Generation System.

(4) In the event that the ownership of the properties of the Generation System, or any part thereof, shall be transferred from the District through the operation of law, the District shall proceed to reconstruct or replace the portion of the Generation System so transferred and any money received by the District as a result of such transfer shall be applied to the payment of the costs of such reconstruction or replacement, unless the Commission shall determine by resolution that the same is not in the best interests of the District and the Bondowners. Pending the application of any money received by the District as a result of such transfer to the payment of the costs of such reconstruction or replacement, such money shall be held by the District in a special account and invested in Investment Securities

maturing no later than such times as is anticipated by the District that such money will be required to pay the costs of such reconstruction or replacement. The earnings on any money held in such special account shall be credited thereto. Any money received by the District as a result of such transfer or the balance in any such special account not required to be applied to reconstructing or replacing the portion of the Generation System so transferred shall be deposited in the Revenue Fund.

The above provisions with respect to the disposition of part or all of the Generation System shall also be applicable to any disposition of part or all of the Electric System.

Insurance

The District shall either self-insure in such manner and to such extent as the District shall determine to be necessary and appropriate or, as needed, and, to the extent available at reasonable cost, shall keep the Generation System and the operation thereof insured with responsible insurers with policies payable to the District against risks of direct physical loss, damage to or destruction of such properties, and against accidents, casualties or negligence, including liability and employer's liability insurance, at least to the extent that similar insurance is usually carried by electric utilities operating like properties. In the event of any loss or damage to the properties of the Generation System covered by such insurance, the District shall reconstruct or replace the portion of the Generation System suffering such loss or damage and any such insurance proceeds received by the District as a result of such loss or damage shall be applied to pay the costs of such reconstruction or replacement unless the Commission shall determine by resolution that such reconstruction or replacement is not in the best interests of the District and the Bondowners. Any insurance proceeds received as a result of such loss or damage not required to be applied to reconstructing or replacing the portion of the Generation System suffering such loss or damage shall be deposited in the Revenue Fund for use and application to the purchase or redemption of Bonds. In the case of loss, including the loss of revenue, caused by delay in completion of, or by suspension or interruption of generation or transmission of power and energy by the Generation System, the proceeds of any insurance covering such loss shall be paid into the Revenue Fund.

Books of Account; Annual Audit

The District will keep proper books of account, which will be audited annually by a Certified Public Accountant or by the Washington State Auditor's office. Any Bondowner may obtain at the office of the District copies of the District's balance sheet and statement of income and retained earnings showing in reasonable detail the financial condition of the Electric System as of the close of each Fiscal Year.

Professional Utility Consultant

The District shall retain, as Professional Utility Consultant, independent persons or firms (which may but need not be engineering firms) having a favorable reputation for skill and experience in analyzing the operations of electric utility systems, preparing rate analyses, forecasting the loads and revenues of electric utility systems, and the marketing of power and energy therefrom who shall be available to advise the District upon request and render opinions to the District upon request on matters relating to electric power generation, transmission, power supply, electric utility operations, rates and charges, electric utility economics and financing, and budgets, and to make such investigations and determinations as may be necessary under the Resolution.

To Make Economically Sound Improvements and Extensions

The District will not expend any Revenues or the proceeds of Bonds for any renewals, replacements, capital additions, improvements, betterments or extensions which are not economically sound or which will not properly and advantageously contribute to the conduct of the business of the Generation System in an efficient and economical manner unless required to do so by or pursuant to law so as to permit the continued operation of the Generation System.

To Pay Principal, Premium and Interest on Bonds

The District will duly and punctually pay, or cause to be paid, solely from the Revenues, Electric System Revenues and other moneys pledged in the Resolution to the payment thereof, the principal, premium, if any, and interest on each and every Bond on the date and at the places and in the manner provided in the Bonds, according to the true intent and meaning thereof, and will faithfully do and perform and fully observe and keep any and all covenants, undertakings, stipulations and provisions contained in the Bonds and in the Resolution.

Protection of Security

The District is duly authorized under all applicable laws to create and issue the Bonds and to adopt the Resolution and to pledge the Revenues, amounts of Electric System Revenues and other moneys, securities and funds purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. The Revenues, amounts of Electric System Revenues and other moneys, securities and funds so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, except as otherwise expressly provided therein, and all corporate action on the part of the District to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be valid and legally enforceable obligations of the District in accordance with their terms and the terms of the Resolution. The District shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues, amounts of Electric System Revenues and other moneys, securities and funds pledged under the Resolution and all the rights of the Bondowners under the Resolution against all claims and demands of all persons whomsoever.

Authority of District to Acquire and Construct the Generation System, to Provide for the Operation and Maintenance of the Generation System and to Fix and Collect Rates and Charges

The District has good, right and lawful power to acquire and construct the Generation System and to provide for the operation and maintenance of the Generation System and to fix, establish, maintain and collect rates and charges for the Generation System electric power and energy and other services, facilities and commodities sold, furnished or supplied through the facilities of the Generation System.

Payment of Taxes, Assessments and Other Governmental, Charges and Payments in Lieu Thereof; Payment of Claims

The District shall, from time to time, duly pay and discharge, or cause to be paid or discharged, all taxes, assessments or other governmental charges, or payments in lieu thereof, lawfully imposed upon the Generation System, or on the revenues, income, receipts, profits or other moneys derived by the District therefrom when the same shall become due, and all lawful claims for labor and materials and supplies that, if not paid, might become a lien or charge upon such properties, or any part thereof, or upon the Revenues and other moneys derived by the District directly or indirectly from the Generation System, or that might in any way impair the security of the obligations issued by the District payable from the Revenues and other

moneys, except those assessments, charges or claims that the District shall in good faith contest by proper legal proceedings.

Taking Any Further Action Necessary

The District shall, at any and all times, insofar as it may be authorized to do so by law, pass, adopt, make, do, execute, acknowledge, deliver, register, file and record all and every such further resolutions, acts, deeds, conveyances, assignments, recordings, filings, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, Revenues and other moneys pledged or assigned to the payment of Bonds or intended so to be.

Employees' Fidelity Bonds

The District shall require of agents of the District, and shall obtain for employees of the District collecting or handling money, fidelity bonds with a responsible surety company or companies as surety in reasonable amounts usually obtained by public agencies operating like properties, to protect the District from loss.

Non-Acceleration of Certain Obligations

The District shall not enter into any contract, obligation or evidence of indebtedness requiring the payment of money, described in the provisions of the Electric System Bond Resolution regarding "Separate System Bonds; Resource Obligations" or described in the provisions of the Resolution regarding "Additional Indebtedness—Separate System Bonds" pursuant to which the obligation of the District to make payments of money may be accelerated (upon occurrence of a default) from the regularly scheduled dates of such payments.

Compliance with Electric System Bond Resolution; Amendment Thereof

Until the obligations of the District under the Electric System Bond Resolution have been discharged in accordance with the terms thereof, the District shall comply with the provisions, covenants and agreements contained in the Electric System Bond Resolution. The District will not consent to or agree to any amendment or modification of the Electric System Bond Resolution which would impair the ability of the District to comply with the covenants set forth in the Resolution.

Amendments

The District, without the consent or concurrence of any owner of any Bond, may adopt a resolution amending or supplementing the Resolution (1) to provide for the issuance of Bonds; or (2) if the provisions of such Supplemental Resolution shall not adversely affect the rights of the owners of the Bonds then Outstanding, to make any changes or corrections in the Resolution as to which the District shall have been advised by its Counsel that the same are technical wording corrections or changes or are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error contained in the Resolution, or to insert provisions clarifying matters or questions arising under the Resolution as are necessary or desirable; to add additional covenants and agreements of the District to further secure the payment of the Bonds; to surrender any right, power or privilege reserved to or conferred upon the District by the terms of the Resolution; to confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge or charge, created or to be created by the Resolution; to grant to or confer upon the owners of the Bonds any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them, or to grant to or confer upon the Trustee for the benefit of the holders of the Bonds any additional rights, duties, remedies, power

or authority; and to modify any of the provisions of the Resolution in any other respects; provided that if such modification materially adversely affects the owners of any Bonds, such modification shall not be effective until after the Bonds Outstanding at the time such Supplemental Resolution is adopted shall cease to be Outstanding, in which case any Bonds issued subsequent to any such modification shall contain a specific reference to the modifications contained in such Supplemental Resolution, or until the owners of the Bonds Outstanding at the time such Supplemental Resolution is adopted shall consent thereto.

With the consent of the owners of not less than 60% in aggregate principal amount and Accreted Value, if any, of the Bonds then Outstanding, the District may adopt a resolution amending or supplementing the Resolution to add any provisions to, or change in any manner or eliminate any of the provisions of, the Resolution, or modify or amend the rights and obligations of the District and the Trustee thereunder, or modify in any manner the rights of the owners of the Bonds and coupons then Outstanding; provided that, without the specific consent of the owner of each such Bond which would be affected thereby, no such Supplemental Resolution shall: (1) change the fixed maturity date for the payment of the principal of any Bond or the date for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any Bond or the rate of interest thereon or the redemption price (or the redemption premium) payable upon the redemption or prepayment thereof, (2) reduce the aforesaid percentage of Bonds, the owners of which are required to consent to any Supplemental Resolution amending or supplementing the provisions of the Resolution; (3) give to any Bond or Bonds any preference over any other Bond or Bonds; (4) authorize the creation of any pledge of the Revenues and other money prior, superior or equal to the pledge of and lien and charge for the payment of the Bonds; or (5) deprive any owner of the Bonds of the security afforded by the Resolution.

Trustee

U.S. Bank Trust Company, National Association or its successor is appointed to act as Trustee (the "Trustee") for the owners of all Bonds. The Trustee may resign by notice in writing to be given to the District and mailed to each Bondowner by the Trustee or published once by the Trustee, in a daily newspaper of general circulation or a financial journal published in New York, New York, not less than 45 days before such resignation is to take effect. Such resignation shall take effect immediately upon the appointment of a new Trustee, if such new Trustee is appointed and accepts the trust before the time stated in such notice.

The Trustee may be discharged by the District at any time as long as an Event of Default has not occurred and is not continuing or at any time by the owners of a majority in aggregate principal amount of the Bonds then Outstanding.

If at any time the Trustee resigns, is discharged, or if the position of Trustee becomes vacant for any other reason, the District must appoint a Trustee to fill such vacancy. The District shall mail notice of any such appointment to each Bondowner or shall publish notice thereof once, in a daily newspaper of general circulation or a financial journal published in New York, New York, within 20 days after such appointment. At any time within one year after such appointment, the owners of a majority in aggregate principal amount of the Bonds then Outstanding may appoint a successor Trustee, which shall supersede any Trustee theretofore appointed by the District.

The Resolution provides that the recitals of fact contained in the Resolution and in the Bonds shall be taken as the statements of the District and the Trustee does not assume any responsibility for the correctness of the same. The Resolution provides further that the Trustee does not make any representations as to the validity or sufficiency of the Resolution or of any Bonds or in respect of the security afforded by the Resolution, and the Trustee shall not incur any liability in respect thereof, and

that the Trustee shall not be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof, except to the extent that proceeds are paid to the Trustee, or the application of any moneys paid to the District, or for any losses incurred upon the sale or redemption of any securities purchased for or held in any Fund or Account under the Resolution.

The Resolution provides that the Trustee may exercise any powers under the Resolution and perform any duties required of it through its attorneys, agents, officers or employees, and shall be entitled to advice of counsel (which may be Bond Counsel) concerning all questions under the Resolution. The Resolution provides further that the Trustee shall not be answerable for the exercise of any discretion or power under the Resolution nor for anything whatever in connection with the trust under the Resolution, except only its own willful misconduct or negligence, which shall include but not be limited to failure to make a debt service payment when due if the Trustee has sufficient funds on hand with which to make such payment.

The Resolution provides that the duties and obligations of the Trustee appointed by or pursuant to the provisions of the Resolution prior to the occurrence of an Event of Default, and subsequent to the waiving or curing of such Event of Default, shall be determined solely by the express provisions of the Resolution, and the Trustee shall not be liable except for the performance of its duties and obligations as specifically set forth in the Resolution and to act in good faith in the performance thereof, and no implied duties or obligations shall be incurred by the Trustee other than those specified in the Resolution, and the Trustee shall be protected and shall have no liability when acting or omitting to act in good faith upon the advice of counsel, who may be counsel to the District. The Resolution provides further that in case an Event of Default has occurred which has not been waived or cured, the Trustee shall exercise such of the rights and powers vested in it by the Resolution and use the same degree of care and skill in the exercise thereof as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The Resolution provides that none of the provisions contained in the Resolution shall require the Trustee to take any action or exercise any remedies, including but not limited to spending or risking its own funds or otherwise incurring individual financial responsibility in the performance of any of its duties or in the exercise of any of its rights or powers if in the Trustee's judgment there are reasonable grounds for believing that the prompt repayment thereof is not reasonably assured to it under the terms of the Resolution.

Events of Default and Remedies

Under the Resolution, each of the following constitutes an "Event of Default": (1) if payment of the principal and premium, if any, on any Bond is not made when due and payable, whether at maturity or by proceedings for redemption or otherwise; or (2) if payment of any installment of interest on any Bond is not made when due and payable; or (3) if the provisions of any Supplemental Resolution with respect to mandatory sinking fund installments or the retirement of Term Bonds is not complied with at the time and in the manner specified in such Supplemental Resolution; or (4) default under any agreement executed by the District with respect to a Qualified Letter of Credit or Qualified Insurance, or any letter of credit or other credit enhancement device providing additional security for any Variable Interest Rate Bonds which default results in the suspension, expiration or termination of the payment obligations of the issuer thereof; or (5) the occurrence of an Event of Default as defined in the Electric System Bond Resolution; or (6) if the District violates or fails to perform any of its other obligations under the Resolution or any Supplemental Resolution for 60 days after written notice of default is given to the District by the Trustee or by the owners of not less than 66% in aggregate principal amount and Accreted Value, if any, of the Bonds then Outstanding, provided the violation by the District of any provision of, or the failure of the District to perform any of its obligations (other than a failure constituting an Event of

Default described in clauses (1) through (3) above) under the Resolution or any Supplemental Resolution shall not constitute an Event of Default if, prior to or within such 60-day period, the District commences appropriate action in good faith to cure such violation or failure and diligently prosecutes such action to completion, notwithstanding that the period required to effect such cure shall extend beyond such 60-day period, or (7) if a court having jurisdiction enters a decree or order for relief adjudging the District a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of the District under any applicable bankruptcy, insolvency or other similar law, and such decree or order continues undischarged or unstayed for 40 days, or if a court having jurisdiction enters a decree or order appointing a receiver, liquidator, assignee, custodian, trustee or sequestrator of the District or any substantial part of its property, or ordering the winding-up or liquidation of the District, and such decree or order remains undischarged or unstayed for 60 days; or (8) if the District institutes voluntary proceedings to be adjudicated insolvent or bankrupt under any applicable bankruptcy, insolvency or other similar law or consents to the filing of a bankruptcy proceeding against it, or to the entry of an order for relief in an involuntary proceeding against it under any such law, or files a petition or answer or consent seeking reorganization or arrangement under any such law, or consents to the filing of any such petition, or consents to the appointment of a receiver, liquidator, trustee, assignee, custodian or sequestrator of the District or any substantial part of its property, or makes an assignment for the benefit of creditors, or admits in writing its insolvency or inability to pay its debts generally as they become due, or takes any action in furtherance of any of the foregoing.

If an Event of Default shall have happened and shall not have been remedied, the District upon demand of the Trustee shall pay over, and the District covenants that upon demand of the Trustee it shall pay over, to the Trustee only to the extent necessary to cure such Event of Default (i) forthwith, all moneys, securities and funds then held by the District and pledged under the Resolution, and (ii) as promptly as practicable after receipt thereof, all Revenues.

During the continuance of an Event of Default as defined under the Resolution or of any other Event of Default resulting in an Event of Default as defined in the Resolution, the Revenues received by the Trustee shall be applied by the Trustee, first, to the payment of all necessary and proper Operating Expenses and all other proper disbursements or liabilities made or incurred by the Trustee and, second, to the then due and overdue payments into the Bond Fund, including the making up of deficiencies therein.

In the event that at any time the funds held by the Trustee pursuant to the Resolution shall be insufficient for the payment of the principal (including any mandatory sinking fund installments), premium, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds) and all Revenues shall be applied as follows: first, to the payment of all necessary and proper Operating Expenses and all other proper disbursements or liabilities made or incurred by the Trustee; second, to the payment, pro rata, to the persons entitled thereto of all installments of interest then due (including any interest on overdue principal) or any District Payments; third, to the payment, pro rata, to the persons entitled thereto of the principal (including any mandatory sinking fund installments) and premium, if any, due and unpaid upon the Bonds at the time of such payment; fourth, to the payment pro rata, to the persons entitled thereto by reason of a pledge of Revenue subordinate to the lien of the Bonds, and fifth, for any other lawful purpose as provided in the Resolution concerning the application of any balance of the Revenues in the Revenue Fund.

If an Event of Default happens and is not remedied, the Trustee, either in its own name or as trustee of an express trust, or as attorney-in-fact for the owners of the Bonds is empowered to proceed forthwith to institute such suits, actions and proceedings at law or in equity for the collection of all sums due in connection with the Bonds and to protect and enforce its rights and the rights of the owners of the Bonds under the Resolution for the specific performance of any covenant contained in the Resolution, or in aid of the execution of any power granted in the Resolution, or for an accounting against the District

as trustee of any express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, deems most effectual to enforce any of its rights, or to perform any of its duties, under the Resolution. The owners of not less than 66% in aggregate principal amount and Accreted Value, if any, of the Bonds at the time Outstanding shall be authorized and empowered (1) to direct the time, method, and place of conducting any proceeding for any remedy available to the owners of the Bonds or to the Trustee therefor, or of exercising any trust or power conferred upon the Trustee under the Resolution or (2) on behalf of the owners of the Bonds then Outstanding, to consent to the waiver of any Event of Default except an Event of Default defined in clauses (1) through (3) of the definition of "Events of Default" above or its consequences, and the Trustee shall waive any Event of Default and its consequences upon the written request of the owners of such 66%; provided that the Trustee shall be provided with adequate security and indemnity. No waiver shall extend to any subsequent or other default, or impair any right consequent thereon. The Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondowners not party to such direction.

No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the owners of the Bonds is intended to be exclusive of any other remedy given thereunder to the Trustee or to the owners of the Bonds or now or thereafter existing at law or in equity or by statute.

Defeasance; Discharge of Liens and Pledges

The Resolution provides that obligations of the District and the liens, pledges, charges, trusts, assignments, covenants and agreements of the District made or provided for in the Resolution shall be fully discharged and satisfied as to any Bond and such Bond shall be deemed to be no longer Outstanding under the Resolution: (1) when such Bond shall have been cancelled, or shall have been surrendered for cancellation or is subject to cancellation or; (2) when payment of the principal of and premium, if any, on such Bond, plus interest on such principal to the due date thereof (whether such due date be by reason of maturity or upon redemption through the application of mandatory sinking fund installments or optional redemption or prepayment or otherwise), either (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided by depositing with the Escrow Trustee, in a special trust account, and appropriating and setting aside exclusively for such payment, either (i) money sufficient to make such payment or (ii) Governmental Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient money to make such payment, or (iii) a combination of both such money and such Governmental Obligations, whichever the District deems to be in its best interest.

At such time as a Bond shall be deemed to be no longer Outstanding, such Bond, except for the purpose of any such payment from such money or Governmental Obligations, shall no longer be secured by or entitled to the benefits of the Resolution. In the case of a Bond which is to be redeemed or otherwise prepaid prior to its stated maturity, no deposit described under clause (2)(b) above shall constitute such payment, discharge and satisfaction as aforesaid until such Bond shall have been irrevocably designated for redemption or prepayment. If money or Governmental Obligations have been deposited with the Escrow Trustee for the payment of a specific Bond and such Bond shall be deemed to have been paid and be no longer Outstanding, but such Bond shall not have in fact been actually paid in full, no amendment to the provisions summarized above shall be made without the consent of the owner of each Bond affected thereby.

APPENDIX D-1

PROPOSED FORM OF OPINION OF BOND COUNSEL REGARDING THE 2025A BONDS

July __, 2025

Public Utility District No. 1 of
Snohomish County, Washington
Everett, Washington

\$ _____
Public Utility District No. 1 of Snohomish County, Washington
Electric System Revenue and Refunding Bonds, Series 2025A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Public Utility District No. 1 of Snohomish County, Washington (the "District") in connection with issuance of \$ _____ aggregate principal amount of Public Utility District No. 1 of Snohomish County, Washington Electric System Revenue and Refunding Bonds, Series 2025A (the "2025A Bonds"). The 2025A Bonds are being issued pursuant to Resolution No. 3602, adopted by the Commission of the District (the "Commission") on May 16, 1991 (the "Master Resolution"), as supplemented and amended, including as supplemented by Resolution No. __, adopted by the Commission on July 1, 2025 (the "Thirteenth Supplemental Resolution"). The Master Resolution as amended and supplemented, including as supplemented by the Thirteenth Supplemental Resolution is referred to herein as the "Resolution." The District has appointed U.S. Bank Trust Company, National Association, to serve as trustee, registrar and paying agent (the "Trustee") for the 2025A 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 2025A Bonds, dated the date hereof (the "Tax Certificate"), an opinion of counsel to the District, certificates of the District, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the 2025A Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the 2025A 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 of each such document by each party thereto other than the District and that each such document constitutes a valid and binding agreement of such party. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution, the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2025A 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 2025A 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 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 2025A Bonds and express no 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 2025A 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 2025A 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 2025A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the 2025A Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the 2025A Bonds included 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 2025A Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX D-2

PROPOSED FORM OF OPINION OF BOND COUNSEL REGARDING THE 2025B BONDS

September __, 2025

Public Utility District No. 1 of
Snohomish County, Washington
Everett, Washington

\$ _____
Public Utility District No. 1 of Snohomish County, Washington
Electric System Revenue Refunding Bonds, Series 2025B
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Public Utility District No. 1 of Snohomish County, Washington (the “District”) in connection with issuance of \$ _____ aggregate principal amount of Public Utility District No. 1 of Snohomish County, Washington Electric System Revenue Refunding Bonds, Series 2025B (the “2025B Bonds”). The 2025B Bonds are being issued pursuant to Resolution No. 3602, adopted by the Commission of the District (the “Commission”) on May 16, 1991 (the “Master Resolution”), as supplemented and amended, including as supplemented by Resolution No. __, adopted by the Commission on July 1, 2025 (the “Thirteenth Supplemental Resolution”). The Master Resolution as amended and supplemented, including as supplemented by the Thirteenth Supplemental Resolution is referred to herein as the “Resolution.” The District has appointed U.S. Bank Trust Company, National Association, to serve as trustee, registrar and paying agent (the “Trustee”) for the 2025B 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 2025B Bonds, dated the date hereof (the “Tax Certificate”), an opinion of counsel to the District, certificates of the District, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the 2025B Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the 2025B 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 of each such document by each party thereto other than the District and that each such document constitutes a valid and binding agreement of such party. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution, the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2025B 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 2025B 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 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 2025B Bonds and express no 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 2025B 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 2025B 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 2025B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the 2025B Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the 2025B Bonds included 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 2025B Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX E

BOOK-ENTRY SYSTEM

The following information (except for the final paragraph) has been provided by The Depository Trust Company, New York, New York ("DTC"). The District makes no representation regarding the accuracy or completeness thereof. Beneficial Owners (as hereinafter defined) should therefore confirm the following with DTC or the Participants (as hereinafter defined).

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The 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 maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each 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 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 Bonds, except in the event that use of the book entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all 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 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents relating to the Bonds. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 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 Bonds within a maturity 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 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 District 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments represented by the 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 District or the Trustee, 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 Trustee, or the District, 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 District or the Trustee, 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 Bonds at any time by giving reasonable notice to the District or the Trustee. 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 District 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 District believes to be reliable, but the District takes no responsibility for the accuracy thereof. Neither the District nor the Trustee 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 Bonds.

So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references herein to the holders or registered owners of the Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 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 District or the Trustee shall send them to DTC only.

For every transfer and exchange of the Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered as of _____, 2025, by Public Utility District No. 1 of Snohomish County, Washington (the “District”) for the benefit of the Owners and Beneficial Owners of the Bonds (each as defined below), in connection with the issuance of \$_____ aggregate principal amount of Electric System Revenue and Refunding Bonds, Series 2025A (Tax-Exempt) (the “2025A Bonds”) and \$_____ aggregate principal amount of Electric System Revenue Refunding Bonds, Series 2025B (Tax-Exempt) (the “2025B Bonds” and together with the 2025A Bonds, the “Bonds”).

WITNESSETH:

WHEREAS, pursuant to Resolution No. 3602, adopted by the Commission of the District (the “Commission”) on May 16, 1991 (the “Master Resolution”), as amended and supplemented, including as supplemented by Resolution No. [____], adopted by the Commission on July 1, 2025 (the “Thirteenth Supplemental Resolution” and together with the Master Resolution, the “Resolution”), the District has provided for the issuance of the Bonds;

WHEREAS, the underwriters with respect to the Bonds (the “Underwriters”) are required to comply with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “SEC”) pursuant to the Securities Exchange Act of 1934, as amended (the “1934 Act”);

NOW THEREFORE, the District covenants and agrees for the benefit of the Owners and Beneficial Owners of the Bonds as follows:

SECTION 1. Definitions. The following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person that (a) has or shares the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, or otherwise make investment decisions concerning ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Bond Register” shall have the meaning provided in the Resolution.

“Business Day” shall mean a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State of Washington or the State of New York are closed.

“Dissemination Agent” shall mean the District, or any successor Dissemination Agent designated in writing by the District and that has filed with the District a written acceptance of such designation.

“Financial Obligation” shall mean, for purposes of the Listed Events set out in Section 5(a)(10) and Section (5)(b)(8), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 5(a) or Section 5(b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the Official Statement with respect to the Bonds dated _____, 2025.

“Owner,” whenever used herein with respect to a Bond, shall mean the Person in whose name the ownership of such Bond is registered on the Bond Register.

“Person” shall mean an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

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

“State” shall mean the State of Washington.

“Trustee” shall have the meaning provided in the Resolution.

SECTION 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Owners and the Beneficial Owners, and in order to assist the Underwriters in complying with the Rule.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of each fiscal year of the District, commencing with the fiscal year of the District ending December 31, 2025, provide to the MSRB copies of an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, the District shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than fifteen (15) Business Days prior to the date specified in Section 3(a) for providing the Annual Report to the MSRB, the District shall provide the Annual Report to the Dissemination Agent (if the Dissemination Agent is other than the District). If by 15 Business Days prior to such date, the Dissemination Agent (if the Dissemination Agent is other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with Section 3(a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in Section 3(a), the Dissemination Agent shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent (if the Dissemination Agent is other than the District) shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

- (a)
 - (i) The audited financial statements of the Electric System and the Generation System prepared in accordance with generally accepted accounting principles applicable to government entities, with regulations prescribed by FERC and substantially in accordance with the system prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute); provided, that if the audited financial statements of the Electric System and Generation System are not yet available by the time the Annual Report is required to be provided to the Repository pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be provided to the Repository in the same manner as the Annual Report when they become available;
 - (ii) The outstanding indebtedness of the Electric System, the Generation System and any other system of the District that provides power or capacity to either of these systems, to the extent not already included in the audited financial statements;
 - (iii) Electric System retail customers, energy sales, peak demand and revenues substantially in the form of the table "Electric System Customers, Energy Sales, and Peak Demand" (excluding partial year statistics), to the extent not already included in the audited financial statements;
 - (iv) Electric System income statements, operating results and debt service coverage on the outstanding Electric System Bonds substantially in the form of the table "Electric System Operating Results" (excluding partial year statistics), to the extent not already included in the audited financial statements;
 - (v) Electric System energy requirements, resources and purchased power costs substantially in the form of the tables "Electric System Purchased Power Costs" (excluding partial year statistics) and "Electric

System Energy Resources” (excluding partial year statistics), to the extent not already included in the audited financial statements;

(vi) The aggregate amount and percentage of total energy sold and of retail revenues provided by the Electric System’s ten largest customers, to the extent not already included in the audited financial statements; and

(vii) Generation System annual production and costs substantially in the form of the table under the caption “Generation System Annual Costs”, to the extent not already included in the audited financial statements.

(b) Any or all of the items listed in Section 4(a) may be set forth in one or a set of documents or may be incorporated by specific reference from other documents, including official statements of debt issues of the District, that have been submitted to the MSRB or the SEC and made available to the public on the MSRB’s website. The District shall clearly identify each such other document so incorporated by reference.

The contents, presentation and format of the Annual Report may be modified from time to time as determined in the judgment of the District to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the District or to reflect changes in the business, structure, operations, legal form of the District or any mergers, consolidations, acquisitions or dispositions made by or affecting the District; provided, that any such modifications shall comply with the requirements of the Rule; provided further, that if the respective Annual Report is modified to conform to changes in accounting or disclosure principles, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting or disclosure principles and those prepared on the basis of the former accounting or disclosure principles.

SECTION 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

(i) Principal and interest payment delinquencies.

(ii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iii) Unscheduled draws on credit enhancements reflecting financial difficulties.

(iv) Substitution of credit or liquidity providers, or their failure to perform.

(v) Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB).

(vi) Tender offers.

(vii) Defeasances.

(viii) Rating changes.

(ix) Bankruptcy, insolvency, receivership or similar event of the District.

(x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

(i) Non-payment related defaults.

(ii) Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds.

(iii) Modifications to rights of Bond holders.

(iv) Bond calls.

(v) Release, substitution, or sale of property securing repayment of the Bonds.

(vi) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(vii) Appointment of a successor or additional trustee or the change of name of a trustee.

(viii) Incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders.

(c) The Dissemination Agent (if other than the District) shall, promptly upon obtaining actual knowledge at the address listed in Section 13 of this Disclosure Certificate of the occurrence of any of the Listed Events, contact the District, inform the District of the event and request that the District promptly notify the Dissemination Agent in writing whether or not to report the event (if such event is described in Section 5(b)) pursuant to subsection (g).

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in subsection (b), whether because of a notice from the Dissemination Agent pursuant to

subsection (c) or otherwise, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(e) If the District obtains knowledge of the occurrence of a Listed Event described in Section 5(a), or if the District determines that knowledge of the occurrence of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the District shall promptly notify the Dissemination Agent (if other than the District) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (g).

(f) If in response to a request under subsection (c), the District determines that the Listed Event described in Section 5(b) would not be material under applicable federal securities laws, the District shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to Section 5(g).

(g) If the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the occurrence of a Listed Event described in Section 5(a)(7) and 5(b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Resolution, and notice of any other Listed Event is required only following the actual occurrence of the Listed Event.

(h) The Dissemination Agent may conclusively rely on an opinion of counsel that the District's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Format for Filings with the MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as in prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The District's and the Dissemination Agent's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(g).

SECTION 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent. Upon such discharge, however, a new Dissemination Agent must be appointed within 60 days. The Dissemination Agent may resign by providing 60 days' written notice to the District. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the District shall be the Dissemination Agent. The initial Dissemination Agent shall be the District.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal

requirements, change in law, or change in the identity, nature or status of the District with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Owners (other than amendments requiring the consent of every Owner affected), or (ii) does not, in the opinion of the Dissemination Agent or nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice in addition to that which is expressly required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

SECTION 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, the Dissemination Agent may (and, at the request of the Underwriters or the Owners of at least 25% of aggregate principal amount of the Bonds then Outstanding, shall), or any Owner or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in a Washington State Court sitting in Snohomish County or in U.S. District Court for the Western District of Washington. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance, and no Person shall be entitled to recover monetary damages under this Disclosure Certificate.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are expressly set forth in this Disclosure Certificate, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, or the employees and agents of the Dissemination Agent, harmless against any loss, expense and liabilities which the Dissemination Agent or such employees or agents may incur arising out of or in the exercise or

performance of the Dissemination Agent's powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Certificate may be given as follows:

To the District:

Public Utility District No. 1 of Snohomish County, Washington
ATTN: Treasurer
2320 California Street
Everett, Washington 98201

To the initial Dissemination Agent:

Public Utility District No. 1 of Snohomish County, Washington
ATTN: Treasurer
2320 California Street
Everett, Washington 98201

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriters and the Owners and Beneficial Owners from time to time, and shall create no rights in any other person or entity.

SECTION 15. Governing Law. This Disclosure Certificate shall be governed by the laws of the State of Washington determined without regard to the principles of conflict of law.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the District has caused this Disclosure Certificate to be executed by its proper officer thereunto duly authorized, as of the day and year first above written.

PUBLIC UTILITY DISTRICT NO. 1
OF SNOHOMISH COUNTY, WASHINGTON

By: _____
Authorized Representative

EXHIBIT A

NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Public Utility District No. 1 of Snohomish County, Washington

Name of Bond Issue: Electric System Revenue and Refunding Bonds, Series 2025A (Tax-Exempt)
Dated ____ __, 2025.

Electric System Revenue Refunding Bonds, Series 2025B (Tax-Exempt)
Dated ____ __, 2025.

Notice is hereby given that Public Utility District No. 1 of Snohomish County, Washington (the “District”) has not provided an Annual Report with respect to the above-referenced bonds (the “Bonds”) as required by Section 3 of the Continuing Disclosure Certificate, dated _____ __, 2025, entered into by the District for the benefit of the Owners and Beneficial Owners of the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

TREASURER OF PUBLIC UTILITY DISTRICT NO. 1
OF SNOHOMISH COUNTY, WASHINGTON,
as Dissemination Agent

By _____

cc: Public Utility District No. 1 of Snohomish County, Washington

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

**\$[_____]
ELECTRIC SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2025A
(TAX-EXEMPT)**

PURCHASE CONTRACT

July 24, 2025

PUBLIC UTILITY DISTRICT NO. 1
OF SNOHOMISH COUNTY, WASHINGTON
2320 California Street
Everett, Washington 98201

Ladies and Gentlemen:

Raymond James & Associates, Inc. (the “Representative”), acting on behalf of itself and as representative of Goldman Sachs & Co., LLC (together with the Representative, the “Underwriters”), offers to enter into this Purchase Contract (the “Purchase Contract”) with Public Utility District No. 1 of Snohomish County, Washington (the “District”). The offer made hereby is subject to acceptance by the District by execution and delivery of this Purchase Contract to the Representative at or prior to 6:00 p.m., Pacific Daylight Time, on the date first above written. If not so accepted, the offer made hereby will be subject to withdrawal by the Underwriters upon notice delivered to the District by the Representative at any time prior to the acceptance hereof by the District. Upon acceptance of this offer by the District in accordance with the terms hereof, this Purchase Contract will be binding upon the District and upon the Underwriters. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Preliminary Official Statement or the Resolution (each as defined herein).

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties, covenants, and agreements hereinafter set forth, the Underwriters hereby agree, jointly and severally, to purchase from the District, and the District hereby agrees to sell to the Underwriters, all (but not less than all) of the \$[_____] aggregate principal amount of the District’s Electric System Revenue and Refunding Bonds, Series 2025A (Tax-Exempt) (the “2025A Bonds”). The 2025A Bonds shall be dated their date of delivery to the Underwriters, shall bear interest payable December 1, 2025, and thereafter semiannually on each June 1 and December 1, until maturity or prior redemption, at the rates and shall mature on December 1 in the years and principal amounts and be subject to redemption, all as set forth in Exhibit A. The purchase price of the 2025A Bonds shall be \$[_____] , representing the aggregate principal amount of the 2025A Bonds, plus/less a [net] original issue premium/discount of \$[_____] , less an underwriters’ discount of \$[_____] . The District acknowledges and agrees that: (a) the purchase and sale of the 2025A Bonds pursuant to this Purchase Contract is an arm’s-length commercial transaction between the District and the Underwriters; (b) in connection with

the purchase and sale of the 2025A Bonds pursuant to this Purchase Contract, each of the Underwriters is acting solely as a principal and not as an agent or fiduciary of the District or as a municipal advisor (within the meaning of Section 15B of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)); (c) none of the Underwriters has assumed a fiduciary responsibility in favor of the District with respect to the offering of the 2025A Bonds or the process leading thereto (whether or not any of Underwriters, or any affiliate of any of the Underwriters, has advised or is currently advising the District on other matters) nor has any of the Underwriters assumed any other obligation to the District except the obligations expressly set forth in this Purchase Contract; (d) each of the Underwriters has financial and other interests that differ from those of the District; and (e) the District has consulted with its own legal, accounting, tax, financial, and other advisors, as applicable, to the extent it has deemed appropriate in connection with the offering of the 2025A Bonds.

2. The 2025A Bonds. The 2025A Bonds shall be issued in accordance with Chapter 1 of the Laws of Washington, 1931, as amended and supplemented, constituting Title 54 of the Revised Code of Washington, and Chapter 167 of the Laws of Washington, 1983, as amended and supplemented, constituting Chapter 39.46 of the Revised Code of Washington (together, the “Act”), and pursuant to and in accordance with Resolution No. 3602, adopted by the Commission of the District (the “Commission”) on May 16, 1991, as supplemented and amended (the “Master Electric System Bond Resolution”), including as amended and supplemented by Resolution No. [____], adopted by the Commission on July 1, 2025 (the “Thirteenth Supplemental Resolution”). The Master Electric System Bond Resolution, as amended and supplemented, including as supplemented by the Thirteenth Supplemental Resolution, is referred to as the “Resolution.” The proceeds of the 2025A Bonds will be used to: (a) finance additions, betterments, and improvements to and renewals, replacements, and extensions of the Electric System; (b) refund [all of] the District’s outstanding Electric System Revenue Bonds, Series 2010A Taxable Build America Bonds (Direct Pay) [maturing in the years ____ through ____]; and (c) pay costs of issuance of the 2025A Bonds. The 2025A Bonds shall otherwise be as described in the Preliminary Official Statement of the District relating to the 2025A Bonds dated July 16, 2025 (together with the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto accepted by the Representative, the “Preliminary Official Statement”).

3. Official Statement. The District hereby ratifies, approves, and confirms the distribution of the Preliminary Official Statement in connection with the public offering and sale of the 2025A Bonds by the Underwriters prior to the availability of the Official Statement (defined herein). The District represents and warrants that the Preliminary Official Statement was deemed final by the District as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission (“Rule 15c2-12”), except for the omission of offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, ratings, and other terms of the 2025A Bonds depending on such matters. Within seven business days after the date of this Purchase Contract and in any event prior to the delivery of the 2025A Bonds, the District shall deliver or cause to be delivered to the Representative:

- (a) A reasonable number of copies of the Official Statement, as requested by the Representative, executed on behalf of the District by its Treasurer or other Authorized Officer; and

(b) A copy of the Resolution (authorizing the execution and delivery of this Purchase Contract and the Official Statement), including the proceedings of the Commission with respect thereto, certified by an Authorized Officer of the District to have been duly adopted and to be in full force and effect, in the form previously provided to the Representative, with only such changes thereto as have been accepted by the Representative.

The Official Statement shall be dated the date of this Purchase Contract, and shall be in the form of the Preliminary Official Statement, with the addition only of offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, ratings, and other terms of the 2025A Bonds depending on such matters, the number and date of the Thirteenth Supplemental Resolution, and any amendments or supplements thereto accepted by the Representative (together with the appendices thereto and any documents incorporated therein by reference, the “Official Statement”). The District hereby authorizes and approves the distribution by the Underwriters of the Official Statement in connection with the public offering and sale of the 2025A Bonds.

4. Representations, Covenants, and Agreements. The District represents, covenants, and agrees to and with the Underwriters that, as of the date hereof:

(a) The District is duly organized and validly existing as a municipal corporation of the State of Washington (the “State”) and under the Constitution and laws of the State has the legal right, power, and authority to acquire, construct, own, operate, maintain, improve, and finance the Generation System and the Electric System.

(b) The District has the legal right, power, and authority to enter into this Purchase Contract, to execute the Continuing Disclosure Certificate substantially in the form attached to the Preliminary Official Statement as Appendix F (the “Continuing Disclosure Certificate”), to adopt the Resolution, to observe, perform, and consummate the covenants, agreements, and transactions contemplated by this Purchase Contract, the Continuing Disclosure Certificate, and the Resolution and to execute, issue, sell, and deliver the 2025A Bonds to the Underwriters as provided herein; by all necessary official action of the District prior to or concurrently with the acceptance hereof, the District has duly adopted the Resolution in accordance with the Act and authorized and approved the Preliminary Official Statement and the Official Statement and the distribution thereof by the Underwriters; the Resolution is in full force and effect and has not been amended, modified, or rescinded (except as set forth in Section 2); and the District has duly authorized and approved the execution and delivery by the District of the 2025A Bonds, this Purchase Contract, and the Continuing Disclosure Certificate; the District has duly authorized and approved the observance and performance by the District of its covenants, agreements, and obligations contained in the Resolution and the Continuing Disclosure Certificate and the consummation by it of all other transactions contemplated by this Purchase Contract to have been performed or consummated at or prior to the date of the Closing (defined herein); and at the Closing, the District will be in compliance in all material respects with the obligations in connection with the issuance of the 2025A Bonds on its part contained in the Resolution, the 2025A Bonds, and this Purchase Contract and will not be in violation of any provision of the Act, which violation would

have a material adverse effect on the business, operations, or financial condition of the Generation System or the Electric System.

(c) As of the date thereof, the Preliminary Official Statement (except for information regarding The Depository Trust Company (“DTC”) and its book-entry only system and information under the heading “ELECTRIC SYSTEM POWER SUPPLY – Bonneville Power Administration” with respect to Bonneville and not the District (the “Bonneville Information”) and information under the heading “THE DISTRICT – Pension and Other Post-Employment Benefits” with respect to the State Department of Retirement Systems and not the District (the “State Pension Information”), as to which no representation is made in this sentence) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The District obtained the Bonneville Information and the State Pension Information from sources it believes to be reliable, and as of the date of the Preliminary Official Statement, the District did not believe the Bonneville Information or the State Pension Information was inaccurate or incomplete in any material respect for the purposes for which it is provided.

(d) As of the date thereof and at all times subsequent thereto up to and including 25 days after the end of the underwriting period (as such term is defined in Rule 15c2-12), the Official Statement (except for information regarding DTC and its book-entry only system, the Bonneville Information, and the State Pension Information, as to which no representation is made in this sentence), as supplemented and amended, does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of the date hereof, the District does not believe the Bonneville Information or the State Pension Information is inaccurate or incomplete in any material respect for the purposes for which it is provided. For purposes of this Purchase Contract, the end of the underwriting period shall be deemed to be the date of the Closing, unless the Representative shall notify the District in writing to the contrary on or prior to such date, in which event the end of the underwriting period shall be deemed to be the date the Representative delivers written notice of such to the District.

(e) If the Official Statement is supplemented or amended pursuant to Section 4(f), at the time of each supplement or amendment thereto and at all times subsequent thereto up to and including the end of the underwriting period, the Official Statement (except for information regarding DTC and its book-entry only system, the Bonneville Information, and the State Pension Information, as to which no representation is made in this sentence) as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If the Bonneville Information or the State Pension Information is supplemented or amended pursuant to Section 4(f), the District shall obtain each supplement or amendment to the Bonneville Information or the State Pension Information, as applicable, from sources it believes to be reliable, and at the time of each

supplement or amendment thereto and at all times subsequent thereto up to and including the end of the underwriting period, the District shall not believe the Bonneville Information or the State Pension Information, as so supplemented or amended, is inaccurate or incomplete in any material respect for the purposes for which it is provided.

(f) If between the date of this Purchase Contract and 25 days after the end of the underwriting period (i) any event shall occur or any fact or condition shall become known to the District which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the District shall notify the Representative thereof, and (ii) in the reasonable opinion of the Representative such event, fact, or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the District will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Representative.

(g) The District is not in material violation of or in material breach of or in material default under any applicable Constitutional provision, law, or administrative order, rule, or regulation of the State or the United States of America or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, or other agreement or instrument to which the District is a party or to which the District or any of its properties is otherwise subject, which violation, breach, or default would have a material adverse effect on the business, operations, or financial condition of the Generation System or the Electric System, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a material default or event of default under any such agreement or instrument; and the adoption of the Resolution, the execution and delivery of the 2025A Bonds, this Purchase Contract, and the Continuing Disclosure Certificate, and the compliance with the provisions of the Resolution, the 2025A Bonds, this Purchase Contract, and the Continuing Disclosure Certificate will not conflict with or constitute a material violation or breach of or material default under any Constitutional provision, law, administrative order, rule, or regulation, or any judgment, decree, license, permit, loan agreement, indenture, bond, note, resolution, agreement, or other instrument with respect to the Generation System or the Electric System to which the District is subject, or by which it or any of its properties is bound, which violation, breach, or default would have a material adverse effect on the business, operations, or financial condition of the Generation System or the Electric System, nor will any such execution, delivery, adoption, or compliance result in the creation or imposition of any lien, charge, or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation, or instrument, except as provided by the 2025A Bonds and the Resolution.

(h) Except as disclosed in the Preliminary Official Statement or otherwise in writing to the Representative, there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, government agency, public board, or body, pending or, to the knowledge of the District, threatened (i) in any way

questioning the corporate existence of the District or the titles of the officers of the District to their respective offices; (ii) in any way affecting, contesting, or seeking to prohibit, restrain, or enjoin the issuance or delivery of any of the 2025A Bonds, or the payment, collection, or application of Revenues pledged or to be pledged to pay the principal of and interest on the 2025A Bonds or Electric System Revenues or of any amounts to be deposited into the Revenue Fund or the Bond Fund pursuant to the Resolution, or the application of the proceeds of the 2025A Bonds, or in any way contesting or affecting the validity of the pledge of or lien on the Revenues or funds and accounts pursuant to the Resolution or the validity of the 2025A Bonds, the Resolution, this Purchase Contract, or the Continuing Disclosure Certificate, or to the knowledge of the District, the Act, or contesting the exclusion of interest on the 2025A Bonds from gross income subject to federal income taxation, or contesting the powers of the District or its authority to issue the 2025A Bonds, or the adoption of the Resolution, or the execution and delivery by the District of this Purchase Contract and the Continuing Disclosure Certificate; (iii) in any way contesting or affecting the power and authority of the District to establish, maintain, and collect rates and charges for electric power and energy and other services, facilities, and commodities sold, furnished, or supplied through the facilities of the Generation System or the Electric System; (iv) which likely would result in any material adverse change relating to the business, operations, or financial condition of the Generation System or the Electric System or the ability of the District to pay the 2025A Bonds; or (v) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and to the best knowledge of the District there is no reasonable basis for any action, suit, proceeding, inquiry, or investigation of the nature described in clauses (i) through (v) of this sentence.

(i) The District will furnish such information, execute such instruments, and take such other action not inconsistent with law in cooperation with the Representative as the Representative may request (i) to qualify the 2025A Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as the Representative may designate, and (ii) to determine the eligibility of the 2025A Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the 2025A Bonds; provided, that the District shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(j) The 2025A Bonds, when executed, issued, and delivered in accordance with the Resolution and sold to the Underwriters as provided herein and the Continuing Disclosure Certificate will be, and the Resolution, and this Purchase Contract are, legal, valid, and binding obligations of the District, enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws or equitable principles relating to or limiting

creditors' rights generally, and the holders of the 2025A Bonds will be entitled to the benefits of the Resolution; and upon execution, issuance, and delivery of the 2025A Bonds, the Resolution will provide, for the benefit of the holders from time to time of the 2025A Bonds, a legal, valid, and binding pledge of and lien on the funds and accounts pledged to the 2025A Bonds under the Resolution and the revenues pledged to such funds and accounts under the Resolution, as provided and contemplated therein.

(k) Except as described in the Preliminary Official Statement, all material authorizations, approvals, licenses, permits, consents, and orders of or filings with any governmental authority, legislative body, court, board, agency, or commission having jurisdiction over the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially and adversely affect the due performance by the District of its respective obligations under the Resolution, the 2025A Bonds, this Purchase Contract, or the Continuing Disclosure Certificate, or which are necessary to permit the District to operate and maintain the Generation System or the Electric System, have been duly obtained or made, or where required for future performance are expected to be obtained, except as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the 2025A Bonds.

(l) Between the date hereof and the Closing, except as described in the Preliminary Official Statement, as then supplemented or amended, the District will not without the prior written consent of the Representative (which consent shall not be unreasonably withheld) offer or issue any bonds, notes, or other obligations for borrowed money payable from revenues of the Generation System or the Electric System, or enter into any material transaction with respect to the Generation System or the Electric System other than in the ordinary course of business, and there shall not have been any material adverse change in the condition, physical or financial, of the Generation System or the Electric System.

(m) The financial statements of the District with respect to the Generation System and the Electric System set forth as Appendix A to the Preliminary Official Statement fairly present the financial position of the Generation System and the Electric System as of the dates indicated and the results of the District's operations, the sources and uses of its cash, and the changes in its fund balances for the periods therein specified to the extent included therein, and are in conformity with generally accepted accounting principles applicable to government entities applied on a consistent basis, and, except as expressly set forth in the Preliminary Official Statement, there has been no material adverse change in the financial condition or results of operations of the Generation System or the Electric System since the date of such financial statements.

(n) Any certificate signed by any Authorized Officer of the District and delivered to the Representative in connection with the issuance of the 2025A Bonds and identified as issued in connection with the 2025A Bonds shall be deemed to be a representation by the District to the Underwriters as to the statements made therein as if set forth herein.

(o) The District has not defaulted in the payment of principal of or interest on any of its publicly-offered obligations.

(p) The District will undertake, pursuant to the Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events, if material, pursuant to paragraph (b)(5) of Rule 15c2-12. An accurate description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement. The District covenants and agrees to observe and perform its obligations and undertakings set forth in the Continuing Disclosure Certificate. Except as otherwise described in the Preliminary Official Statement and the Official Statement, the District has not failed during the previous five years to comply in all material respects with any previous undertakings in a written continuing disclosure contract or agreement.

5. Offering. It shall be a condition to the District's obligation to sell and to deliver the 2025A Bonds to the Underwriters that the entire \$[] principal amount of the 2025A Bonds shall be purchased, accepted, and paid for by the Underwriters at the Closing, and it shall be a condition to the Underwriters' obligation to purchase, accept, and pay for the 2025A Bonds that the entire \$[] principal amount of the 2025A Bonds shall be sold and delivered to the Underwriters by the District. The Underwriters will provide, consistent with the requirements of MSRB Rule G-32, for the delivery of a copy of the Official Statement to each customer who purchases a 2025A Bond prior to 25 days after the end of the underwriting period. The Underwriters further agree that they will comply with applicable laws and regulations, including without limitation Rule 15c2-12, in connection with the offering and sale of the 2025A Bonds.

6. Establishment of Issue Price.

(a) The Representative, on behalf of the Underwriters, agrees to assist the District in establishing the issue price of the 2025A Bonds and shall execute and deliver to the District on the date of the Closing an issue price certificate substantially in the form attached hereto as Exhibit B, together (if applicable) with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the District, and Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the 2025A Bonds. All actions to be taken by the District under this Section to establish the issue price of the 2025A Bonds may be taken on behalf of the District by the District's municipal advisor and any notice or report to be provided to the District may be provided to the District's municipal advisor.

(b) Except as otherwise set forth in Exhibit A, the District will treat the first price at which 10% of each maturity of the 2025A Bonds (the "10% test") is sold to the public as the issue price of that maturity. Exhibit A sets forth the price or prices at which the Underwriters have sold to the public each maturity of the 2025A Bonds. For purposes of this Section, if 2025A 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 2025A Bonds.

(c) The Representative confirms that the Underwriters have offered the 2025A Bonds to the public on or before the date of this Purchase Contract at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Exhibit A, except as otherwise set forth therein. Exhibit A also sets forth, as of the date of this Purchase Contract, the maturities, if any, of the 2025A Bonds for which the 10% test has not been satisfied and for which the District and the Representative, on behalf of the Underwriters, agree that (i) the Representative will retain the unsold 2025A Bonds of each maturity for which the 10% test has not been satisfied and not allocate any such 2025A Bonds to any other Underwriter and (ii) the restrictions set forth in the next sentence shall apply, which will allow the District to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the 2025A Bonds, the Representative will neither offer nor sell unsold 2025A Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following: (i) the close of the fifth business day after the sale date; or (ii) the date on which the Underwriters have sold at least 10% of that maturity of the 2025A Bonds to the public at a price that is no higher than the initial offering price to the public. The Representative will advise the District promptly after the close of the fifth business day after the sale date whether the Underwriters have sold 10% of that maturity of the 2025A Bonds to the public at a price that is no higher than the initial offering price to the public.

(d) The Representative confirms that:

(1) any agreement among underwriters, any selling group agreement, and each third-party distribution agreement (to which the Representative is a party) relating to the initial sale of the 2025A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable: (A) (I) to report the prices at which it sells to the public the unsold 2025A Bonds of each maturity allocated to it, whether or not the date of the Closing has occurred, until either all 2025A Bonds of that maturity allocated to it have been sold or it is notified by the Representative that the 10% test has been satisfied as to the 2025A Bonds of that maturity, provided that, the reporting obligation after the date of the Closing may be at reasonable periodic intervals or otherwise upon request of the Representative; and (II) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative and as set forth in the related pricing wires; (B) to promptly notify the Representative of any sales of 2025A 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 2025A Bonds to the public (each as defined herein); and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer, or broker-dealer, the Representative shall assume that each order submitted by the underwriter, dealer, or broker-dealer is a sale to the public; and

(2) any agreement among underwriters or selling group agreement relating to the initial sale of the 2025A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the 2025A 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 2025A Bonds of each maturity allocated to it, whether or not the date of the Closing has occurred, until either all 2025A Bonds of that maturity allocated to it have been sold or it is notified by the Representative or such underwriter or dealer that the 10% test has been satisfied as to the 2025A Bonds of that maturity; provided, that the reporting obligation after the date of the Closing may be at reasonable periodic intervals or otherwise upon request of the Representative or such underwriter or dealer; and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative or such underwriter or dealer and as set forth in the related pricing wires.

(e) The District acknowledges that, in making the representations set forth in this Section, the Representative will rely on: (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the 2025A Bonds, including its agreement to comply with the hold-the-offering price rule, if applicable to the 2025A Bonds, as set forth in an agreement among underwriters and the related pricing wires; (ii) in the event a selling group has been created in connection with the initial sale of the 2025A 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 2025A Bonds, including its agreement to comply with the hold-the-offering-price rule, if applicable to the 2025A Bonds, as set forth in a selling group agreement and the related pricing wires; and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the 2025A Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the 2025A Bonds, including its agreement to comply with the hold-the-offering-price rule, if applicable to the 2025A Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the 2025A Bonds, including its agreement to comply with the hold-the-offering price rule, if applicable to the 2025A Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the 2025A Bonds, including its agreement to comply with the hold-the-offering-price rule, if applicable to the 2025A Bonds.

(f) The Underwriters acknowledge that sales of any 2025A Bonds to any person that is a related party to an underwriter participating in the initial sale of the

2025A Bonds to the public shall not constitute sales to the public for purposes of this Section. For purposes of this Section:

(1) “public” means any person other than an underwriter or a related party;

(2) “underwriter” means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the 2025A 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 2025A 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 2025A Bonds to the public);

(3) a purchaser of any of the 2025A Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

(4) “sale date” means the date of execution of this Purchase Contract by all parties.

(g) Subject to the foregoing provisions of this Section, the Underwriters reserve the right to change the initial public offering prices or yields as the Underwriters deem necessary or desirable, in their discretion, in connection with the marketing of the 2025A Bonds, and may offer and sell the 2025A Bonds to certain dealers, unit investment trusts, and money market funds, certain of which may be sponsored or managed by the Underwriters, at prices lower than the public offering prices or with yields greater than the yields set forth herein.

7. Closing. At 8:30 a.m., Pacific Daylight Time, on July 29, 2025, or at such other date and/or time as shall have been mutually agreed upon by the District and the Representative, the District will deliver or cause to be delivered through the facilities of DTC, for the account of the Representative, the 2025A Bonds in definitive form duly executed by the District, together with the other documents hereinafter mentioned; and the Underwriters will accept such delivery and pay the purchase price of the 2025A Bonds as set forth in Section 1 by delivering to the District immediately available funds on the date of the Closing in an amount equal to such purchase price.

Payment for the 2025A Bonds and delivery of the documents hereinafter mentioned shall be made at the offices of Bond Counsel in Seattle, Washington, or at such other place as shall have been mutually agreed upon by the District and the Representative. Delivery of the 2025A Bonds shall be to or to the order of DTC in New York, New York, or at such other place as shall have been mutually agreed upon by the District and the Representative. Such payment and delivery is called the "Closing." The Representative shall order CUSIP identification numbers and the District shall cause such CUSIP identification numbers to be printed on the 2025A Bonds, but neither the failure to print such number on any 2025A Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriters to accept delivery of and pay for the 2025A Bonds in accordance with the terms of this Purchase Contract. The 2025A Bonds will be delivered as a single fully-registered 2025A Bond for each maturity, registered in the name of Cede & Co., as nominee of DTC, and will be made available to the Representative for inspection not less than 48 hours prior to the Closing at such place as may be agreed to by the Representative and the District.

8. Closing Conditions. The obligations of the Underwriters hereunder shall be subject to the performance by the District of its obligations hereunder at or prior to the Closing and are also subject to the following additional conditions:

(a) The representations of the District contained herein shall be true, complete, and correct on the date hereof and on and as of the date of the Closing as if made on the date of the Closing.

(b) At the time of the Closing, (i) the Resolution shall have been duly adopted by the Commission, and the Resolution shall not have been amended, modified, or supplemented since the date hereof, except as shall have been agreed to in writing by the Representative; (ii) the District shall perform or have performed its obligations required under this Purchase Contract and the Resolution to be performed at or prior to the Closing; and (iii) the Official Statement shall not have been supplemented or amended, except pursuant to Section 4(f) or as otherwise may have been accepted by the Representative.

(c) Fitch Ratings, Moody's Ratings, and S&P Global Ratings shall have given and the 2025A Bonds shall have ratings of "[____]," "[____]," and "[____]," respectively, and such ratings shall be in effect at the time of the Closing.

(d) At or prior to the Closing, the Representative shall receive the following documents, in each case reasonably satisfactory in form and substance to the Representative and to Foster Garvey PC ("Underwriters' Counsel"):

(1) The Official Statement and each supplement or amendment thereto, if any, executed on behalf of the District by its Treasurer or other Authorized Officer;

(2) A copy of the Resolution, certified by an Authorized Officer of the District as having been duly adopted by the District and as being in full force and effect, in the form previously provided to the Representative, with such changes

or amendments as may have been agreed to by the Representative, and the Delivery Certificate authorized by an Authorized Officer;

(3) A Certificate of the District, dated the date of the Closing, executed by the Treasurer and General Counsel, in substantially the form attached hereto as Exhibit C;

(4) The opinion of Bond Counsel, dated the date of the Closing and addressed to the District, substantially in the form attached to the Preliminary Official Statement as Appendix D;

(5) The opinion of Bond Counsel, dated the date of the Closing and addressed to the Underwriters, substantially in the form attached hereto as Exhibit D;

(6) An opinion of Underwriters' Counsel, dated the date of the Closing and addressed to the Underwriters, to the effect that (i) the offer and sale of the 2025A Bonds by the Underwriters are exempt from the registration requirements of the Securities Act of 1933, as amended; (ii) the Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended; (iii) the Continuing Disclosure Certificate and this Purchase Contract together provide a suitable basis for the Underwriters to reasonably determine, pursuant to paragraph (b)(5)(i) of Rule 15c2-12, that the District has undertaken, in a written agreement or contract for the benefit of the holders of the 2025A Bonds, to provide the annual financial information and notices required by paragraph (b)(5)(i) of Rule 15c2-12; and without undertaking to determine independently or assuming any responsibility for the accuracy, completeness, or fairness of the statements contained in the Preliminary Official Statement or the Official Statement, a statement to the effect that no information came to the attention of the attorneys in that firm rendering legal services in connection with the issuance of the 2025A Bonds that caused those attorneys to believe that the Preliminary Official Statement (except for information permitted to be excluded therefrom under Rule 15c2-12), as of its date, or the Official Statement, as of its date and as of the date of the Closing (except in either case any financial, economic, or statistical data contained therein, any information contained therein regarding DTC or how interest on the 2025A Bonds is treated for federal income tax purposes, and the information contained in Appendices A, D, and E thereto, as to all of which no opinion or belief need be expressed), contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading;

(7) A copy of the duly executed tax certificate of the District in form satisfactory to Bond Counsel;

(8) A DTC Letter of Representations, executed by the District and accepted by DTC;

(9) The Continuing Disclosure Certificate signed by an Authorized Officer; and

(10) Such additional legal opinions, certificates, resolutions, instruments, and other documents as the Representative may reasonably deem necessary to evidence the truth and accuracy as of the time of the Closing of the District's representations contained in Section 4 of this Purchase Contract and the due performance or satisfaction by the District at or prior to such time of all covenants and agreements then to be performed and all conditions then to be satisfied by the District pursuant to this Purchase Contract.

The District shall provide the Underwriters with a transcript of all proceedings relating to the authorization and issuance of the 2025A Bonds certified by an Authorized Officer of the District promptly following the Closing.

If the District shall be unable to satisfy the conditions to the obligations of the Underwriters contained in this Purchase Contract to purchase, to accept delivery of, and to pay for the 2025A Bonds or if the obligations of the Underwriters to purchase, to accept delivery of, and to pay for the 2025A Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate, and neither the Underwriters nor the District shall be under any further obligation hereunder.

9. Termination. The Underwriters may terminate this Purchase Contract, without liability therefor, by notification to the District by the Representative if at any time subsequent to the date of this Purchase Contract and at or prior to the Closing any of the following shall have occurred and be continuing as of the date of termination and, in the reasonable judgment of the Representative, the same would materially and adversely affect the marketability or market price of the 2025A Bonds or the ability of the Underwriters to enforce contracts for the sale of the 2025A Bonds at the contemplated offering prices set forth in the Official Statement:

(a) Legislation is (i) enacted by the Congress of the United States of America or the legislature of the State or introduced by amendment or otherwise or passed by either House of the Congress, (ii) recommended to the Congress for passage or presented for consideration by the President of the United States of America or by the Treasury Department of the United States of America, the Internal Revenue Service, or the staff of the Joint Committee on Taxation of the Congress, or (iii) proposed by any member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or favorably reported for passage to either House of the Congress by any Committee of such House to which such legislation has been referred for consideration, or any decision of any court of the United States of America or the State or any order, ruling, regulation (final, temporary, or proposed), or official statement by or on behalf of the Treasury Department of the United States of America, the Internal Revenue Service, or any other authority of the United States of America or the State, is announced, in any such case affecting the federal tax status or state tax consequences of the interest on the 2025A Bonds or securities of the general character of the 2025A Bonds;

(b) Legislation shall be enacted, or a decision of a court of the United States of America shall be rendered, or any action shall be taken by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction over the subject matter, which, in the opinion of Underwriters' Counsel, has the effect of requiring the contemplated distribution of the 2025A Bonds to be registered under the Securities Act of 1933, as amended, or the Exchange Act, or the Resolution to be qualified under the Trust Indenture Act of 1939, as amended;

(c) The New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose, as to the 2025A Bonds, or obligations of the general character of the 2025A Bonds, any material restrictions not now in force or being enforced, or increase materially those now in force, with respect to the extension of credit by, or the charges to the net capital requirements of, underwriters;

(d) A general suspension of trading or other restrictions not in force as of the date hereof are placed in force on the New York Stock Exchange or other national securities exchange;

(e) The declaration of a general banking moratorium by any authority of the United States of America or the State of New York or the State;

(f) A general disruption in securities settlement, payment or clearing services;

(g) A declaration of war by the United States of America, any new outbreak of hostilities or any escalation in existing hostilities, or any new or escalation in any other existing national or international calamity or crisis;

(h) There shall have occurred or any notice shall have been given of any intended downgrading, suspension, withdrawal, or negative change in credit watch status by any national rating service to any bonds of the Generation System or the Electric System (including without limitation the 2025A Bonds); or

(i) Any event, fact, or condition described in Section 4(f).

10. Expenses. The Underwriters shall be under no obligation to pay, and the District shall pay or cause to be paid, the expenses incident to the performance of the District's obligations hereunder, including but not limited to (a) the cost of printing the definitive 2025A Bonds, and the cost of the registration of ownership thereof in accordance with Section 7, (b) the fees and disbursements of PFM Financial Advisors LLC, Bond Counsel, and any other experts or consultants retained by the District; (c) the cost of preparation and printing of the Preliminary Official Statement and the Official Statement and any supplements or amendments thereto; and (d) charges of rating agencies for rating the 2025A Bonds. The District shall pay for reasonable and necessary expenses (included in the expense component of the Underwriters' discount) incurred on behalf of District employees solely for business purposes and which are incidental to implementing this Purchase Contract, including without limitation meals, transportation, and lodging. The Underwriters shall pay (from the expense component of the Underwriters' discount) and the District shall be under no obligation to pay (1) any costs with respect to the Blue Sky and legal investment memoranda to be used by them, including without limitation any

filing fees, legal fees, or other expenses of the Underwriters in connection therewith, (2) any advertising expenses incurred by them in connection with the public offering of the 2025A Bonds, (3) the fees of any continuing disclosure undertaking compliance review, and (4) any other expenses incurred by them in connection with their public offering and distribution of the 2025A Bonds, including the fees and disbursements of Underwriters' Counsel.

11. Notices. Any notice or other communication to be given to the District under this Purchase Contract may be given by delivering the same in writing to the Treasurer, Public Utility District No. 1 of Snohomish County, 2320 California Street, Everett, Washington 98201; any notice or other communication to be given to the Underwriters under this Purchase Contract may be given by delivering the same in writing to Raymond James & Associates, Inc., 1201 Third Avenue, Suite 5350, Seattle, Washington 98101, Attention: Ben Selberg.

12. Governing Law. This Purchase Contract shall be governed by the laws of the State.

13. Parties in Interest. This Purchase Contract when accepted by the District in writing as heretofore specified shall constitute the entire agreement between the District and the Underwriters and their respective successors and is solely for the benefit of the District and the Underwriters and their respective successors. No other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties, and agreements of the District in this Purchase Contract shall remain operative and in full force and effect, regardless of (a) any investigation made by or on behalf of the Underwriters, (b) delivery of and payment for the 2025A Bonds hereunder, and (c) any termination of this Purchase Contract.

14. Effectiveness. This Purchase Contract shall become effective upon the execution of the acceptance hereof by the Treasurer of the District, and shall be valid and enforceable at the time of such acceptance.

15. Headings. The headings of the Sections of this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

[Signature page follows]

16. Execution in Counterparts. This Purchase Contract may be simultaneously executed in any number of counterparts, each of which when so executed shall be deemed to be an original, and all of which together shall constitute one and the same agreement.

RAYMOND JAMES & ASSOCIATES, INC.,
as Representative of the Underwriters

By: _____
Managing Director

PUBLIC UTILITY DISTRICT NO. 1 OF
SNOHOMISH COUNTY, WASHINGTON

By _____
Treasurer

EXHIBIT A

PRINCIPAL AMOUNTS, MATURITY DATES, INTEREST RATES, YIELDS, PRICES, AND REDEMPTION PROVISIONS

<u>Maturity Date (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
---------------------------------------	-------------------------	----------------------	--------------	--------------

-
- (1) 10% test satisfied.
 - (2) Hold-the-offering-price maturity.
 - (3) Priced to the par call date of [_____].
 - (4) Term bonds.

Optional Redemption. The 2025A Bonds maturing on or after December 1, [_____] are subject to redemption prior to their stated maturity dates at the option of the District, in whole or in part, in authorized denominations, at any time on or after [_____] at a redemption price equal to 100% of the principal amount thereof, plus accrued but unpaid interest thereon, if any, to the date fixed for redemption.

Mandatory Redemption. The 2025A Bonds stated to mature on December 1, [_____] are term bonds subject to mandatory sinking fund redemption, in part, at a redemption price equal to 100 percent of the principal amount to be redeemed, plus accrued interest, if any, to the date fixed for redemption, on December 1 in the years and in the amounts as set forth below:

<u>Year (December 1)</u>	<u>Sinking Fund Redemption</u>
------------------------------	------------------------------------

*

* Maturity.

EXHIBIT B
FORM OF ISSUE PRICE CERTIFICATE

Public Utility District No. 1 of Snohomish County, Washington
\$[] Electric System Revenue and Refunding Bonds, Series 2025A
(Tax-Exempt)

The undersigned, on behalf of Raymond James & Associates, Inc. (the “Representative”), acting on behalf of itself and as representative of Goldman Sachs & Co., LLC (together, the “Underwriting Group”), hereby certifies, based upon the information available to the Representative, as set forth below with respect to the sale and issuance of the above-captioned obligations (the “2025A Bonds”).

1. *Sale of the General Rule Maturities.* As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

[2. *Initial Offering Price of the Hold-the-Offering-Price Maturities.*

(a) The Underwriting Group offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the 2025A Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Purchase Contract, the members of the Underwriting Group have each agreed in writing that: (1) the Representative would retain the unsold 2025A Bonds of each Hold-the-Offering-Price Maturity and not allocate any such 2025A Bonds to any other Underwriter; (2) for each Maturity of the Hold-the-Offering-Price Maturities, the Representative would neither offer nor sell any of the unsold 2025A Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”); and (3) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, the Representative has not offered or sold unsold 2025A Bonds of any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity during the Holding Period for that Maturity.] *[If needed, renumber the following paragraphs.]*

2. *Defined Terms.*

(a) *District* means Public Utility District No. 1 of Snohomish County, Washington.

(b) *General Rule Maturities* means the Maturities of the 2025A Bonds listed in Schedule A as the “General Rule Maturities.”

[(c) *Hold-the-Offering-Price Maturities* means the Maturities of the 2025A Bonds listed in Schedule A as the “Hold-the-Offering-Price-Maturities.”

(d) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (July 31, 2025), or (ii) the date on which the Underwriters have sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for that Hold-the-Offering-Price Maturity.] [If needed, renumber the following subparagraphs.]

(e) *Maturity* means 2025A Bonds with the same credit and payment terms. 2025A Bonds with different maturity dates, or 2025A Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.

(g) *Related Party* means an entity that shares with another entity (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(h) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the 2025A Bonds. The Sale Date of the 2025A Bonds is July 24, 2025.

(i) *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 2025A 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 2025A 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 2025A Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the interpretation by the Representative of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The District may rely on the statements made herein in connection with making the representations set forth in the District’s tax certificate to which this certificate is attached and in its efforts to comply with the conditions imposed by the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. Orrick,

Herrington & Sutcliffe LLP may also rely on this certificate for purposes of its opinion regarding the treatment of interest on the 2025A Bonds as excludable from gross income for federal income tax purposes. Except as expressly set forth above, the certifications set forth herein may not be relied upon or used by any third party or for any other purpose. Notwithstanding anything set forth herein, the Representative is not engaged in the practice of law. Accordingly, the Representative makes no representation as to the legal sufficiency of the factual matters set forth herein.

Dated: [Date of the Closing].

RAYMOND JAMES & ASSOCIATES, INC.

By: _____

Title: _____

Schedule A

Sale Prices of the General Rule Maturities
[and Initial Offering Prices of the Hold-the-Offering-Price Maturities]

(Attached)

Schedule B
Pricing Wire or Equivalent Communication
(Attached)

EXHIBIT C

CERTIFICATE OF DISTRICT

We, Angela Johnson, Treasurer of Public Utility District No. 1 of Snohomish County, Washington (the “District”), and F. Colin Willenbrock, Chief Legal Officer of the District, hereby certify as follows:

1. Capitalized terms used but not otherwise defined in this Certificate shall have the meanings given thereto in the Purchase Contract, dated July 24, 2025, relating to the \$[_____] aggregate principal amount of the District’s Electric System Revenue and Refunding Bonds, Series 2025A (Tax-Exempt) (the “2025A Bonds”), between the District and Raymond James & Associates, Inc., acting on behalf of itself and as representative of Goldman Sachs & Co., LLC.

2. The representations of the District contained in the Purchase Contract were and are true and correct in all material respects, and the District has complied with all agreements and covenants and satisfied (or the Underwriter has waived) all conditions contemplated by the Purchase Contract, the 2025A Bonds, and the Resolution on its part to be performed or satisfied at or prior to the date of the Closing.

3. Insofar as the District and its affairs, including its financial affairs, are concerned, the Official Statement (except for information regarding DTC and its book-entry only system, information under the heading “ELECTRIC SYSTEM POWER SUPPLY – Bonneville Power Administration” with respect to Bonneville and not the District, and information under the heading “THE DISTRICT – Pension and Other Post-Employment Benefits” with respect to the State Department of Retirement Systems and not the District, as to which no representation is made in this paragraph) did not and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

4. Insofar as the descriptions, statements, and data, including financial data, of or pertaining to entities other than the District and their activities contained in the Official Statement are concerned, including information under the heading “ELECTRIC SYSTEM POWER SUPPLY – Bonneville Power Administration” with respect to Bonneville and not the District and under the heading “THE DISTRICT – Pension and Other Post-Employment Benefits” with respect to the State Department of Retirement Systems and not the District, the District has obtained such descriptions, statements, and data from sources that the District believes to be reliable, and the District has no reason to believe that they contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Dated: [Date of the Closing].

Treasurer

Chief Legal Officer

EXHIBIT D

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[Date of the Closing]

Raymond James & Associates, Inc.
Seattle, Washington

Goldman Sachs & Co., LLC
New York, New York

\$[_____]
Public Utility District No. 1 of Snohomish County, Washington
Electric System Revenue and Refunding Bonds, Series 2025A (Tax-Exempt)
(Supplemental Opinion)

Ladies and Gentlemen:

This letter is addressed to you, as Underwriter pursuant to Section 8(d)(5) of the Purchase Contract, dated July 24, 2025 (the “Purchase Contract”), between Raymond James & Associates, Inc. (the “Representative”), acting on behalf of itself and as representative of Goldman Sachs & Co., LLC (together with the Representative, the “Underwriters”), and Public Utility District No. 1 of Snohomish County, Washington (the “District”), providing for the purchase of \$[_____] principal amount of Public Utility District No. 1 of Snohomish County, Washington Electric System Revenue and Refunding Bonds, Series 2025A (Tax-Exempt) (the “2025A Bonds”). The 2025A Bonds are being issued pursuant to Resolution No. 3602, adopted by the Commission of the District (the “Commission”) on May 16, 1991 (the “Master Resolution”), as supplemented and amended, including as supplemented by Resolution No. [____], adopted by the Commission on July 1, 2025 (the “Thirteenth Supplemental Resolution”). The Master Resolution as amended and supplemented, including as supplemented by the Thirteenth Supplemental Resolution, is referred to herein as the “Resolution.” Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution, or, if not defined in the Resolution, in the Purchase Contract.

We have delivered our final legal opinion (the “Bond Opinion”) as bond counsel to the District concerning the validity of the 2025A 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, the Generation System Bond Resolution, the Delivery Certificate, dated July 29, 2025, setting forth certain terms of the

2025A Bonds, the Preliminary Official Statement, posted and dated July 16, 2025, with respect to the 2025A Bonds (the “Preliminary Official Statement”), the Official Statement, posted and dated July 24, 2025, with respect to the 2025A Bonds (the “Official Statement”), opinions of counsel to the District and the Trustee, certificates of the District, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions and conclusions set forth herein.

The opinions and conclusions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions or conclusions may be affected by actions taken or omitted or events occurring after the original delivery of the 2025A 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 2025A Bonds on the date hereof. 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 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 2025A Bonds, the Resolution, the Tax Certificate and the Purchase Contract and their enforceability may be subject to bankruptcy, insolvency, reorganization, receivership, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public utility districts in the State of Washington. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or 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 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 and conclusions:

1. The 2025A 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 2025A BONDS,” “SECURITY FOR THE 2025A BONDS,” “TAX MATTERS,” “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION,” “APPENDIX C—SUMMARY OF CERTAIN

PROVISIONS OF THE GENERATION SYSTEM BOND RESOLUTION” and “APPENDIX D—PROPOSED FORM OF OPINION OF BOND COUNSEL,” excluding any material that may be treated as included under such captions by cross-reference or reference to other documents or sources, insofar as such statements expressly summarize certain provisions of the 2025A Bonds, the Resolution, the Generation System Bond Resolution, the Continuing Disclosure Certificate, or set out the form and content of our Bond Opinion, are accurate in all material respects.

We are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or (except as explicitly stated in paragraph 3 above) in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. In our capacity as bond counsel and disclosure counsel to the District in connection with issuance of the 2025A Bonds, we participated in conferences with your representatives, your counsel, representatives of the District, its counsel, municipal advisors and others, during which the contents of the Preliminary Official Statement or the Official Statement and related matters were discussed. Based on our participation in the above-referenced conferences (which, with respect to the Preliminary Official Statement, did not extend beyond the date of the Purchase Contract, and with respect to the Official Statement did not extend beyond its date), and in reliance thereon, on oral and written statements and representations of the District and others and on the records, documents, certificates, opinions and matters herein mentioned, subject to the limitations on our role as bond counsel and disclosure counsel to the District, we advise you as a matter of fact and not opinion that (a) no facts had come to the attention of the attorneys in our firm rendering legal services with respect to the Preliminary Official Statement which caused us to believe as of the date of the Purchase Contract, based on the documents, drafts and facts in existence and reviewed 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 (except any information marked as preliminary or subject to change, any information permitted to be omitted by Securities and Exchange Commission Rule 15c2-12 or otherwise left blank and any other differences with the information in the Official Statement), and (b) no facts had come to the attention of the attorneys in our firm rendering legal service with respect to the Official Statement which caused us to believe as of the date of the Official Statement and as of the date hereof that the Official Statement contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, we expressly exclude from the scope of this paragraph and express no opinion or conclusion, with respect to both the Preliminary Official Statement and the Official Statement, about any CUSIP numbers, financial, accounting, statistical or economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any information about litigation pending by or against the District, any management discussion and analysis, any statements about compliance with prior continuing disclosure undertakings, any information about book-entry, DTC, Cede & Co., the Bonneville Information, ratings, rating agencies, the Underwriters, the information under the headings “UNDERWRITING” or “MUNICIPAL ADVISOR” and the information contained in Appendices A and E, included or referred to therein or omitted therefrom. No responsibility is undertaken or conclusion 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 2025A Bonds or by virtue of this letter. We disclaim any obligation to update this letter. This letter is delivered to you as Underwriters of the 2025A Bonds, is solely for your benefit as such Underwriters in connection with the original delivery of the 2025A 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 the 2025A Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP



BUSINESS OF THE COMMISSION

Meeting Date: July 1, 2025

Agenda Item: 6B

TITLE

Consideration of a Resolution Creating a Plan of Refinancing for the Acquisition and Construction of and Certain Additions, Betterments and Improvements to and Renewals, Replacements and Extensions of the District's Generation System; Authorizing the Issuance and Sale of not to Exceed \$55,000,000 Aggregate Principal Amount of Generation System Revenue Refunding Bonds, Series 2025 in one or More Series; Providing for the Terms of the 2025 Bonds; Approving the Execution and Delivery of Certain Documents and Agreements; and Providing for Certain Other Matters Related Thereto

SUBMITTED FOR: Items for Individual Consideration

<u>Treasury & Financial Risk Management</u>	<u>Lauren Way</u>	<u>8042</u>
<i>Department</i>	<i>Contact</i>	<i>Extension</i>
Date of Previous Briefing:	<u>June 17, 2025</u>	
Estimated Expenditure:	<u></u>	Presentation Planned <input type="checkbox"/>

ACTION REQUIRED:

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

SUMMARY STATEMENT:

Identify the relevant Board policies and impacts:

Utilities are provided at the lowest possible cost consistent with sound business principles (Ends Policy Section VI.5).

On June 3, 2025, and June 17, 2025, the Board received presentations on the financing plan that, in part, included issuing Generation System Revenue Refunding bonds in order to refund the District's Generation System Revenue Bonds, Series 2010B Taxable Build America Bond (Direct Pay) and Series 2015.

The attached resolution approves and authorizes the distribution of one or more preliminary official statements for the District's proposed Generation System Revenue Refunding Bonds, Series 2025 in one or more series; (the Bonds) substantially in the form provided to the Commissioners, with such changes from the form presented that shall be approved by the CEO/General Manager, Chief Financial Officer or Treasurer (following consultation with the

Chief Legal Officer); and the execution of various other documents and agreements related to the issuance and sale of the Bonds, including the bond purchase agreement.

Staff will brief the Commission on the results of the pricing at the August 5, 2025, Commission meeting.

List Attachments:

Resolution

Preliminary Official Statement for the Generation System Revenue Refunding Bonds,
Series 2025

Form of Bond Purchase Agreement

RESOLUTION NUMBER _____

A RESOLUTION CREATING A PLAN OF REFINANCING FOR THE ACQUISITION AND CONSTRUCTION OF AND CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO AND RENEWALS, REPLACEMENTS AND EXTENSIONS OF THE DISTRICT'S GENERATION SYSTEM; AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$55,000,000 AGGREGATE PRINCIPAL AMOUNT OF GENERATION SYSTEM REVENUE REFUNDING BONDS, SERIES 2025 IN ONE OR MORE SERIES; PROVIDING FOR THE TERMS OF THE 2025 BONDS; APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS AND AGREEMENTS; AND PROVIDING FOR CERTAIN OTHER MATTERS RELATED THERETO

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RESOLUTION NO. _____

**ELEVENTH SUPPLEMENTAL GENERATION SYSTEM
REVENUE BOND RESOLUTION**

A RESOLUTION CREATING A PLAN OF REFINANCING FOR THE ACQUISITION AND CONSTRUCTION OF AND CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO AND RENEWALS, REPLACEMENTS AND EXTENSIONS OF THE DISTRICT'S GENERATION SYSTEM; AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$55,000,000 AGGREGATE PRINCIPAL AMOUNT OF GENERATION SYSTEM REVENUE REFUNDING BONDS, SERIES 2025 IN ONE OR MORE SERIES; PROVIDING FOR THE TERMS OF THE 2025 BONDS; APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS AND AGREEMENTS; AND PROVIDING FOR CERTAIN OTHER MATTERS RELATED THERETO

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

WHEREAS, the Commission by Resolution No. 2994 adopted on September 26, 1986, established an issue of bonds of the District to be issued in series and known as the Public Utility District No. 1 of Snohomish County, Washington, Generation System Revenue Bonds (the "Bonds"); and

WHEREAS, the Commission by Resolution No. 3902 adopted on January 28, 1993 (as supplemented and amended from time to time, the "Resolution"), resolved to continue and confirm the issue of Bonds originally established by Resolution No. 2994 and amended and restated in its entirety Resolution No. 2994; and

WHEREAS, pursuant to the Resolution, as supplemented and amended, including as supplemented by Resolution No. 5494, adopted on April 7, 2010, the District issued its Generation System Revenue Bonds, Series 2010B (Taxable Build America Bonds – Direct Payment) (the "2010B Bonds"), currently outstanding in the aggregate principal amount of \$11,580,000; and

WHEREAS, pursuant to the Resolution, as supplemented and amended, including as supplemented by Resolution No. 5721, adopted on May 26, 2015, the District issued its Generation System Revenue Bonds, Series 2015 (the "2015 Bonds"), currently outstanding in the aggregate principal amount of \$39,985,000; and

WHEREAS, the District now desires to issue its Generation System Revenue Refunding Bonds, Series 2025, in one or more series (as further defined herein, the "2025 Bonds") for the purposes of (i) refunding all or a portion of the outstanding 2010B Bonds and the 2015 Bonds and (ii) paying costs of issuing the 2025 Bonds; and

WHEREAS, the 2025 Bonds will be issued and secured under the Resolution as supplemented by this Eleventh Supplemental Resolution;

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

ARTICLE I
DEFINITIONS; STATUTORY AUTHORITY AND FINDINGS

Section 1.01. Supplemental Resolution. This Eleventh Supplemental Resolution is supplemental to Resolution Nos. 2994, 3902, 3903, 4033, 4216, 4251, 4979, 5078, 5494, 5496, 5721 and 5974 and is adopted in accordance with Article II, Article V and Article X of the Resolution (as defined herein).

Section 1.02. Definitions.

(a) All terms that are defined in Sections 1.1 and 1.2 of the Resolution shall have the same meanings, respectively, in this Eleventh Supplemental Resolution as such terms are given in said Sections 1.1 and 1.2 of the Resolution, as amended and supplemented hereby and heretofore.

(b) In this Eleventh Supplemental Resolution:

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

“Authorized Officer” means the President, Vice President or Secretary of the Commission, the Chief Executive Officer/General Manager, Chief Financial Officer or 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 2025 Bonds.

“Bondowner” means any person who shall be the registered owner of any 2025 Bond.

“Bond Purchase Contract” means one or more bond purchase contracts entered into between the Underwriters and the District, providing for the purchase of one or more series of the 2025 Bonds.

“Bond Registrar” mean U.S. Bank Trust Company, National Association, its assigns and successors, which shall also act as the Trustee and the Paying Agent for the 2025 Bonds.

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

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

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

“Conditional Redemption” has the meaning assigned to such term in Section 3.04.

“Date of Issuance” means the date of original issuance and delivery of a series of 2025 Bonds.

“DTC” means The Depository Trust Company, New York, New York, as depository for the 2025 Bonds, or any successor or substitute depository for the 2025 Bonds.

“Eleventh Supplemental Resolution” means this Resolution No. ____, adopted by the District’s Commission on July 1, 2025, and any amendments, modifications or supplements hereto.

“Escrow Agreement” means one or more Escrow Agreements, if any, to be dated as of the Date of Issuance of the related 2025 Bonds, between the District and U.S. Bank Trust Company, National Association, as Escrow Agent, relating to one or more series of the Refunded Bonds.

“Interest Payment Date” means each June 1 and December 1, commencing December 1, 2025, or such other date as provided in a 2025 Delivery Certificate.

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

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

“Official Statement” has the meaning given to such term in Section 5.02(b) hereof.

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

“Preliminary Official Statement” has the meaning given to such term in Section 5.02(a) hereof.

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

“Refunded Bonds” means the District’s outstanding 2010B Bonds and 2015 Bonds, if any, specified as such in a 2025 Delivery Certificate.

“Resolution” means Resolution No. 3902, adopted by the Commission on January 28, 1993, as amended and supplemented, including as supplemented by this Eleventh Supplemental Resolution.

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

“Secretary” has the meaning given to such term in Section 5.01 hereof.

“Subsidy Payments” has the meaning given to such term in Section 1.08 hereof.

“Tax Certificate” means one or more certificates delivered by the District regarding compliance with applicable provisions of the Code in connection with the issuance of any series of 2025 Bonds issued on a tax-exempt basis.

“Tax Law Change” has the meaning given to such term in Section 1.08 hereof.

“Underwriters” means Raymond James & Associates, Inc. and Goldman Sachs & Co. LLC, as the underwriters for the 2025 Bonds.

“2010B Delivery Certificate” has the meaning given to such term in Section 1.08 hereof.

“2025 Bonds” means the District’s Generation System Revenue Refunding Bonds, Series 2025, to be issued in one or more series pursuant to the Resolution and this Eleventh Supplemental Resolution.

“2025 Costs of Issuance Account” has the meaning given to such term in Section 4.04(c) hereof.

“2025 Delivery Certificate” means one or more written certificates of the District executed by an Authorized Officer and delivered at the time of issuance of the related 2025 Bonds and/or one or more resolutions of the Commission adopted by the Commission prior to or at the time of issuance of the related 2025 Bonds setting forth certain terms with respect to the related 2025 Bonds as provided in this Eleventh Supplemental Resolution.

“2025 Rebate Account” has the meaning given to such term in Section 4.04(a) hereof.

Section 1.03. Compliance with the Resolution. The Commission hereby finds that this Eleventh Supplemental Resolution contains the provisions required by Sections 2.2, 2.3, 2.4, 2.5, 2.6 and 5.3(a)(iv) of the Resolution. All of the conditions required by Section 2.4 and 2.6 of the Resolution for the 2025 Bonds to be issued on a parity with the Outstanding Bonds have been met or will be met by the related Date of Issuance.

Section 1.04. Due Regard. The Commission hereby finds that due regard has been given to the cost of the operation and maintenance of the Generation System and that it has not obligated the District to set aside into the Bond Fund for the account of the 2025 Bonds a greater amount of the revenues and proceeds of the Generation System that, in its judgment, will be available over and above such cost of maintenance and operation and the amount of such revenues and proceeds previously pledged.

Section 1.05. Plan and System. The District hereby specifies and adopts a plan and system for refunding the Refunded Bonds.

In connection with the foregoing plan and system, the District shall apply proceeds of the 2025 Bonds to refund the Refunded Bonds in accordance with the provisions hereof, the Escrow Agreement, if any, and the 2025 Delivery Certificate.

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 Eleventh Supplemental Resolution. Should any part or portion of the plan and system as amended and modified from time to time, be held to be invalid, it shall not affect the validity of other parts or portions thereof.

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

- (a) the public interest, welfare, convenience and necessity require the District to implement the plan and system described in Section 1.05;
- (b) the implementation of the plan and system described in Section 1.05 is for lawful purposes of the District and will further the purpose of supplying the District and the inhabitants thereof and any other persons, including public and private corporations, within or without its limits, with electricity for all uses and purposes;
- (c) the implementation of the plan and system is economically sound; and
- (d) the plan and system will contribute properly and advantageously to the conduct of the business of the District and its Generation System.

Section 1.07. Cost of Plan and System. The cost of the plan and system herein specified and adopted for the refinancing of the acquisition and construction of additions, betterments, improvements, repairs, replacements, renewals, and extensions to the Generation 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 more than \$55,000,000.

Section 1.08. Extraordinary Optional Redemption of the 2010B Bonds – Determination of Tax Law Change. Pursuant to the extraordinary optional redemption provisions of the 2010A Bonds established pursuant to the Master Resolution, as amended and supplemented, including as supplemented by Resolution No. 5494, adopted by the Commission on April 7, 2010, and by the 2010B Delivery Certificate, executed and delivered by the District on May 25, 2010 (the “2010B Delivery Certificate”), the District has determined that legislation has been enacted by the Congress of the United States, the effect of which is to suspend, reduce or terminate the timely payment from the United States Treasury to the District with respect to the 2010B Bonds pursuant to Sections 54AA or 6431 of the Code of an amount equal to at least 35% of the interest due thereon on each interest payment date (the “Subsidy Payments”) and that such suspension, reduction or termination of the Subsidy Payments is not due to a failure by the District to comply with the requirements under the Code to receive such Subsidy Payments (a “Tax Law Change”). In accordance with such determination of the occurrence of a Tax Law Change, at the determination of the Authorized Officers in accordance with the provisions hereof, the 2010B Bonds may be redeemed pursuant to the extraordinary optional redemption provisions of the 2010B Delivery Certificate.

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

ARTICLE II
AUTHORIZATION OF 2025 BONDS

Section 2.01. Authorization of the 2025 Bonds. Pursuant to the provisions of the Resolution, another Series of Bonds of the Generation 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, “Generation System Revenue Refunding Bonds, Series 2025” (the “2025 Bonds”). The 2025 Bonds shall be issued in the aggregate principal amount of up to \$55,000,000, and shall be sold by negotiated sale. Notwithstanding the foregoing, the issuance of the 2025 Bonds authorized to be issued under this Eleventh Supplemental Resolution shall be at the option of the District (subject to the Bond Purchase Contract referred to in Section 5.01 below), and the District shall confirm the issuance of such 2025 Bonds and the terms thereof in a 2025 Delivery Certificate. The Authorized Officers (as defined herein) may, in consultation with the District’s investment bankers, municipal advisors, general counsel and Bond Counsel, establish one or more additional series of 2025 Bonds and may issue the 2025 Bonds on one or more dates, provided that the aggregate principal amount of all series of 2025 Bonds issued pursuant to this Eleventh Supplemental Resolution does not exceed the authorized principal amount of the 2025 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 2025 Bonds and the terms thereof in a 2025 Delivery Certificate.

Section 2.02. Authentication of the 2025 Bonds. The 2025 Bonds shall be issued as hereinafter provided. The Bond Registrar shall authenticate and deliver a series of 2025 Bonds upon receipt of all of the following:

(a) A 2025 Delivery Certificate signed by an Authorized Officer specifying (A) the Series designation and principal amounts of the 2025 Bonds, (B) the dated date and maturity dates of the 2025 Bonds to be issued, (C) the interest rates to be borne by the 2025 Bonds to be issued, (D) direction as to the deposit of the proceeds of the sale of the 2025 Bonds, (E) the optional redemption provisions and mandatory sinking fund redemption provisions of the 2025 Bonds to be issued and (F) any other additions or changes to this Eleventh Supplemental Resolution and such other matters as may be deemed necessary or desirable in the opinion of the Authorized Officer executing the 2025 Delivery Certificate, after consultation with general counsel to the District, to effect the issuance of the 2025 Bonds and further the purposes of this Eleventh Supplemental Resolution;

(b) An opinion of Bond Counsel acceptable to the District and the Bond Registrar, addressed to the District, to the effect that (i) the 2025 Bonds to be issued are legal, valid and binding obligations of the District, and (ii) if any of the 2025 Bonds are issued on a tax-exempt basis, that interest on such 2025 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code; and

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

Section 2.03. Terms of the 2025 Bonds.

(a) Date, Maturities and Interest Rates of 2025 Bonds. The 2025 Bonds shall be issued in the form of fully registered bonds only, shall be dated and shall bear interest from the related date of delivery, 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 related 2025 Delivery Certificate. The true interest cost on any series of 2025 Bonds shall not exceed 5.5% per annum. The final maturity date for the 2025 Bonds shall not be later than December 1, 2055. Interest shall be computed on the basis of a 360-day year consisting of twelve (12) 30-day months.

Section 2.04. Registration, Exchange and Payments.

(a) Registrar; Books of Registry. The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, the Books of Registry for the 2025 Bonds, which shall be open to inspection by the District. The Bond Registrar is authorized, on behalf of the District, to authenticate and deliver 2025 Bonds transferred or exchanged in accordance with the provisions of such 2025 Bonds and this Eleventh Supplemental Resolution and to carry out all of the Bond Registrar's powers and duties under this Eleventh Supplemental Resolution.

(b) Method of Payment. The principal of and redemption premium, if any, on any 2025 Bond will be payable to the Bondowner thereof at the corporate office of the Bond Registrar. Interest on the 2025 Bonds will be payable by the Bond Registrar on each Interest Payment Date by check or draft mailed to each Bondowner as of the Record Date, at the most recent address shown on the Books of Registry; provided, however, that payment of interest to each Bondowner who owns of record \$1,000,000 or more in aggregate principal amount of 2025 Bonds may be made to such Bondowner by wire transfer to such wire address within the United States as that Bondowner may request in writing prior to the Record Date; provided, the cost of such wire transfer shall be paid by such Bondowner.

(c) Denominations; Medium of Payment. The 2025 Bonds shall be issued in fully registered form in Authorized Denominations. The 2025 Bonds shall be payable with respect to interest, principal and redemption premium, if any, in any coin or currency of the United States of America that, at the time of payment, is legal tender for the payment of public and private debts. Each 2025 Bond shall bear interest until the principal sum thereof has been paid; provided, however, that if at the maturity date of any 2025 Bond, funds are available for the payment thereof in full in accordance with the terms of Article XI of the Resolution, such 2025 Bond shall then cease to bear interest.

(d) Registered Ownership. The District and the Bond Registrar may deem and treat the Bondowner of each 2025 Bond as the absolute owner for all purposes, and neither the District nor the Bond Registrar shall be affected by any notice to the contrary. Payment of any such 2025 Bond shall be made only as described in Section 2.03(b) hereof, but such registration may be transferred as herein provided. All such payments made as described in Section 2.03(b) shall be valid and shall satisfy the liability of the District upon such 2025 Bond to the extent of the amount or amounts so paid.

(e) Book-Entry System. Except as provided in subparagraph (d) of this Section 2.03, all of the 2025 Bonds shall be registered in the name of Cede. So long as Cede is the Bondowner, payment of semi-annual interest for any 2025 Bond shall be made by transfer of same day funds to the account of Cede on the Interest Payment Date for the 2025 Bonds at the address indicated for Cede in the Books of Registry kept by the Bond Registrar.

The 2025 Bonds shall be initially issued in the form of a single fully registered bond for each series, maturity and interest rate. Upon initial issuance, the ownership of such 2025 Bonds shall be registered in the Books of Registry kept by the Bond Registrar in the name of Cede, as nominee of DTC. With respect to 2025 Bonds registered in the Books of Registry kept by the Bond Registrar in the name of Cede, as nominee of DTC, the District and the Bond Registrar shall have no responsibility or obligation to any Participant or to any Beneficial Owner. Without limiting the immediately preceding sentence, the District and the Bond Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any Participant with respect to any ownership interest in the 2025 Bonds, (ii) the delivery to any Participant, any Beneficial Owner or any other person, other than DTC, of any notice with respect to the 2025 Bonds, including any notice of redemption, or (iii) the payment to any Participant, any Beneficial Owner or any other person, other than DTC, of any amount with respect to the principal of, premium, if any, or interest on the 2025 Bonds. With respect to 2025 Bonds registered in the Books of Registry in the name of Cede, as nominee of DTC, the District and the Bond Registrar may treat as and deem DTC to be the absolute owner of each 2025 Bond for the purpose of payment of the principal of, premium, if any, and interest on such 2025 Bonds, for the purpose of giving notices of redemption and other matters with respect to such 2025 Bonds, for the purpose of registering transfers with respect to such 2025 Bonds, and for all other purposes whatsoever. The Bond Registrar shall pay all principal of and premium, if any, and interest on such 2025 Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to the principal of, and premium, if any, and interest on the 2025 Bonds to the extent of the sum or sums so paid. Payments of principal may be made without requiring the surrender of such 2025 Bonds, and the District and the Bond Registrar shall not be liable for the failure of DTC or any successor thereto to indicate properly on the 2025 Bonds the payment of such principal. No person other than DTC shall receive any such 2025 Bond evidencing the obligation of the District to make payments of principal of, premium, if any, and interest on such 2025 Bonds pursuant to this Eleventh Supplemental Resolution. Upon delivery by DTC to the Bond Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions hereof, the word "Cede" in this Eleventh Supplemental Resolution shall refer to such new nominee of DTC.

(f) (i) DTC may determine to discontinue providing its services with respect to the 2025 Bonds at any time by giving written notice to the District and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is not a successor securities depository), certificates representing the 2025 Bonds will be delivered as described in this Eleventh Supplemental Resolution.

(ii) The District, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the 2025 Bonds if the District determines that: (a) DTC is unable to discharge its responsibilities with respect to the 2025 Bonds, or (b) a continuation of the requirement that all of the Outstanding 2025 Bonds be registered in the

Books of Registry in the name of Cede, as nominee of DTC, is not in the best interest of the District or the Beneficial Owners of the 2025 Bonds. In the event that no securities depository is found by the District or restricted registration is no longer in effect, certificates representing the 2025 Bonds will be delivered as described in the Resolution.

(iii) Upon the termination of the services of DTC with respect to the 2025 Bonds pursuant to subsection (f)(ii)(b) hereof, or upon the discontinuance or termination of the services of DTC with respect to the 2025 Bonds pursuant to subsection (f)(i) or subsection (f)(ii)(a) hereof and for which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the District, is willing and able to undertake such functions upon reasonable and customary terms, the 2025 Bonds shall no longer be restricted to being registered in the Books of Registry in the name of Cede as nominee of DTC, but may be registered in whatever name or names Bondowners transferring or exchanging 2025 Bonds shall designate, in accordance with the provisions of the Resolution.

(g) Notwithstanding any other provision of this Eleventh Supplemental Resolution to the contrary, so long as any 2025 Bond is registered in the name of Cede, as nominee of DTC, all payments with respect to the principal of, premium, if any, and interest on such 2025 Bond and all notices with respect to such 2025 Bond shall be made and given, respectively, to DTC as provided in the Letter of Representations, heretofore executed.

(h) In connection with any notice or other communication to be provided to Bondowners of the 2025 Bonds pursuant to the Resolution with respect to any consent or other action to be taken by the Bondowners of the 2025 Bonds, the District or the Bond Registrar, as the case may be, shall establish a consent date for such consent or other action and give DTC notice of such date not less than 15 calendar days in advance of such date to the extent possible.

Section 2.05. Form of 2025 Bonds. The 2025 Bonds shall be in substantially the form set forth in Section 12.1 of the Resolution.

Section 2.06. Appointment of Bond Registrar. U.S. Bank Trust Company, National Association is hereby appointed as Trustee, Bond Registrar and Paying Agent for the 2025 Bonds.

ARTICLE III REDEMPTION PROVISIONS FOR THE 2025 BONDS

Section 3.01. Optional Redemption. The 2025 Bonds shall be subject to redemption prior to maturity at the option of the District as provided in the related 2025 Delivery Certificate.

Section 3.02. Mandatory Sinking Fund Redemptions. The 2025 Bonds shall be subject to mandatory sinking fund redemptions, if any, as provided in the related 2025 Delivery Certificate.

Section 3.03. Selection of 2025 Bonds to be Redeemed. Unless otherwise provided in the related 2025 Delivery Certificate, if less than all of the 2025 Bonds of a series shall be called for redemption under Section 3.01 of this Eleventh 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 Bond Registrar or DTC (with respect to its participants), in

such manner as the Bond Registrar or DTC (with respect to its participants) in its discretion may deem proper, in the principal amount designated to the Bond Registrar by the District or otherwise as required by this Eleventh Supplemental Resolution. The portion of any 2025 Bond to be redeemed shall be an Authorized Denomination, and in selecting 2025 Bonds for redemption, each 2025 Bond shall be considered as representing that number of 2025 Bonds that is obtained by dividing the principal amount of such 2025 Bond by the minimum Authorized Denomination thereof. If for any reason the principal amount of 2025 Bonds called for redemption would result in a redemption of 2025 Bonds in an amount that is less than an Authorized Denomination, the Registrar, to the extent possible within the principal amount of 2025 Bonds to be redeemed, is hereby authorized to adjust the selection of 2025 Bonds of the series and maturities for such purpose to minimize any such redemption. Notwithstanding the foregoing, while the 2025 Bonds are held by DTC as book-entry bonds, if fewer than all of the 2025 Bonds of a series and maturity are called for redemption, the selection of the 2025 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 2025 Bond is to be called for redemption, then, upon notice of intention to redeem such portion, the Bondowner of such 2025 Bond shall surrender such 2025 Bond to the Bond Registrar for (i) payment to such Bondowner of the redemption price of the portion of principal amount called for redemption, and (ii) delivery to such Bondowner of a new 2025 Bond or 2025 Bonds at the option of the Bondowner in the aggregate principal amount of the unredeemed balance of the principal amount of such 2025 Bond. New 2025 Bonds representing the unredeemed balance of the principal amount of such 2025 Bond shall be issued to the Bondowner thereof, without charge therefor. If the Bondowner of any such 2025 Bond shall fail to present such 2025 Bond to the Bond Registrar for payment and exchange as aforesaid, such 2025 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).

Section 3.04. Notice of Redemption. Written notice of any redemption of 2025 Bonds shall be given by the Bond Registrar on behalf of the District by first class mail, postage prepaid, not less than 20 days nor more than 60 days before the date fixed for redemption to the registered owners of 2025 Bonds that are to be redeemed at their last addresses shown on the Books of Registry. So long as the 2025 Bonds are held in book-entry form, notice of redemption shall be given as provided in the Letter of Representations. The Bond 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 2025 Bonds are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the 2025 Bonds to be redeemed, (iv) that on the date fixed for redemption the redemption price will become due and payable upon each 2025 Bond or portion called for redemption, and that interest shall cease to accrue from the date fixed for redemption, (v) that the 2025 Bonds are to be surrendered for payment at the principal office of the Bond Registrar, (vi) the CUSIP numbers of all 2025 Bonds being redeemed, (vii) the dated date, series designation and stated maturity date of

the 2025 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 2025 Bonds being redeemed.

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

Any Conditional Redemption notice 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 Bond Registrar to rescind the redemption notice. The Bond Registrar shall give prompt notice of such rescission to the affected Bondowners. Any 2025 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 Bond Registrar shall give prompt notice to DTC or the affected Bondowners that the redemption did not occur and that the 2025 Bonds called for redemption and not so paid remain Outstanding.

On or before the date fixed for redemption, unless the conditions to a Conditional Redemption are not satisfied, money shall be deposited with the Bond Registrar to pay the principal of, premium, if any, and interest accrued to the date fixed for redemption on the 2025 Bonds called for redemption.

Upon the payment of the redemption price of 2025 Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue, series and maturity, the 2025 Bonds being redeemed with the proceeds of such check or other transfer.

Unless the District has revoked a notice of redemption, the District shall transfer to the Bond Registrar amounts that, in addition to other money, if any, held by the Bond Registrar, will be sufficient to redeem, on the redemption date, all the 2025 Bonds to be redeemed. From the date fixed for redemption interest on each 2025 Bond to be redeemed shall cease to accrue.

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.

Section 3.05. Purchase at Any Time. The District reserves the right to purchase any of the 2025 Bonds, at public or private sale, at any price deemed reasonable by the District at any time.

ARTICLE IV
APPLICATION OF PROCEEDS OF THE 2025 BONDS;
TAX COVENANTS; ESTABLISHMENT OF FUNDS AND ACCOUNTS

Section 4.01. Application of Proceeds of the 2025 Bonds. The proceeds of the sale of a series of the 2025 Bonds shall be deposited as required by Section 2.5 of the Resolution and shall be applied as provided in the related 2025 Delivery Certificate.

Section 4.02. No Debt Service Reserve. The 2025 Bonds shall not be secured by the Reserve Account or any other debt service reserve account.

Section 4.03. Tax Covenants. If any 2025 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 2025 Bonds, including compliance with the provisions of the Tax Certificate.

Section 4.04. Establishment of Funds and Accounts.

(a) Establishment and Application of 2025 Rebate Account. If any 2025 Bonds are issued on a tax-exempt basis, to ensure proper compliance with the tax covenants contained in Section 4.03 of this Eleventh Supplemental Resolution and with the covenants contained in the Tax Certificate, the District shall establish and shall maintain within the Bond Fund an account separate from any other fund or account established and maintained under the Resolution to be known as the “Public Utility District No. 1 of Snohomish County, Washington Generation System Revenue Refunding Bonds, 2025 Rebate Account” (the “2025 Rebate Account”). The District may establish within the 2025 Rebate Account such additional subaccounts as are specified in a 2025 Delivery Certificate as may be determined by the District to be necessary or convenient. All money at any time deposited in the 2025 Rebate Account in accordance with the provisions of the related Tax Certificate shall be held by the Treasurer in trust for payment to the federal government of the United States of America, and unless and until all payments of rebate have been made with respect to the 2025 Bonds issued on a tax-exempt basis as required pursuant to the related Tax Certificate, the owner of any 2025 Bonds shall have no rights in or claim to such money other than rights to cause the District to remit such money to the federal government of the United States of America. The Treasurer shall invest all amounts held in the 2025 Rebate Account in accordance with the related Tax Certificate. Money shall not be transferred from the 2025 Rebate Account except in accordance with the Resolution and the related Tax Certificate. The 2025 Rebate Account and the amounts on deposit therein shall not be subject to the pledge of Section 2.2(b) of the Resolution for the benefit of the owners of the 2025 Bonds.

(b) Establishment of 2025 Costs of Issuance Fund. There is hereby created a special fund of the District to be known as the “Public Utility District No. 1 of Snohomish County, Washington, Generation System Revenue Refunding Bonds, Series 2025 Costs of Issuance Fund” (the “2025 Costs of Issuance Fund”) to be held by the Trustee. Except as otherwise provided in the Tax Certificate, all amounts on deposit in the 2025 Costs of Issuance Fund shall be applied to pay costs of issuing the 2025 Bonds.

ARTICLE V
SALE OF 2025 BONDS; APPROVAL OF DOCUMENTS;

Section 5.01. Approval of Bond Purchase Contract. 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 one or more Bond Purchase Contracts 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 the District’s general counsel, such approval to be evidenced conclusively by his or her execution thereof, as so added to or changed. Subject to the conditions set forth in this Section 5.01, the 2025 Bonds shall be sold to the Underwriters pursuant to a Bond Purchase Contract at a purchase price equal to the principal amount of the 2025 Bonds less any original issue discount and plus any original issue premium, and less an Underwriters’ discount not to exceed 0.5% of the aggregate principal amount of the 2025 Bonds sold pursuant to such Bond Purchase Contract.

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

(a) Preliminary Official Statement. One or more preliminary official statements with respect to the 2025 Bonds (the “Preliminary Official Statement”), in substantially the form presented to and considered at this meeting, which is on file with the Secretary, shall be and is hereby authorized and approved and shall be delivered to the Underwriters with such changes therein from the form presented to this meeting as shall be deemed appropriate and in the best interests of the District, upon consultation with the District’s general counsel, by one or more Authorized Officers, such approval to be evidenced conclusively by the delivery of the Preliminary Official Statement to the Underwriters, as so added to or changed. The Underwriters are hereby authorized to distribute the Preliminary Official Statement in connection with the offer and sale of a series of 2025 Bonds. The Authorized Officers, each acting singly, shall be and each of them is hereby authorized, empowered and directed to deem a Preliminary Official Statement final as of its date for purposes of the Rule, such action to be conclusively evidenced by delivery of the Preliminary Official Statement to the Underwriters.

(b) Official Statement. The Authorized Officers, each acting singly, shall be and each of them is hereby authorized, empowered and directed to execute and deliver one or more final official statements (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 the District’s general counsel, such approval to be evidenced conclusively by his or her execution thereof, as so added to or changed. The Underwriters are hereby authorized to distribute the Official Statement in connection with the offer and sale of a series of 2025 Bonds.

Section 5.03. Approval of the 2025 Delivery Certificate. The Authorized Officers, each acting singly, shall be and each of them is hereby authorized, empowered and directed to execute and deliver a 2025 Delivery Certificate upon the issuance and delivery of a series of 2025 Bonds, including such changes or additions to this Eleventh Supplemental Resolution as shall be necessary

or desirable and consistent with the intents and purposes hereof, upon consultation with the District's general counsel.

Section 5.04. Approval of the Continuing Disclosure Certificate. The Authorized Officers, each acting singly, shall be and each of them is hereby authorized, empowered and directed to execute and deliver a Continuing Disclosure Certificate upon the issuance, delivery and sale of a series of 2025 Bonds with such terms and provisions as such officer shall deem appropriate and in the best interests of the District, upon consultation with the District's general counsel.

Section 5.05. Redemption of the Refunded Bonds. The Authorized Officers, each acting singly, shall be and each of them is hereby authorized and empowered to determine whether to redeem all or a portion of the Refunded Bonds, to execute and deliver such documents, certificates, consents or notices as are necessary or desirable in order to effect the redemption of each such series.

ARTICLE VI MISCELLANEOUS

Section 6.01. 2025 Bonds Subject to Resolution. Except as expressly provided in this Eleventh Supplemental Resolution, every term and condition contained in the Resolution shall apply to this Eleventh Supplemental Resolution and to the 2025 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 Eleventh Supplemental Resolution.

Section 6.02. Severability of Invalid Provisions. If any one or more of the provisions contained in this Eleventh Supplemental Resolution or in the 2025 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 Eleventh Supplemental Resolution, such invalidity, illegality or unenforceability shall not affect any other provision of this Eleventh Supplemental Resolution, and this Eleventh Supplemental Resolution shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 6.03. Eleventh Supplemental Resolution as Contract. In consideration of the acceptance of the 2025 Bonds by the Owners thereof, the provisions of this Eleventh Supplemental Resolution shall be deemed to be and shall constitute a contract between the District and the Owners of the 2025 Bonds to secure the full and final payment of the principal of, and interest on, the 2025 Bonds, subject to the conditions, covenants and terms contained herein and in the Resolution.

Section 6.04. Holidays. If the last day of any period of grace, or the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Eleventh Supplemental Resolution, is not a Business Day, the last day of such period of grace shall be deemed to be, and such payment may be made or act performed or right exercised, with the same force and effect as if done on the nominal date provided in this Eleventh Supplemental Resolution, on, the next succeeding Business Day, and no interest shall accrue for the period after such nominal date.

Section 6.05. Further Action. The Authorized Officers, each acting singly, and the other officers, agents and employees of the District shall be and each of them is hereby authorized, empowered and directed to execute and deliver such other documents and agreements, in addition to those enumerated herein, and to take such other actions as they deem necessary or advisable in order to carry out and perform the purposes of this Eleventh Supplemental Resolution and in connection with the sale, issuance and ongoing management of the 2025 Bonds. All actions taken by the Authorized Officers and the other officers, agents and employees of the District pursuant to or anticipation of the adoption of this Eleventh Supplemental Resolution but prior to its effective date are hereby ratified, confirmed and approved.

Section 6.06. Effective Date. This Eleventh Supplemental Resolution shall become effective upon its adoption.

Adopted by the Commission of Public Utility District No. 1 of Snohomish County,
Washington this 1st day of July 2025.

PUBLIC UTILITY DISTRICT NO. 1 OF
SNOHOMISH COUNTY, WASHINGTON

President

Vice President

Secretary

CLERK'S CERTIFICATE

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

1. That the attached Resolution No. ____ (herein called the "Resolution") is a true correct copy of a resolution of the Commission, as finally adopted at a regular meeting of the Commission held on the 1st day of July 2025 and duly recorded in my office.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 1st day of July 2025.

Clerk of the Commission

PRELIMINARY OFFICIAL STATEMENT DATED [____], 2025

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 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 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the 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 Bonds. See "TAX MATTERS."

**NEW ISSUE
BOOK-ENTRY ONLY**

See "RATINGS"

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

\$10,910,000*

**GENERATION SYSTEM REVENUE REFUNDING
BONDS, SERIES 2025A
(TAX-EXEMPT)**

Dated: 2025A Date of Delivery

Due: December 1, as shown on the inside cover

\$36,810,000*

**GENERATION SYSTEM REVENUE REFUNDING
BONDS, SERIES 2025B
(TAX-EXEMPT)**

Dated: 2025B Date of Delivery

Due: December 1, as shown on the inside cover

The Generation System Revenue Refunding Bonds, Series 2025A (Tax-Exempt) (the "2025A Bonds") of Public Utility District No. 1 of Snohomish County, Washington (the "District") and the Generation System Revenue Refunding Bonds, Series 2025B (Tax-Exempt) (the "2025B Bonds") and together with the 2025A Bonds, the "Bonds") will be issued as fixed rate bonds maturing in the amounts and bearing interest at the rates set forth on the inside front cover of this Official Statement, payable June 1 and December 1 of each year, commencing December 1, 2025.

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

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

The 2025A Bonds are being issued to (i) depending on market conditions, refund all or a portion of the District's outstanding Generation System Revenue Bonds, Series 2010B Taxable Build America Bonds (Direct Pay); and (ii) pay costs of issuance of the 2025A Bonds. The 2025B Bonds are being issued to (i) depending on market conditions, refund all or a portion of the District's outstanding Generation System Revenue Bonds, Series 2015; and (ii) pay costs of issuance of the 2025B Bonds. See "PURPOSE AND APPLICATION OF BOND PROCEEDS."

The Bonds are special limited obligations of the District payable from and secured solely by the Generation System Revenues, subject to the prior payment of Operating Expenses. The Bonds are secured by a pledge of and lien and charge on Generation System Revenues equal to the pledge of and lien and charge on Generation System Revenues that secure (i) the Generation System Bonds heretofore and hereafter issued pursuant to the Generation System Bond Resolution (as defined herein) and (ii) the District Payments made in connection with Derivative Products (consisting of interest rate swap agreements and other similar agreements). Generation System Revenues consist almost exclusively of revenues derived from the following payments made by the District's Electric System, all as more fully described under "SECURITY FOR THE BONDS." The District has covenanted in the Generation System Bond Resolution (as defined herein) to cause the Generation System to sell and the Electric System to purchase in each month all of the electric power and energy of the Generation System available in such month for use in the Electric System. Payment for such electric power and energy must be made at the times and in the amounts sufficient for the timely payment of all costs of the Generation System (as further defined herein, the "Generation System Power Costs"), including debt service on the Generation System Bonds, as the same shall become due. The District is obligated to pay Generation System Power Costs (i) as an operation and maintenance expense of the Electric System for any month in which any power and energy from the Generation System was made available to the Electric System (regardless of whether or not the Electric System actually scheduled or received any such power or energy) and (ii) at all other times on a parity with the Electric System Bonds outstanding from time to time.

MATURITY SCHEDULE — See Inside Front Cover

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

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

The Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Seattle, Washington, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by its General Counsel, F. Colin Willenbrock, Esq. Certain legal matters will be passed upon for the Underwriters by their special counsel, Foster Garvey, P.C. Certain legal matters will be passed upon by Orrick, Herrington & Sutcliffe LLP, Seattle, Washington, as Disclosure Counsel to the District. It is expected that delivery of the Bonds will be made through the facilities of DTC in New York, New York, by Fast Automated Securities Transfer (FAST), on or about _____, 2025.

RAYMOND JAMES

GOLDMAN SACHS & CO. LLC

* Preliminary, subject to change.

MATURITY SCHEDULE

\$10,910,000*

**PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON
GENERATION SYSTEM REVENUE REFUNDING BONDS, SERIES 2025A
(TAX-EXEMPT)**

Maturity Year (December 1)*	Principal Amount*	Interest Rate	Yield	CUSIP Number** (833116)
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\$____* ____% Term Bonds due December 1, 20__ Priced to Yield ____%[†] (CUSIP No. 833116__**)

* Preliminary, subject to change.

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MATURITY SCHEDULE

\$36,810,000*

**PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON
GENERATION SYSTEM REVENUE REFUNDING BONDS, SERIES 2025B
(TAX-EXEMPT)**

Maturity Year (December 1)*	Principal Amount*	Interest Rate	Yield	CUSIP Number** (833116)
--	--------------------------	----------------------	--------------	------------------------------------

\$____* ____% Term Bonds due December 1, 20__ Priced to Yield ____%[†] (CUSIP No. 833116__**)

* Preliminary, subject to change.

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No dealer, broker, salesperson or other person has been authorized by the District or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the 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 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

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

In connection with the offering of the Bonds, the Underwriters may over allot or effect transactions that stabilize or maintain the market price of the 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 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 Bonds.

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

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

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

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

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

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

www.snopud.com⁽³⁾

BOARD OF COMMISSIONERS

**PRESIDENT
Sidney “Sid” Logan**

**VICE PRESIDENT
Tanya “Toni” Olson**

**SECRETARY
Julieta Altamirano-Crosby**

ADMINISTRATIVE MANAGEMENT

John Haarlow, Chief Executive Officer/General Manager

F. Colin Willenbrock, Chief Legal Officer

Jeff Bishop, Chief Financial Officer

Angela Johnston, Treasurer

Jason Zyskowski, Chief Energy Resources Officer

Amy Carstens, Chief Operations Officer

Kristi Sterling, Chief Information Officer

John Hoffman, Chief Customer Officer

CONSULTANTS

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

⁽³⁾ 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 Bonds.

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

THE DISTRICT'S SERVICE AREA

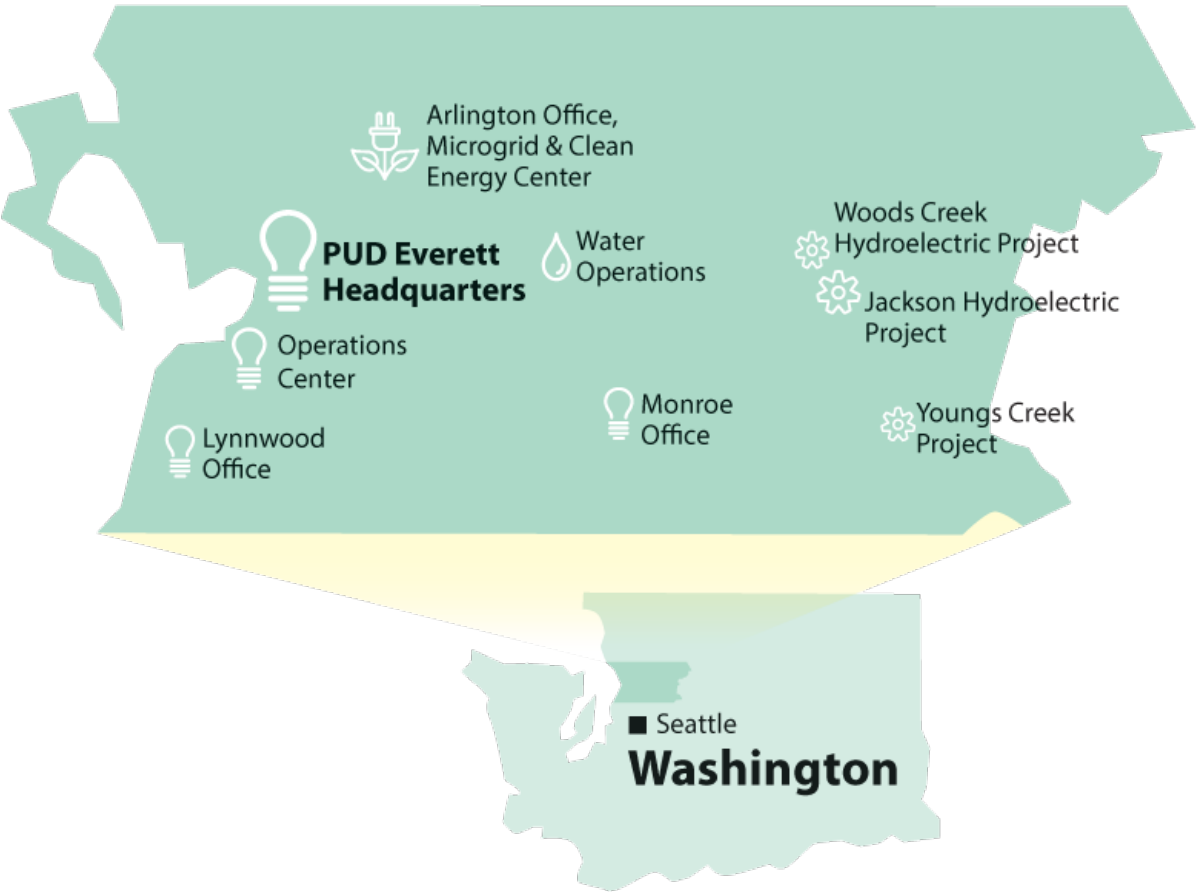


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OFFICIAL STATEMENT

PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON

\$10,910,000*
GENERATION SYSTEM REVENUE
REFUNDING BONDS, SERIES 2025A
(TAX-EXEMPT)

\$36,810,000*
GENERATION SYSTEM REVENUE
REFUNDING BONDS, SERIES 2025B
(TAX-EXEMPT)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, inside cover page and appendices, is to provide information concerning Public Utility District No. 1 of Snohomish County, Washington (the “District”), its Generation System, its Electric System and its proposed \$10,910,000* Generation System Revenue Refunding Bonds, Series 2025A (Tax-Exempt) (the “2025A Bonds”) dated as of their date of delivery, which is expected to be July 29, 2025* (the “2025A Date of Delivery”) and \$36,810,000* Generation System Revenue Refunding Bonds, Series 2025B (Tax-Exempt) dated as of their date of delivery, which is expected to be September 3, 2025* (the “2025B Date of Delivery”). The 2025A Bonds and the 2025B Bonds, are referred to herein as the “Bonds.”

The Bonds are to be issued pursuant to Chapter 1 of the Laws of Washington, 1931, as amended and supplemented, constituting Title 54 of the Revised Code of Washington, Chapter 167 of the Laws of Washington, 1983, as amended and supplemented, constituting Chapter 39.46 of the Revised Code of Washington (collectively, the “Enabling Act”) and Resolution No. 2994, adopted by the Commission of the District (the “Commission”) on September 26, 1986, as amended, as revised and restated by Resolution No. 3902 adopted by the Commission on January 28, 1993 (the “Master Generation System Resolution”), as supplemented and amended, including as supplemented by Resolution No. [____], adopted by the Commission on July 1, 2025 (the “Eleventh Supplemental Resolution”). The Master Generation System Resolution, as amended and supplemented, including as supplemented by the Eleventh Supplemental Resolution, is hereinafter collectively referred to as the “Generation System Bond Resolution.”

The District previously issued its Generation System Revenue Bonds, Series 2010B Taxable Build America Bonds (Direct Pay) (the “2010B Bonds”), of which \$11,580,000 remains outstanding, and its Generation System Revenue Bonds, Series 2015 (the “2015 Bonds”) of which \$39,985,000 remains outstanding. The 2010B Bonds and the 2015 Bonds are collectively referred to herein as the “Outstanding Bonds,” of which, collectively, \$51,565,000 remains outstanding. The Outstanding Bonds, the Bonds and any future bonds issued under the Generation System Bond Resolution, are collectively referred to herein as the “Generation System Bonds.” The 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 Generation System. See “SECURITY FOR THE BONDS.”

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

Under Washington State law, the District has the authority to establish separate enterprise funds with respect to its various municipal utility business operations, each of which enterprise funds is accounted

* Preliminary, subject to change.

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 Generation System, the Electric System, and the Water System. See “THE DISTRICT.”

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

In the preparation of the forecasts and projections in this Official Statement, the District has made various assumptions with respect to conditions that may occur in the future. While the District believes these assumptions are reasonable for the purpose of the forecasts and projections, they depend upon future events, and actual conditions likely will differ from those assumed. The District does not represent or guarantee that actual results will replicate the forecasts and projections in this Official Statement. Potential purchasers of the 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.

PURPOSE AND APPLICATION OF BOND PROCEEDS

General

The proceeds of the 2025A Bonds will be used to (i) depending on market conditions, refund all or a portion of the outstanding 2010B Bonds; and (ii) pay costs of issuing the 2025A Bonds.

The proceeds of the 2025B Bonds will be used to (i) depending on market conditions, refund all or a portion of the outstanding 2015 Bonds; and (ii) pay costs of issuing the 2025B Bonds.

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Estimated Sources and Uses of Funds

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

Sources of Funds	2025A Bonds	2025B Bonds
Principal Amount of the Bonds		
[Net] Original Issue [Premium/(Discount)]		
Available Funds of the District ⁽¹⁾		
Total Sources:		
Uses of Funds		
Deposit to Redemption Account		
Deposit to Escrow Fund		
Costs of Issuance ⁽²⁾		
Total Uses:		

⁽¹⁾ Includes funds held in the Bond Fund for the payment of the principal of and interest on the Refunded Bonds.

⁽²⁾ Includes fees of bond counsel and disclosure counsel, municipal advisor and rating agency, printing costs, underwriters' discount, refunding fees, if any, and other costs associated with issuing the Bonds and the refunding of the Refunded Bonds.

Refunding Plan*

Depending on market conditions on the day of pricing, a portion of the net proceeds of the 2025A Bonds will be used to refund all or a portion of outstanding maturities of the 2010B Bonds and a portion of the net proceeds of the 2025B Bonds will be used to refund all or a portion of the outstanding maturities of the 2015 Bonds, as set forth below (as selected on the day of pricing, "Refunded 2010B Bonds," the "Refunded 2015 Bonds" and collectively, the "Refunded Bonds"). The issuance of the 2025A Bonds to refund the 2010B Bonds and the issuance of the 2025B Bonds to refund the 2015 Bonds is subject to market conditions. The 2010B Bonds to be refunded with proceeds of the 2025A Bonds are being redeemed pursuant to the Extraordinary Optional Redemption provisions of the 2010B Bonds.

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* Preliminary, subject to change.

TABLE 1
REFUNDED BONDS*

Series	Year (December 1)	Principal Amount	Interest Rate	Redemption Date	Redemption Price	CUSIP No. 833116
2010B**	2025	\$545,000	5.254%	7/29/2025	% ⁽¹⁾	BT2
2010B**	2040	11,035,000	5.680	7/29/2025	⁽¹⁾	BU9
2015	2025	865,000	5.000	12/1/2025	100%	BV7
2015	2026	915,000	5.000	12/1/2025	100	BW5
2015	2027	975,000	5.000	12/1/2025	100	BX3
2015	2028	1,035,000	5.000	12/1/2025	100	BY1
2015	2029	1,100,000	5.000	12/1/2025	100	BZ8
2015	2030	1,165,000	5.000	12/1/2025	100	CA2
2015	2031	1,240,000	5.000	12/1/2025	100	CB0
2015	2032	1,315,000	5.000	12/1/2025	100	CC8
2015	2033	1,395,000	5.000	12/1/2025	100	CD6
2015	2034	1,475,000	5.000	12/1/2025	100	CE4
2015	2035	1,565,000	5.000	12/1/2025	100	CF1
2015	2036	1,660,000	5.000	12/1/2025	100	CJ3
2015	2037	1,760,000	5.000	12/1/2025	100	CK0
2015**	2040	5,925,000	5.000	12/1/2025	100	CG9
2015**	2045	17,595,000	5.000	12/1/2025	100	CH7

Source: The District.

⁽¹⁾ The redemption price of the 2010B Bonds will be calculated on the date the 2025A Bonds are sold.

** Term Bond

On the date of the issuance of the 2025A Bonds, a portion of the net proceeds from the sale of the 2025A Bonds, together with available funds of the District, will be applied to redeem the Refunded 2010B Bonds on the related Redemption Date listed in Table 1 above.

On the date of the issuance of the 2025B Bonds, a portion of the net proceeds from the sale of the 2025B Bonds, together with available funds of the District, will be applied to defease the Refunded 2015 Bonds to the related Redemption Date listed in Table 1 above.

Upon the issuance of the 2025B Bonds, U.S. Bank Trust Company, National Association, as escrow agent (the “Escrow Agent”) will receive a portion of the proceeds of the 2025B Bonds, pursuant to an Escrow Agreement entered into by and between the District and the Escrow Agent. The initial cash balance shall be held by the Escrow Agent in the Escrow Account and the money therein shall be used solely to defease and/or purchase United States Treasury Obligations to pay, redeem and retire the Refunded 2015 Bonds. The defeasance of the Refunded 2015 Bonds will discharge the pledge of the funds securing the Refunded 2015 Bonds, and the owners of the Refunded 2015 Bonds will no longer be entitled to the security of Master Electric System Resolution, except for the right to payments from the amounts held by the Escrow Agent under the Escrow Agreement.

Verification of Mathematical Computations

[____], a nationally recognized independent firm of certified public accountants (the “Verification Agent”), will verify the arithmetical accuracy of certain computations included in the schedules provided by the Underwriters on behalf of the District relating to: (1) United States currency and United States

* Preliminary, subject to change.

Treasury Obligations; (2) the payment of the principal of and interest on the Refunded 2015 Bonds; and (3) the yield on the 2025B Bonds. Such computations will be based solely on assumptions and information supplied by the Underwriters. The receipt of the report is a condition to the issuance of the 2025B Bonds.

The Verification Agent will also verify, from the information provided to it, the mathematical accuracy of the calculation of the extraordinary optional redemption price with respect to the extraordinary redemption of the Refunded 2010B Bonds. The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of such computations and will not independently study or evaluate the assumptions and information upon which the computations were based. Accordingly, the Verification Agent will not express an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

DESCRIPTION OF THE BONDS

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

General

The Bonds will be issued pursuant to the Generation System Bond Resolution in the form of fully registered bonds of each maturity without coupons in authorized denominations and dated their respective dates of delivery. The 2025A Bonds will be issued in the total aggregate principal amount of \$10,910,000* and the 2025B Bonds will be issued in the total aggregate principal amount of \$36,810,000*, each as fixed rate bonds maturing in the amounts and bearing interest at the rates set forth on the inside front cover of this Official Statement. Interest on the Bonds, calculated based upon a 360-day year consisting of twelve 30-day months, is payable on each June 1 and December 1, commencing December 1, 2025, until maturity or prior redemption. The authorized denominations of the Bonds will be \$5,000 and any integral multiple of \$5,000 for each maturity.

Upon their initial issuance, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”). Purchases of beneficial interests in the Bonds will be made in book-entry form, without certificates. See “APPENDIX E—BOOK-ENTRY SYSTEM.”

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

* Preliminary, subject to change.

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

Redemption*

Optional Redemption of the 2025A Bonds

The 2025A 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 of the 2025A Bonds

The 2025A 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.

Optional Redemption of the 2025B Bonds

The 2025B 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 of the 2025B Bonds

The 2025B 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
_____	_____

*

* Preliminary, subject to change.

* Final maturity.

Partial Optional Redemption of the Bonds

If less than all of the Bonds are called for optional redemption, such Bonds called for redemption are to be redeemed from such maturities in such order as shall be selected by the District, and by lot within any maturity subject to selection by the Registrar in such manner as the Registrar in its discretion may deem proper, in the principal amount designated to the Registrar by the District. Notwithstanding the provisions of the Eleventh Supplemental Resolution described in the preceding sentence, while the Bonds are held as book-entry bonds, if fewer than all of the Bonds of a maturity are called for redemption, the selection of the Bonds within such maturity to be redeemed is to be made by DTC in accordance with its operational procedures as then in effect.

Notice of Redemption of the Bonds

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

If notice is duly given, 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 Bonds.

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

Any Conditional Redemption notice 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 is to give prompt notice of such rescission to the affected Bondowners. Any 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 is to give prompt notice to DTC or the affected Bondowners that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding

Effect of Redemption of Bonds

Notice of redemption having been duly given, the 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 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 Bonds so called for redemption will cease to accrue and said Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Generation System Bond Resolution (except for payment of particular Bonds for which moneys are being held by the Registrar and which

money shall be pledged to such payment), and the owners of said Bonds shall have no rights in respect thereof except to receive payment of said principal, premium, if any, and interest accrued to the date fixed for redemption.

Defeasance

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

Trustee

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

SECURITY FOR THE BONDS

Pledge of Generation System Revenues

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

The District’s Generation System currently includes all of the District’s generating resources, including the Jackson Project, the Woods Creek Project, the Youngs Creek Project, the Hancock Creek Project, the Calligan Creek Project and the Biofuel Project (each as defined herein). The Electric System is the District’s retail electric utility. All available power produced by the Generation System is purchased by the Electric System at cost for sale to the District’s retail customers. See “THE GENERATION SYSTEM.”

The Bonds are special limited obligations of the District payable from and secured solely by Generation System Revenues, subject to the prior payment of Operating Expenses. The Bonds are secured by a pledge of and lien and charge on Generation System Revenues equal to the pledge of and lien and charge on Generation System Revenues that secure (i) the Generation System Bonds heretofore and hereafter issued pursuant to the Generation System Bond Resolution and (ii) the District Payments made in connection with Derivative Products. Generation System Revenues consist almost exclusively of the income, revenues and receipts derived by the District through the ownership and operation of the Generation System, including revenues derived from the sale of electric power and energy from the Generation System to the District’s Electric System. See “—Payment of Generation System Power Costs as an Operating Expense of the Electric System.”

“Generation System Revenues” means the income, revenues, and receipts derived by the District through the ownership and operation by it of the Generation System, but, except as provided in the Generation System Bond Resolution, does not include any income derived by the District through the ownership and operation by it of the Electric System or of any other generation, transmission and distribution facilities that may be purchased, constructed or otherwise acquired by the District as a separate electric utility system, or any Reciprocal Payments. Federal and state grant moneys received by the District in any Fiscal Year to pay or reimburse all or a portion of periodic payments of principal of and/or interest or redemption premium of Generation System Bonds shall constitute Generation System Revenues if designated as such by the Commission.

“Operating Expenses” means (i) all the District’s expenses for operation and maintenance of the Generation System, and ordinary repairs, replacements and reconstruction of the Generation System not constituting a unit of property (as prescribed in the Uniform System of Accounts of the Federal Energy Regulatory Commission (“FERC”)), including all costs of producing and delivering electric power and energy from the Generation System and payments (other than payments out of Generation System Bond proceeds) into reasonable reserves in the Generation System Revenue Fund for items of Operating Expenses and other costs the payment of which is not immediately required, and shall include costs of transmission service, generating capacity reserve service and scheduled, emergency, economy or other interchange service, all other costs of purchased power (except costs under any purchased power contracts which secure the payment of debt issued to finance the facilities providing such power), rents, administrative and general expenses, engineering expenses, legal and financial advisory expenses, required payments to pension, retirement, health and hospitalization funds, insurance premiums and any taxes or payments in lieu of taxes, all to the extent properly allocable to the Generation System, (ii) any current expenses or obligations required to be paid by the District under the provisions of the Generation System Bond Resolution or by law, all to the extent properly allocable to the Generation System, and (iii) the fees and expenses of the Stand-by Trustee and Registrar. Operating Expenses do not include District Payments, any costs or expenses for new construction or any allowance for depreciation and include only that portion of the total administrative and general expenses of the District that are properly allocable to the Generation System.

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

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

The District has covenanted in the Generation System Bond Resolution to cause the Generation System to sell and the Electric System to purchase in each month all of the electric power and energy of the Generation System available in such month for use in the Electric System. Payment for such electric power and energy must be made at the times and in the amounts sufficient for the timely payment of all Generation System Power Costs, including debt service on the Generation System Bonds, as the same shall become due. The District is obligated to pay Generation System Power Costs (i) as an operation and maintenance expense of the Electric System for any month in which any power and energy from the Generation System was made available to the Electric System (regardless of whether or not the Electric System actually scheduled or received any such power or energy) and (ii) at all other times on a parity with the Electric System Bonds outstanding from time to time.

“Generation System Power Costs” means with respect to each month all costs attributable to the Generation System, to the extent not paid from the proceeds of Generation System Bonds or other sources (including income from investment of such proceeds), resulting from the ownership, operation, maintenance and termination of, and repair, renewals, replacements, additions, improvements, betterments, and modifications to, the Generation System, including (i) Operating Expenses; (ii) the amount required under the Generation System Bond Resolution to be paid or deposited during such month into the Bond Fund; (iii) any amount which the District may be required during such month to pay for the prevention or correction of any unusual loss or damage or for renewals, replacements, repairs, additions, improvements, betterments and modifications that are necessary to keep the Generation System in good operating condition, to improve the operation thereof, or to prevent a loss of revenues therefrom, but in each case only to the extent that (a) funds for such payment are not available to the District from any funds or accounts established under the Generation System Bond Resolution for such purpose, or (b) funds for such payment are not provided by the issuance of Generation System Bonds; (iv) all other charges or obligations payable by the District from Generation System Revenues of whatever nature imposed by the Generation System Bond Resolution by law or contract, excluding depreciation, amortization and other non-cash charges).

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

The Electric System is obligated to pay Generation System Power Costs as an operation and maintenance expense of the Electric System only with respect to months during which any power and energy from the Generation System were made available to the Electric System (regardless of whether or not the Electric System actually scheduled or received such energy). In any month during which power and energy were not made available to the Electric System from the Generation System, Generation System Power Costs are payable from Electric System Revenues after payment of operating expense of the Electric System as further described below under “—Payment of Generation System Power Costs on Parity of Lien with Electric System Bonds.”

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

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

Limitation of Liability

The Bonds shall not in any manner or to any extent constitute general obligations of the District or of the State of Washington, or of any political subdivision of the State of Washington, or a charge upon any general fund or upon any money or other property of the District or of the State of Washington, or of any political subdivision of the State of Washington, not specifically pledged thereto by the Generation System Bond Resolution, nor shall the full faith and credit of the District

or of the State of Washington, or of any political subdivision of the State of Washington, be pledged to the payment of principal, premium, if any, or interest on the Bonds.

Rates and Charges

The District has covenanted in the Generation System Bond Resolution to fix, establish, maintain and collect rates and charges for electric power and energy and other goods and services, facilities and commodities sold, furnished or supplied through the facilities of the Generation System which will provide the District with Generation System Revenues sufficient to pay Generation System Power Costs. The Electric System is obligated under the Generation System Bond Resolution to purchase, in each month for use in the Electric System, all the electric power and energy of the Generation System available in such month.

The District also has covenanted in the Generation System Bond Resolution to establish, maintain and collect rates and charges for electric power and energy and other services supplied through the Electric System sufficient to pay the cost of operation and maintenance of the Electric System and certain other payments (including payments for available Generation System power and energy), to pay the amounts required to be deposited in the bond fund under the Electric System Resolution, to provide Electric System Revenues sufficient, together with amounts then on deposit in the Generation System Revenue Fund, to pay all Generation System Power Costs (including debt service on the Bonds), to pay necessary repairs, replacements and renewals to the Electric System, to pay the cost of extensions, betterments and improvements thereto and to pay all other charges and obligations against Electric System Revenues imposed by law or contract.

Flow of Funds

Pursuant to the Generation System Bond Resolution, the District continued a special fund known as the Revenue Fund (the “Generation System Revenue Fund”). See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE GENERATION SYSTEM BOND RESOLUTION—Revenues and Flow of Funds—*Revenue Fund*.” All Generation System Revenues (and all Electric System Revenues required to be deposited under the Generation System Bond Resolution) are required to be deposited in the Generation System Revenue Fund to be applied in the following order of priority:

(a) First, for the payment of Operating Expenses; and

(b) Second, equally and ratably and without priority, (i) for the payment of the principal of and interest and redemption premium, if any, on any Generation System Bonds; (ii) in the event the District has entered into any Derivative Product that ranks on parity of lien with the Generation System Bonds, to pay any sums due to the Reciprocal Payor; and (iii) in the event the District has entered into a reimbursement agreement pursuant to the Generation System Resolution that ranks on a parity of lien with the Generation System 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 if there is not sufficient money to make all payments under more than one such reimbursement agreement, the payments shall be made on a pro rata basis.

The balance of Generation System Revenues may, in the discretion of the District, be used for any of the following purposes: (i) to pay debt service on Generation System Bonds; (ii) for transfer to any other fund or account created by the Generation System Bond Resolution; (iii) for the purchase or redemption of Generation System Bonds; (iv) to pay any subordinated indebtedness of the Generation System; or (v) for any lawful corporate purpose of the District.

Pursuant to the Electric System Bond Resolution, the District created a special fund known as the Revenue Fund (the “Electric System Revenue Fund”). See “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Revenues and Flow of Funds—*Revenue Fund*.” The District has covenanted in the Electric System Bond Resolution to pay into the General Account in the Electric System Revenue Fund all Electric System Revenues and all other amounts required by the Electric System Resolution to be deposited into the Electric System Revenue Fund and to pay from such Electric System Revenue Fund, prior to the payment of debt service on any outstanding Electric System Bonds, any operating expenses of the Electric System, including Generation System Power Costs, as appropriate.

Debt Service Reserve Account

The Generation System Bond Resolution established a Debt Service Reserve Account in the Bond Fund (the “Debt Service Reserve Account”) to secure the payment of principal of, premium, if any, and interest on the Generation System Bonds designated by the District to be secured by the Debt Service Reserve Account. **The Bonds are not secured by the Debt Service Reserve Account.**

[Upon the issuance of the Bonds, the District expects to release all funds in the Debt Service Reserve Account to pay debt service on the Bonds].

See Appendix B—“SUMMARY OF CERTAIN PROVISIONS OF THE GENERATION SYSTEM BOND RESOLUTION—Revenues and Flow of Funds—Bond Fund—Debt Service Reserve Account.”

Additional Indebtedness

Generation System Bond Resolution

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

As of July 1, 2025, the Generation System Bonds were outstanding in the aggregate principal amount of \$51,565,000. Upon the issuance of the Bonds, the Generation System Bonds will be outstanding in the aggregate principal amount of \$47,720,000*. Certain covenants and other provisions of the Generation System Bond Resolution are summarized in “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE GENERATION SYSTEM BOND RESOLUTION.”

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

* Preliminary, subject to change.

Electric System Bond Resolution

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

The District’s Electric System currently has outstanding its Electric System Revenue Bonds, Series 2010A Taxable Build America Bonds (Direct Pay) (the “2010A Electric System Bonds”), Electric System Revenue Bonds, Series 2015 (the “2015 Electric System Bonds”), Electric System Revenue Refunding Bonds, Series 2020A (the 2020A Electric System Bonds”), Electric System Revenue Bonds, Series 2021A (the “2021A Electric System Bonds”) and its Electric System Revenue Bonds, Series 2022A (the “2022A Electric System Bonds”), which as of July 1, 2025, were outstanding in the aggregate principal amount of \$400,180,000. The 2010A Electric System Bonds, the 2015 Electric System Bonds, the 2020A Electric System Bonds, the 2021A Electric System Bonds and the 2022A Electric System Bonds, together with any future bonds issued under the Electric System Bond Resolution, are collectively referred to herein as the “Electric System Bonds.”

Subject to market conditions, simultaneously with the issuance of the 2025A Bonds, the District may issue one or more series of its Electric System Revenue and Refunding Bonds (the “2025A Electric System Bonds”) in the aggregate principal amount of \$283,695,000* to finance improvements to the Electric System and to provide the funds necessary to be used with other available funds of the District to refund all or a portion of the District’s outstanding 2010A Electric System Bonds and to pay costs of issuance of the 2025A Electric System Bonds.

Subject to market conditions, simultaneously with the issuance of the 2025B Bonds, the District may issue one or more series of its Electric System Revenue Refunding Bonds (the “2025B Electric System Bonds” and together with the 2025A Electric System Bonds, the “2025 Electric System Bonds”) in the aggregate principal amount of \$107,665,000* to provide the funds necessary to be used with other available funds of the District to refund all or a portion of the District’s outstanding 2015 Electric System Bonds and to pay costs of issuance of the 2025B Electric System Bonds.

The 2025 Electric System Bonds are not being offered for sale by this Official Statement, and this Official Statement should not be relied on by investors when making an investment decision to purchase the 2025 Electric System Bonds.

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

Junior Lien Bonds

The District may issue bonds or other evidences of indebtedness for any corporate use or purpose of the District payable from, and having a lien and charge against, Electric System Revenues junior to the

* Preliminary, subject to change.

Electric System Bonds. As of July 1, 2025, the District had no outstanding bonds having a lien on and charge against Electric System Revenues junior to the Electric System Bonds (“Junior Lien Bonds”).

Derivative Products

The Generation System Bond Resolution permits the District to enter into “Derivative Products” secured by a pledge of and lien on Generation System Revenues on a parity with the Generation System Bonds. Derivative Products include agreements providing for an exchange of payments based on interest rates (known as interest rate swaps), or providing for ceilings or floors on such payments. Derivative Products could also include currency or commodity swap agreements. As such, they would be payable from Electric System Revenues as a part of Generation System Power Costs either prior to or on a parity with the Electric System Bonds. Execution of any Derivative Product is subject to the satisfaction of certain conditions set forth in the Generation System Bond Resolution. See “—Payment of Generation System Power Costs as an Operating Expense of the Electric System” and “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE GENERATION SYSTEM BOND RESOLUTION—Additional Indebtedness—Derivative Products.”

The District has previously been a party to interest rate swap agreements that constituted Derivative Products pursuant to the Generation System Bond Resolution. The District, however, is no longer a party to any such Derivative Products and does not currently expect to enter into any such agreements. The District from time to time may enter into certain hedge agreements, such as commodity or currency swaps, in the ordinary course of business. Payments made or received by the District under such agreements would be applied for purposes of the flow-of-funds provisions of the Electric System Bond Resolution consistent with applicable accounting rules.

Resource Obligations

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

Except as described in the preceding paragraph, the District is prohibited under the Electric System Bond Resolution from entering into a contract or other similar arrangement with a third party for the purchase of energy, capacity, capability or reserves from a new or existing generating facility, payments

under which contract or arrangement are payable as Operating Expenses of the Electric System, if: (a) such payments are pledged directly to secure the payment of bonds or other indebtedness issued or incurred to finance such facility, and (b) such payments are due regardless of whether the District takes delivery of any power or such facility or resource is producing or is capable of producing any power.

Other Covenants

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

Contingent Payment Obligations

The District has entered into, and may in the future enter into, contracts and agreements in the course of its business that include an obligation on the part of the District to make payments or post collateral contingent upon the occurrence or nonoccurrence of certain future events, including events that are beyond the direct control of the District. The amount of any such contingent payments may be substantial. To the extent that the District did not have sufficient funds on hand to make any such payment, it is likely that the District would seek to borrow such amounts through the issuance of additional bonds or otherwise.

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

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

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

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

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

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

As a condition to the consolidation of the Generation System and the Electric System, the District is required to provide (i) written confirmation from each Rating Agency then rating the Generation System Bonds and the Electric System Bonds that such consolidation would not cause a reduction or withdrawal of the then-current rating(s) on the Generation System Bonds and the Electric System Bonds and (ii) an opinion of Bond Counsel that such consolidation would not adversely affect the exclusion of interest on any tax-exempt Generation System Bonds or Electric System Bonds from gross income for federal income tax purposes. The District currently does not have any plans, nor does it expect, to consolidate these Systems.

Authorized Investments

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

No Acceleration Upon Default

Upon the occurrence and continuance of an Event of Default under the Generation System Bond Resolution, payment of the principal of and accrued interest on the Generation System Bonds is not subject to acceleration. The District thus is liable for principal and interest payments only as they become due. The inability to accelerate the Generation System Bonds upon an Event of Default could give rise to varying interests between holders of earlier and later maturing Generation System Bonds. The nature and extent of any such variance would depend in part upon the nature and duration of any default. In the event of multiple defaults in payment of principal or interest on the Generation System Bonds, the bondholders could 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.

Outstanding Debt of the Electric System and Generation System

The table below presents the District's outstanding Generation System and Electric System long-term indebtedness as of July 1, 2025. The table below does not reflect the issuance of the Bonds. See "SECURITY FOR THE BONDS—Additional Indebtedness—Electric System Bond Resolution."

TABLE 2
Outstanding Debt of the Electric System and the Generation System
As of June 1, 2025
(\$000)

Series of	Final Maturity Date	Original Principal Amount	Amount Outstanding
<u>GENERATION SYSTEM BONDS</u>			
2010B ^{*(1)}	12/1/2040	\$14,050	\$11,580
2015 ^{*(2)}	12/1/2045	39,985	<u>39,985</u>
<u>Total Generation System Bonds</u>		<u>\$54,035</u>	<u>\$51,565</u>
<u>ELECTRIC SYSTEM BONDS</u>			
2010A ^{*(3)}	12/1/2035	\$128,075	\$115,995
2015 ^{*(4)}	12/1/2040	140,920	119,475
2020A	12/1/2028	49,085	24,975
2021A	12/1/2051	78,685	78,685
2022A	12/1/2052	61,050	<u>61,050</u>
<u>Total Electric System Bonds</u>		<u>\$457,815</u>	<u>\$400,180</u>
<u>Total Outstanding Debt</u>		<u>\$511,850</u>	<u>\$451,745</u>

Source: The District.

* Preliminary, subject to change.

(1) \$11,580,000* aggregate principal amount expected to be refunded with the proceeds of the 2025A Bonds.

(2) \$39,985,000* aggregate principal amount expected to be refunded with the proceeds of the 2025B Bonds.

(3) \$115,995,000* aggregate principal amount expected to be refunded with the proceeds of the 2025A Electric System Bonds.

(4) \$119,475,000* aggregate principal amount expected to be refunded with the proceeds of the 2025B Electric System Bonds.

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DEBT SERVICE

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

TABLE 3
Generation System Bonds and Electric System Bonds
Debt Service Requirements*

Fiscal Year	Outstanding Generation System Bonds ⁽²⁾	2025A Bonds*		2025B Bonds*		Total Generation System Bonds Debt Service	Outstanding Electric System Bonds ⁽³⁾		Total Electric System Bonds Debt Service
		Principal	Interest	Principal	Interest		Principal	Interest	
2025									
2026									
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
2036									
2037									
2038									
2039									
2040									
2041									
2042									
2043									
2044									
2045									
2046									
2047									
2048									
2049									
2050									
2051									
2052									
2053									
2054									
2055									
Total ⁽¹⁾									

Source: The District.

* Preliminary, subject to change.

⁽¹⁾ Totals may not foot due to rounding.

⁽²⁾ Includes the Refunded Bonds.

⁽³⁾ Includes Electric System Revenue Bonds expected to be refunded with the proceeds of the 2025 Electric System Bonds.

THE DISTRICT

General

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

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

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

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

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

Administration

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

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

Sidney “Sid” Logan, President

Mr. Logan began his first full term on January 1, 2021. 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 through December 31, 2020. Mr. Logan is currently serving his first full six-year term that will end on December 31, 2026.

Tanya “Toni” Olson, Vice-President

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.

Julieta Altamirano-Crosby, Secretary

Dr. Altamirano-Crosby began her term on January 1, 2025. She holds a Ph.D. in Social Communications, an M.Ed. in Educational Leadership, and certifications in Race Equity and Leadership. She previously served as Lynnwood City Council Vice President in 2024. Dr. Altamirano-Crosby co-founded the WAGRO Foundation for education, the arts, and cultural awareness. She is the first Latina elected to a Lynnwood citywide office and first to serve as a District Commissioner. She serves on boards such as Snohomish County 911, the Lynnwood Food Bank, and Humanities Washington. Dr. Altamirano-Crosby’s term will conclude December 31, 2030.

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.

F. Colin Willenbrock, Chief Legal Officer

Mr. Willenbrock joined the District as Chief Legal Officer 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 refinancing, 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.

Jeff Bishop, Chief Financial Officer

Mr. Bishop joined the District as Chief Financial Officer in March 2025, leading the organization's accounting and finance functions. Along with extensive experience leading financial teams, he brings a strong background in strategic planning, enterprise risk management and continuous improvement. Mr. Bishop came to the District from Omaha Public Power District ("OPPD"), where he spent the past three years as Vice President and Chief Financial Officer. There, Mr. Bishop oversaw teams including financial planning and analysis, treasury and financial operations, supply-chain management, warehousing, fleet and energy marketing and trading. Prior to joining OPPD, he served as CFO at Public Utility District No. 2 of Grant County, Washington and Seattle City Light. He has a Bachelor of Arts in Business Administration with a concentration in accounting from Washington State University and a Bachelor of Science in Zoology from the University of Washington.

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, and was named 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, and was 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, Risk Management, and Supply 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.

Jason Zyskowski, Chief Energy Resources Officer

Mr. Zyskowski started at the District in 2004 as an Electrical Engineer in the Distribution and Engineering Services Division. He worked on several renewable generation projects, substation upgrades, numerous automation projects, and was the Project Manager for the District's first Energy Storage System. He became the Manager of Substation Engineering in 2013 and the Senior Manager of Planning, Engineering and Technical Services in 2017. In 2019, he also became Senior Manager over Transmission and Distribution System Operations. In March 2020, Mr. Zyskowski was selected as the Chief Energy Resources Officer. In this role, he is responsible for the District's office facilities, generation, setting of the District's electric rates and purchasing power and transmission service. He has a Bachelor of Science in Electrical Engineering from the University of Washington and is a registered Professional Engineer in the State.

Amy Carstens, Chief Operations Officer

Ms. Carstens joined the District in February 2025 with over 25 years of experience in the utility industry. Prior to joining the District as Chief Operations Officer, she was Director of Corporate Strategy, Planning and Analysis, Operations Program Director and Director of Transmission Services at Dairyland Power Cooperative in Wisconsin, where she managed a team of 100 employees and oversaw Dairyland's

transmission assets. In her role, Ms. Carstens was responsible for the strategic direction and financial management of fleet operations, transmission line construction and maintenance, vegetation management, field operations, engineering, and project management departments. She holds a Bachelor of Science in Electrical Engineering from the University of Wisconsin, Platteville.

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.

John Hoffman, Chief Customer Officer – Customer and Energy Services

Mr. Hoffman joined the District in March 2024, bringing 18 years of experience as a senior customer service leader to the utility. Prior to joining the District, he was Director of Inside Sales at Renewal by Anderson, where he managed the people, processes, and culture to deliver exceptional service. Before this, he was Customer Service Operations Manager for 12 years at Tacoma Public Utilities (“TPU”), working to ensure effective operations, accurate billing, and high-quality customer experiences through a variety of channels. At TPU, Mr. Hoffman also led a Business Solutions Team to establish relationships within the community. He has a Master of Business Administration from Pacific Lutheran University and a Bachelor’s of Science in Computer Science from the American College of Computer & Information Science.

The Generation System

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

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

As of December 31, 2024, the total assets of the Generation System were \$237,199,000 and its total outstanding bond principal was \$51,565,000. See “THE GENERATION SYSTEM” and “SECURITY FOR THE BONDS” for a discussion of the obligations of the Electric System to the Generation System.

The Electric System

The District began its electric utility operations in 1949 and currently serves most of the 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, 2024, the Electric System served an average of approximately 380,000 customers and had energy sales of 8,842,000 megawatt hours (“MWh”) and operating revenues of \$872,103,000. In 2024, the District purchased approximately 75% of its power from Bonneville, approximately 4% from long-term power contracts, approximately 5% from the Generation System and 16% from the wholesale power market to balance resources with loads and wholesale market sale obligations. The Electric System is primarily a distributor of power at retail rates. As of December 31, 2024, the total assets of the Electric System were \$2,318,207,000 and its total outstanding bond principal, prior to the issuance of the Bonds, was \$400,180,000. See “THE ELECTRIC SYSTEM,” “ELECTRIC SYSTEM POWER SUPPLY” and “ELECTRIC SYSTEM FINANCIAL INFORMATION.”

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, 2024, the Water System served approximately 23,000 customers. The revenues of the Electric System and the Generation System are not pledged to the payment of operating expenses or debt of the Water System, and the revenues of the Water System are not pledged to the payment of the expenses and obligations of the Electric System or the Generation System. As of December 31, 2024, the total assets of the Water System were \$194,550,000 and its total outstanding bond principal was \$22,010,000.

Labor Relations

The District had the full-time equivalent of approximately 1,207 employees as of December 31, 2024. Of those, 641 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, 2028. 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 41 years.

SnoLeave

The District expects to launch the SnoLeave program for its employees on July 1, 2026. This voluntary, self-insured plan aims to offer enhanced leave benefits to eligible employees and will be in compliance with the Washington State Paid Family and Medical Leave Law (Title 50A RCW). The program will be managed by District staff. SnoLeave will be financed through contributions from both employees and the District, held in an irrevocable trust until qualified leaves are approved. The District has engaged independent actuarial services to determine the funding requirements for both the short and long term. If contributions are insufficient to meet the program's needs, the District, as the plan sponsor, will provide financial support. The program will be in effect for at least one year and may be amended or withdrawn in compliance with legal requirements and appropriate notice.

Insurance

The District maintains a comprehensive insurance program with coverage and retention levels consistent with industry standards. Property insurance includes a \$400 million per-occurrence limit, which encompasses \$100 million in earth movement coverage. The District maintains terrorism coverage with a \$400 million limit, along with various sub-limits. The District maintains general liability coverage with a \$50 million per-occurrence limit, in excess of a \$2 million self-insured retention. Additionally, the District carries cyber liability insurance coverage.

Enterprise Risk Management

The District has an Enterprise Risk Management (“ERM”) program that is designed to proactively identify, assess, prioritize, manage and monitor risks that could impact the District’s ability to achieve its purpose and strategic priorities. ERM provides a structured and collaborative approach to managing uncertainty, ensuring that risks are understood and mitigated effectively while opportunities are identified and leveraged. By embedding risk management into its processes and decision-making, the District proactively identifies and mitigates potential threats, safeguarding itself against both internal and external risks.

Accounting

The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor’s Office, under the authority of Chapter 43.09 RCW. The District currently uses the Federal Energy Regulatory Commission (“FERC”) uniform system of accounts for class A electric systems. The District uses a financial accounting system with a standard chart of accounts, which also supports reporting based on the FERC system of accounts. The District’s financial statements include the financial position and results of operations for all enterprise operations which the District manages. See “APPENDIX A—INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023.”

The District requests proposals from national and large regional accounting and auditing firms every five years and selects its financial statement auditors based on industry expertise, reputation and cost. Following such a request for proposals, the District selected Moss Adams LLP (“Moss Adams”) as its independent auditor for the fiscal years ended December 31, 2024 through 2028. In June 2025, Moss Adams and Baker Tilly US, LLP (“Baker Tilly”) completed a planned combination of the firms. At that time, all independent audit engagement agreements were transferred to Baker Tilly.

The District’s combined financial statements and individual statements for the Electric System, Generation System and Water System as of December 31, 2024 and 2023, and for the years ended December 31, 2024 and 2023, respectively, included herein as Appendix A, have been audited by Moss Adams, independent auditors, as stated in its report appearing herein. The audited financial statements of the District are public documents. The District has not requested that Moss Adams or Baker Tilly provide consent for inclusion of its audited financial statements in this Official Statement, and neither Moss Adams nor Baker Tilly have performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Further, neither Moss Adams nor Baker Tilly have participated in any way in the preparation or review of this Official Statement.

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 2023 Valuation Report, the 2022 Valuation Report, the 2021 Valuation Report, the Annual Comprehensive Financial Report for the Washington State Department of Retirement System Funds of the State (the “WDRS”) for the fiscal year ended June 30, 2024 (the “2024 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, 2024 AND 2023 AND INDEPENDENT AUDITOR’S REPORT, Note 8” for a description of PERS benefits and eligibility requirements for these plans.

PERS 1 is closed to employees hired after September 30, 1977. Eligible employees hired after that date are members of either PERS 2 or PERS 3. Eligible employees hired after August 31, 2002, are members of PERS 2 unless they irrevocably elect to join PERS 3. The District is one of 1,388 governmental employers that participate in PERS as of June 30, 2024. As of June 30, 2024, 232,596 retirees and beneficiaries were receiving benefits under PERS, 72,809 terminated plan members were entitled to, but not yet receiving, benefits, and there were 201,704 vested active plan members and 161,668 non-vested active plan members.

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

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

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

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

Actuarial Valuation, Funding Policy and Assumptions

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

In August 2024, the OSA released an actuarial valuation for June 30, 2023 (the “2023 Valuation Report”). The primary purpose of the 2023 Valuation Report is to determine the contribution rates for the State’s retirement plans, including PERS, for the 2025-2027 biennium that would be sufficient to fund the State’s retirement plans, including PERS, under the funding policy established by the Legislature and to provide information on the funding progress and developments in the plans over the State fiscal year ended June 30, 2023.

Funding Policy. The State’s funding policy and methods for determining the contribution rates are set forth in RCW Chapters 41.40 and 41.45 RCW (collectively, the “Pension Act”). In 2009, the Pension Act was amended to provide for the amortizing in full the unfunded accrued actuarial liability (the “UAAL”) of PERS 1 over a rolling-10-year period, using methods and assumptions that balance the needs for increased benefit security, decreased contribution rate volatility and affordability of contribution rates. The Pension Act also requires that to the extent feasible all benefits for PERS 2 and PERS 3 members be funded over the working lives of those members. In preparing valuations and making recommendations regarding contribution rates, the OSA uses valuation methods, economic and demographic assumptions, including rates of retirement, rates at which members become disabled, turnover rates and mortality rates, and other assumptions, including assumptions about plan benefits.

Assumptions. As required by State law, OSA periodically prepares experience studies to assess the reasonableness of their assumptions and inform potential changes to those assumptions. Economic experience studies are prepared every two years. In August 2023, OSA released its 2023 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 2025-2027 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 “normal cost” is the estimated present value of projected benefits current plan members will earn in the year following the valuation date, and the “normal cost rate” is the level percentage of salary contribution required each year per employee to accumulate, over the project working lifetime of each employee, the reserves needed to meet the cost of the projected benefits, assuming the UAL is paid off and the plan’s actual experience conforms to the actuarial assumptions used by the OSA in calculating the plan’s actuarial liabilities. The UAAL is the difference between a plan’s actuarial accrued liability (“AAL”) and the actuarial value of the plan’s assets or the present value of benefits earned at the valuation date not covered by current actuarial assets. The AAL represents the portion of the present value of fully projected benefits attributable to service credit that has been earned (or accrued) as of the valuation date.

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

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

TABLE 4
Washington State PERS Actuarial Liability and Funded Ratio on an Actuarial Basis

	<u>June 30, 2021</u>		<u>June 30, 2022</u>		<u>June 30, 2023</u>	
	<u>PERS 1</u>	<u>PERS 2/3</u>	<u>PERS 1</u>	<u>PERS 2/3</u>	<u>PERS 1</u>	<u>PERS 2/3</u>
Actuarial Liability	\$11,368	\$52,039	\$11,047	\$55,247	\$10,701	\$60,245
Valuation Assets	8,064	49,451	8,294	53,863	8,561	58,592
Unfunded Liability	<u>\$3,303</u>	<u>\$2,588</u>	<u>\$2,753</u>	<u>\$1,384</u>	<u>\$2,140</u>	<u>\$1,653</u>
Funded Ratio	71%	95%	75%	97%	80%	97%

Source: Office of the State Actuary; 2021-2023 Valuation Reports; 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 SPP and to the PFC. The PFC, based on the recommendations of the OSA and the SPP, 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 June 30, 2025 and ends July 1, 2027. 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 6.15% of covered payroll. The range of permissible employee contribution rates for the defined contribution component of PERS 3 are

determined by the Director of WDRS and range from a minimum of 5.0% of covered salary to a maximum of 15.0% of covered salary. Employees are not required to contribute to the defined benefit component of PERS 3. Effective June 30, 2025, the employer contribution rate for all PERS plans is 6.15% 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, 2024, the District's total payroll for employees was \$169.22 million, and virtually all of such payroll was "covered payroll" for purposes of calculating PERS contributions. Both the District and its employees made their required contributions to PERS in 2023, with the District contributing \$17.89 million consisting of \$0.04 million to PERS 1 and \$17.85 million total to PERS 2 and PERS 3.

Other Post-Employment Benefits

The District provides post-employment health care and life insurance benefits to eligible retirees hired before July 1, 2009 and their dependents. The District implemented GASB No. 75 to recognize net liability related to other post-employment benefits ("OPEB"). Based on an actuarial study completed as part of the disclosure requirements, the unfunded actuarial accrued liability for these benefits as of December 31, 2024 was \$42.1 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, which had a balance of \$34 million as of December 31, 2024. The post-employment healthcare program for employees hired after July 1, 2009, is now a defined contribution plan 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, 2024 AND 2023 AND INDEPENDENT AUDITOR'S REPORT, Note 8."

Deferred Compensation Plan

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

Investment Policy

The District invests public funds in a manner that conforms with State statutes and the District's investment policy 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 purchased on the secondary market, subject to the investment policies and procedures adopted by the State Investment Board, (v) U.S. dollar denominated obligations that are issued or guaranteed by a supranational institution that at the time of investment is rated within one of the two highest rating categories and has the U.S. government as its largest shareholder, (vi) bonds of the State or any local government in the State or general obligation

bonds of a state other than the State or general obligation bonds of a local government in a state other than the State, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency, (vii) certificates of deposit, (viii) bank deposits and bank savings accounts held at a national financial institution that is under the Washington State Public Depository Protection Commission and (xix) State of Washington Local Government Investment Pool (the “LGIP”).

The District’s investment policy also establishes issuer constraints and other guidelines of various types for these investments. As of December 31, 2024, the District’s Electric System major investment portfolio holdings include U.S. Treasury Notes (42%), the Washington State Local Government Investment Pool (23%), Federal Farm Credit Bank Notes (12%), Federal Home Loan Bank Notes (10%), Inter-American Development Bank Bonds (5%), Federal National Mortgage Association (“Fannie Mae”) Notes (3%), International Finance Corporation Bonds (1%), and State of California Municipal Bonds (1%). Fannie Mae remains under the conservatorship of the U.S. government and continue to maintain the implied guarantee and support from the U.S. government on outstanding debt. The Electric System Bond Resolution provides that money in the Bond Fund be invested in any obligations or investments in which the District may legally invest its funds. The investment policy of the District may be amended at any time. See “APPENDIX A—FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 AND INDEPENDENT AUDITOR’S REPORT,” Note 3 for a summary of the District’s investments.

Local Government Investment Pool

The funds of the District that are invested in the LGIP are administered by the State Treasurer’s Office. The LGIP is a pool with over 530 local government participants since its inception in 1986. The LGIP had approximately a \$24 billion average balance under investment as of December 31, 2024. In its management of the LGIP, the State Treasurer is required to adhere, at all times, to the principles appropriate for the prudent investment of public funds. These are, in priority order, (i) the safety of principal, (ii) the assurance of sufficient liquidity to meet cash flow demands and (iii) to provide a competitive interest rate relative to other comparable investment alternatives.

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

General Obligation Bonds and Taxing Power

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

THE GENERATION SYSTEM

General

Pursuant to the Generation System Bond Resolution, the District has established the Generation System, which is financed and accounted for as a system separate from the District's Electric System. The Generation System currently consists of the Jackson Project, the Youngs Creek Project, the Calligan Creek Project, the Hancock Creek Project, the Woods Creek Project and the Biofuel Project. In the future the District may construct, develop or acquire additional facilities and resources for the generation, transmission or conservation of power and energy as a part of the Generation System or another separate system. The District expects that any new generating resources developed or acquired by the District would become part of the Generation System. See "ELECTRIC SYSTEM POWER SUPPLY—The District's Future Power Supply Strategy." Pursuant to the Generation System Bond Resolution, the Electric System pays for all Generation System Power Costs to the extent not paid from other sources.

The Jackson Project

The Jackson Project is owned and operated by the District and is located on the Sultan River approximately 24 miles east of Everett in south central Snohomish County. The Jackson Project is a hydroelectric project that provides water supply to Everett and power for the District. The Jackson Project's generating facilities comprise two large generating units rated at 47.5 MW each and two small generating units rated at 8.4 MW each, for a total nameplate capacity of 111.8 MW. The District receives all of the generation output from this project and it serves as a non-federal dedicated resource under the Bonneville power purchase contract. The power output of the Jackson Project is delivered to the Electric System at a switchyard adjacent to the powerhouse. The District currently operates the Jackson Project to produce the optimum amount of electrical energy, subject to specified releases of water into the Sultan River for maintenance of the fishery and diversion of water as necessary into Everett's water system reservoir. An agreement in 1961 and subsequent amendments in 1981, 2007, 2008, 2009, and 2017 set out the rights and duties of Everett and District to use water at the Jackson Project. Jackson Project storage is used to capture water during high runoff periods and to provide water during low precipitation periods for stream flows, Everett water demands and power production. Actual energy production varies substantially throughout the year and from year to year.

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

TABLE 5
Jackson Project Energy Production

<u>Year</u>	<u>MWh</u>	<u>Annual Precipitation</u> <u>(Inches)</u>	<u>Cost of Energy</u> <u>Produced (cents/kWh)</u>
2024	366,519	151	3.0
2023	298,527	116	4.0
2022	408,949	206	3.0
2021	443,226	183	1.8
2020	486,417	205	1.8
2019	306,344	119	6.7
2018	459,517	154	4.5
2017	453,152	155	4.0
2016	483,805	187	4.8
2015	375,376	135	5.2

Source: The District.

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

The Jackson Project is considered a dedicated resource and the associated output will be retained by the District under its Bonneville power purchase contract. However, the operating strategy for the project may change to optimize the cost of resources under Bonneville's Load Following product and associated Resource Support Services. See "ELECTRIC SYSTEM POWER SUPPLY—Bonneville Power Administration—*The District's Transition to Load Following.*"

2024 Planned Shutdown

In September 2024, the Jackson Project underwent a planned shutdown, providing the District with a rare opportunity to inspect the intake gate at Culmback Dam on Spada Lake. This was the first examination in two decades. The gate, responsible for regulating water flow, was found to be in good condition. This inspection was one of several projects completed during the shutdown. Moving forward, the District plans to maintain regular monitoring of the intake gate and the rest of Culmback Dam, with ongoing discussions to establish an appropriate interval between routine inspections.

FERC License

The District operates the Jackson Project under a 45-year license issued on September 2, 2011 by FERC. The license generally conforms to the terms of a Settlement Agreement approved by federal, state and local agencies, the cities of Everett and Sultan, the Tulalip Tribes and American Whitewater that was filed with FERC on October 14, 2009. The District also negotiated a separate settlement agreement with the Tulalip Tribes that covers the proposed license term. The license does not contain conditions that substantially alter the physical characteristics of the Jackson Project or substantially increase the capital costs thereof. The license and settlement agreements require the District to complete certain capital improvement projects, fund habitat preservation and monitor certain functions, the aggregate costs of which are expected to total approximately \$85 million over the 45-year term of the license. The District is continuing to implement all the requirements of its FERC license for the Jackson Project. In addition, the District is currently evaluating the need to apply for and secure National Pollutant Discharge Elimination System ("NPDES") permits under Section 301 of the Clean Water Act, 33 U.S.C. Section 1251, for its hydroelectric facilities, after some litigation brought by Columbia Riverkeepers against the federal agencies resulted in applications for NPDES permits on the Columbia River system. These permits are not expected to have a material impact on the operation of the Jackson Project.

Endangered Species Issues

Fish listings that may affect Jackson Project operations include Puget Sound Chinook salmon, steelhead, and bull trout. Listed Chinook salmon and steelhead trout spawn and rear throughout the lower Sultan River in the full range of historically accessible areas. Bull trout have a wide geographic range in the Pacific Northwest, with transient sub-populations occasionally using the lower Sultan River to forage for food. Studies are undertaken regularly to determine the status of the populations and any potential impacts of the Jackson Project. While it is unclear how these listings might affect operations, the District already has in place extensive measures to protect fish, including complex flow controls, a minimum flow

regime and non-flow measures such as habitat restoration, research, monitoring and evaluation. The Settlement Agreement does not substantially modify the fisheries conditions for the Jackson Project.

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

Dam Safety Assessments

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

Small Hydroelectric Generation Projects

The District is currently operating and/or evaluating additional renewable and non-greenhouse gas emitting resources, including small hydroelectric generating resources in the surrounding area, to meet future load. The District’s investigation of small hydroelectric projects has focused on projects that the District anticipates will have minimal negative environmental impacts and will be cost effective. See “ELECTRIC SYSTEM POWER SUPPLY—The District’s Future Power Supply Strategy—*District’s 2021 Integrated Resource Plan.*”

Woods Creek Project

The Woods Creek Project is located in the County, north of the City of Monroe, Washington, and has a nameplate capacity of 0.65 MW. The District receives all of the generation output from this project and it serves as a non-federal dedicated resource under the Bonneville power purchase contract. This project is adjacent to Woods Creek, a tributary of the Skykomish River, with the powerhouse located at a natural impassible barrier to anadromous fish. Prior to acquiring this resource, the District had been purchasing the output from this small hydroelectric project since its construction in 1982. The Project received an exemption from FERC licensing in 1982, although the exemption places certain restrictions on the operation of the Woods Creek Project. The District purchased the powerhouse, two residences and 150 acres of land

for \$1,600,000 in February 2008 and the appraised value of the land alone exceeded the purchase cost. In 2024, the Woods Creek Project produced 1,625 MWh, of which 1,128 MWh qualifies as incremental hydro under Initiative 937.

Youngs Creek Project

The Youngs Creek Project is a FERC-licensed project located on an approximately 23-acre site just south of the City of Sultan, Washington. The District commissioned the Youngs Creek Project and began generating power on October 17, 2011. With a nameplate capacity of 7.5 MW, the powerhouse is located above a natural impassible barrier to anadromous fish on Youngs Creek, a tributary of Elwell Creek. The District receives all of the generation output from this project and it serves as a non-federal dedicated resource under the Bonneville power purchase contract. The Youngs Creek Project produced 18,649 MWh in 2024. The FERC license expires in April 2042.

Hancock and Calligan Creek Projects

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

The Hancock Creek Project is located on Hancock Creek, a tributary of the North Fork Snoqualmie River in King County downstream from Lake Hancock. The Hancock Creek Project has a nameplate capacity of 6.0 MW, with expected output of approximately 2.5 aMW during average water year conditions. The Hancock Creek Project produced 22,945 MWh in 2024.

The Calligan Creek Project is located on Calligan Creek, a tributary of the North Fork Snoqualmie River in King County downstream from Calligan Lake. The Calligan Creek Project has a nameplate capacity of 6.0 MW, with expected output of approximately 2.4 aMW during average water year conditions. The Calligan Creek Project produced 17,094 MWh in 2024.

The output of the Hancock Creek Project and the Calligan Creek Project is contracted to Citadel pursuant to the Citadel Energy Marketing Agreement. This is a result of the transition by the District to the Bonneville Load Following product which does not require these projects to be brought to load during this period. The result of remarketing the output from these projects and other projects for this period is a reduced cost of service due to increased access to lower cost Bonneville Tier 1 power.

Biofuel Project

The District owns and operates the generator, which is located on property leased from Qualco under an agreement that extends through 2028. Qualco, a nonprofit partnership involving Northwest Chinook Recovery, the Tulalip Tribes, and the Sno/Sky Agricultural Alliance, processes food and agriculture waste in a digester to produce biogas. In September 2022, the Generation System began operating the biogas generator with a capacity of 675 kilowatts. The District receives all of the generation output from this project and it serves as a non-federal dedicated resource under the Bonneville power purchase contract. This biogas is then sold to the District to fuel the generator. The Biofuel Project produced

4,878 MWh in 2024. See “ELECTRIC SYSTEM POWER SUPPLY—Long-Term Third-Party Power Purchase Contracts—*Qualco Energy Agreement*.”

Other Projects

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

Generation System Net Project and Annual Costs

The Generation System Bond Resolution requires the District to account for the revenues and expenses of the Generation System separately from the Electric System. The District has covenanted to purchase for use in the Electric System all power and energy available from the Generation System. The following table sets forth the annual costs of the Generation System from fiscal year 2020 through fiscal year 2024.

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TABLE 6
Public Utility District No. 1 of Snohomish County, Washington
Generation System Annual Costs
(\$000s)

	Year Ended December 31,				
	2020	2021	2022	2023	2024
Jackson Project ⁽¹⁾	\$ 8,584	\$ 7,774	\$ 12,133	\$ 12,076	\$ 10,898
Biofuel Project ⁽²⁾	-	855	1,626	443	396
Small Hydroelectric Generation Projects ⁽³⁾	6,748	7,813	7,127	6,574	6,610
Net Project Costs ⁽⁴⁾	15,332	16,442	20,886	19,093	17,904
Other Costs ⁽⁵⁾	7,725	7,292	7,857	7,335	8,438
Net Annual Costs	\$ 23,057	\$ 23,734	\$ 28,743	\$ 26,428	\$ 26,342
Jackson Project Energy Output (MWh) ⁽⁶⁾	486,417	443,226	408,949	298,527	366,519
Biofuel Project Energy Output (MWh) ⁽²⁾	-	-	1,487	5,075	4,878
Small Hydroelectric Generation Projects (MWh) ⁽⁷⁾	62,590	58,153	24,412	41,859	60,313
Other (MWh) ⁽⁸⁾	598	647	752	697	569
Total Energy Output	549,605	502,026	435,600	346,158	432,279
Net Project Costs (\$/MWh) ⁽⁹⁾	\$ 28	\$ 33	\$ 48	\$ 55	\$ 41
Net Annual Costs (\$/MWh) ⁽¹⁰⁾	\$ 42	\$ 47	\$ 66	\$ 76	\$ 61

Source: District Records.

- (1) Jackson Project costs increased in 2022 due to two primary factors: a 20-day shutdown of the facility for maintenance, and a scheduled remodel of the powerhouse facility. Both projects were integral to the operation of the resulting in elevated costs for the year. In 2023, the District completed the replacement of cone valves which are a crucial component to maintaining water levels leading to increased costs for the year. In 2024, the Jackson Project underwent a planned shutdown for an intake gate inspection, further contributing to elevated costs.
- (2) The District executed a new agreement with Qualco in 2022 to assume ownership and operations of the Biofuels Project using a District owned generator located on Qualco's property. The costs incurred in 2021 and beginning of 2022 include start-up costs for the transition of the project to District ownership. Generation from the project in 2021 through April 2022 was acquired by the District through its power purchase agreement with Qualco, which was terminated upon commercial operation date of the District's owned generator in September 2022.
- (3) Small Hydroelectric Generation Projects costs include costs that are charged to the Electric System from the Woods Creek Project, the Youngs Creek Project, the Hancock Creek Project, and the Calligan Creek Project. See "—Small Hydroelectric Generation Projects."
- (4) Net Project Costs include operating and maintenance, capital, tax and debt service expenditures associated with the project, net of interest and other income, which are charged to the Electric System.
- (5) Other Costs represent debt service expenditures on Generation System Bonds that are not directly related to current Generation System projects.
- (6) Jackson Project energy output varies annually based on the timing and amount of precipitation received in the Sultan River basin. 2023 experienced particularly poor water conditions in the region, which resulted in lower output from the project.
- (7) Small Hydroelectric Generation Projects output includes output from the Woods Creek Project, the Youngs Creek Project, the Hancock Creek Project, and the Calligan Creek Project. The increase in 2020 and 2021 was due to higher production correlating to snowpack conditions. In 2022, the generation system projects were out of service for a significant portion of the year related to maintenance work. Both projects were back online in fall of 2022 which due to unfavorable weather conditions, generated lower output. All projects were operational and generating in 2023 and 2024.
- (8) Other includes output from the District's Arlington Microgrid, Community Solar Array Project which began generating in 2019.
- (9) Excludes Other Costs (see Note 4 above).
- (10) Variations in unit costs per MWh are primarily due to the effects of annual precipitation on generation output.

Other than as noted in footnote 1 in the table above, projected annual costs of the Jackson Project are not expected to vary materially from historical results; costs are expected to increase modestly as a result of inflationary pressures on the costs of labor and materials. Energy output for the Jackson Project is expected to vary annually based on the timing and amount of the precipitation in the Sultan River Basin.

Future Generation System Expenditures

Generation System expenditures related to the operations of the Jackson Project, the Youngs Creek Project, the Woods Creek Project, the Hancock Creek Project, the Calligan Creek Project and the Biofuel Project consist of operating and maintenance, capital, taxes and debt service costs. The forecast years of 2025-2027 are expected to be slightly below historical levels, approximately \$24 million annually. Capital expenditures are expected to average between \$2 and \$5 million per year beginning in 2025, with no significant capital projects expected for 2026 through 2027.

The need for new resources and the associated capital requirements is assessed during the District's IRP planning process.

THE ELECTRIC SYSTEM

The properties of the Electric System presently include transmission lines, substations, distribution lines, transformers, meters and general plant. As of December 31, 2024, the District had approximately 332.81 miles of 55/115 kV transmission lines. It is anticipated that future transmission lines will be at least 115 kV. The District's distribution facilities generally consist of 12,470-volt overhead lines, supported by wood or ductile poles, 12,470-volt underground lines, 95 substations with a combined capacity of 3,432,000 kVA, distribution transformers, meters, and secondary lines and services, both overhead and underground. As of December 31, 2024, these facilities included 3,288 miles of overhead lines and 3,099 miles of underground lines. In addition, the District has two mobile transformer units with a combined capacity of 65,000 kVA. The District has continually increased the substation and distribution line capacity to meet the needs of its customers and further increases are planned. See "ELECTRIC SYSTEM FINANCIAL INFORMATION—Financial Condition and Liquidity—*Historical Capital Expenditures*."

The District has been a party to a joint pole ownership agreement, covering approximately 60% of the District's existing distribution pole infrastructure, since October 1, 2009. Through the agreement, costs and any related liabilities associated with a jointly owned pole are divided between the District and Ziply Fiber at 55% and 45% respectively.

On October 1, 2022, the District and Ziply Fiber entered into a new Joint Pole Ownership Agreement. The initial term of the current agreement runs through September 30, 2026, with an option for the parties to extend the term for up to three additional two-year periods by mutual agreement.

As used in this Official Statement, consistent with its ordinary use in electrical engineering, the term "transmission" denotes the District's 115kV system and Beverly Park 230-115kV transformer which, after voltage is stepped down in Bonneville's substations, moves power delivered by Bonneville to lower voltage feeders which exclusively serve the District's retail electric customers. However, the District is neither a "Transmitting Utility" within the meaning of Section 3(23) of the Federal Power Act nor subject to FERC "reciprocity" requirements because the District's Electric System neither moves electricity in interstate commerce nor serves wholesale customers, except with respect to certain obligations related to Bonneville, which do not implicate reciprocity requirements. Accordingly, nothing in this Official Statement is intended to imply that the District has acceded either to FERC jurisdiction over its electric system or to the reciprocity requirements of FERC Orders 888 and 890.

Electric Rates

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

Retail rates and charges of the District are fixed by the Commission. The Commission holds public meetings to consider the District's proposed budget, construction and resource plans, load forecast and effects on the District's revenue requirements. Based on these planning documents, the District's staff estimates revenue requirements and prepares various rate proposals designed to produce this revenue based on cost of service studies.

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

During the last ten years, the Commission has approved several rate adjustments, as shown in the following table.

TABLE 7
District General Rate Adjustments

Effective Date	Average Rate Adjustment
April 1, 2015	1.9%
April 1, 2017	2.9
April 1, 2022	2.1
April 1, 2023	2.0
April 1, 2024	5.8
April 1, 2025	4.6

Source: The District

Because the District contracts for a majority of its power supply from Bonneville, changes Bonneville makes to its power and transmission rates have a significant effect on the District's overall power supply costs. In July 2009, the Commission adopted a policy providing for a review and pass-through of any adjustments to the costs of wholesale energy or transmission services charged by Bonneville, subject to the discretion of the Commission. In the last ten years, the District has enacted the rate increases shown in the following table with each such increase consisting solely of a pass-through of the increased costs.

TABLE 8
District Pass-Through Rate Adjustments of Bonneville Charges

Effective Date	Average Rate Adjustment
October 1, 2015	4.6%
October 1, 2017	1.6
October 1, 2021	0.5
November 1, 2023	1.4

Source: The District

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

Residential Base Charge

The Commission approved the implementation of a base charge to its residential service rates on November 19, 2019. The District was the only electric utility in the State that did not have a base charge at that time. The base charge to residential service rates was implemented on April 1, 2022. The base charge phase-in was originally planned to occur over five years but was accelerated and completed on April 1, 2024. The implementation coincided with the removal of a minimum charge and was revenue neutral.

The base charge results in more predictable and stable bills for the District’s customers and revenue for the District, which allows the District to focus on maintaining low rates and minimizing the need for rate increases. The base charge provides revenue stability for the District as new homes, which tend to consume less electricity due to more efficient designs and/or gas heating systems, connect to the District’s Electric System. The base charge is intended to cover the fixed costs of maintaining the distribution grid, including billing, meter maintenance and meter reading.

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

Demand Response/Distributed Energy Resources

The District conducted several pilot programs that analyzed the possibility of demand response and distributed energy resources to meet future demand, specifically on-peak demand. In 2020, a Commercial Time of Day Rate program was offered to commercial customers, rewarding them with discounted rates to shift their loads to off-peak hours. Flex Energy, which was active from 2021-2023, was another program offering a set of rates that incentivized customers to change their behavior or employ smart technology to save energy when demand on the electrical grid is at its greatest. Behavioral programs target different rates such as time of day and critical peak pricing. Some of the smart technologies being targeted are smart thermostats and electric vehicle chargers. These rates allow the District to bring value to all customers by

managing costs and partnering with customers to reduce consumption at key times, limiting the need for additional costly market purchases or infrastructure build outs.

These initiatives have enabled the District to manage costs, minimize the need for additional market purchases or infrastructure expansions, and engage customers in energy efficiency efforts. Based on positive results from both commercial and residential pilots, the District is now considering permanent Time of Use rates, scheduled for launch in 2026.

In 2025, the District approved a permanent net billing rate for customers with distributed generation and a peak nameplate capacity of less than 200 kilowatts.

Electric Rates and Monthly Bills

The following table presents typical monthly bills by billing determinate, rounded to the nearest dollar, for selected levels for residential, commercial and industrial customers as of the date of this Official Statement.

TABLE 9
Electric System
Typical Monthly Bills for Select Consumption Levels by Rate Class

	Base Charge	Demand Charge	Energy Charge	Monthly Bill
Residential				
1,000 kWh per month (small panel)	\$15		\$103	\$118
2,000 kWh per month (medium panel)	24		\$205	\$230
Commercial				
1,500 kWh per month (12 kW demand)	\$64		\$125	\$189
9,000 kWh per month (30 kW demand)	\$64		\$753	\$816
Industrial				
150,000 kWh per month (400 kW demand)	\$69	\$2,864	\$12,548	\$15,480
400,000 kWh per month (1,000 kW demand)	\$69	\$7,160	\$33,460	\$40,689
Large Industrial				
1,800,000 kWh per month (5,000 kW demand)		\$29,700	\$119,340	\$149,040

Source: The District.

The District's accounts receivable write-offs in 2024 were approximately 0.33% of energy sales revenue. Subject to statutory prohibitions against disconnecting customers in winter months, the District's collection policy provides for disconnection of power for nonpayment of amounts due to the District.

Comparative Electric Rates

The following table compares the District’s average service prices with those of several other public and investor-owned Pacific Northwest utilities. The prices shown are based on energy and revenue data reported in the latest U.S. Energy Information Administration (“EIA”) Form 861 from 2023 for each utility.

TABLE 10
Public District No. 1 of Snohomish County, Washington
Electric System
Comparable Average Prices as of December 31, 2023

	Total \$/kWh	Residential \$/kWh	Commercial \$/kWh	Industrial \$/kWh
The District	0.0984	0.1070	0.0894	0.0716
Washington Cities				
City of Seattle	0.1136	0.1278	0.1078	0.0908
City of Tacoma	0.0903	0.1037	0.1022	0.0767
Investor-Owned Utilities				
AVISTA	0.1063	0.1078	0.1197	0.0709
Pacific Power	0.1007	0.1073	0.1010	0.0856
Puget Sound Energy	0.1290	0.1330	0.1255	0.1154
Western Washington Public Utility Districts				
PUD No. 1 of Cowlitz County	0.0566	0.0863	0.0868	0.0445
PUD No. 1 of Clark County	0.0819	0.0925	0.0757	0.0557

Source: U.S. Energy Information Administration Form 861.

Largest Customers

The Electric System’s ten largest customers in terms of revenue accounted for approximately 9.5% of total retail kWh energy sales and 7.1% of retail energy sales revenue in 2024. For 2024, the District’s ten largest customers (in alphabetical order) are: The Boeing Company, Everett, The Everett School District, Fred Meyer Inc. (QFC/Kroger), Providence Medical Center, Safeway Stores, the County, State of Washington, Tulalip Tribes and U.S. Navy.

Customers, Energy Sales and Peak Demand

The following table presents the Electric System’s customers, energy sales and peak demand during the period of fiscal year 2020 through fiscal year 2024.

TABLE 11
Public Utility District No. 1 of Snohomish County, Washington
Electric System
Customers, Energy Sales, and Peak Demand
Year Ended December 31,

	2020	2021	2022	2023	2024
Average Number of Customers					
Residential	327,475	332,746	338,130	342,025	346,094
Commercial	33,317	34,071	34,709	34,957	35,130
Industrial	82	76	76	78	76
Other	202	203	211	209	211
Total Customers	<u>361,076</u>	<u>367,096</u>	<u>373,126</u>	<u>377,269</u>	<u>381,511</u>
Retail Energy Sales (MWh)					
Residential	3,724,601	3,788,553	3,917,803	3,922,390	3,933,257
Commercial	2,226,949	2,311,513	2,345,764	2,391,503	2,407,322
Industrial	472,618	466,812	469,471	457,802	440,364
Other	<u>28,465</u>	<u>26,892</u>	<u>28,381</u>	<u>28,159</u>	<u>30,112</u>
Total Retail Energy Sales (MWh)	<u>6,452,633</u>	<u>6,593,770</u>	<u>6,761,419</u>	<u>6,799,854</u>	<u>6,811,055</u>
Energy Losses and Electric System Usage (MWh) ⁽¹⁾	196,655	278,944	280,779	64,435	153,614
Wholesale Power Sales (MWh) ⁽²⁾	<u>2,060,403</u>	<u>1,512,879</u>	<u>1,847,108</u>	<u>1,473,414</u>	<u>2,031,807</u>
Total System Energy Requirements	<u>8,709,691</u>	<u>8,385,593</u>	<u>8,889,306</u>	<u>8,337,703</u>	<u>8,996,476</u>
Peak Demand (MW)	1,364	1,526	1,578	1,377	1,603

Source: District records.

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

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

The District's average number of customers increased by 20,435 from 2020 to 2024 reflecting a compound annual rate of 1.11%. During this period, average residential customers increased at a compound annual rate of 1.11%, average commercial customers increased at a compound annual rate of 1.07%, and average industrial customers decreased by a compound annual rate of 1.57%.

Residential energy sales between 2020 and 2024 increased from 3,724,601 MWh to 3,933,257 MWh, a compound annual rate of 1.10%. Commercial sales increased from 2,226,949 MWh in 2020 to 2,407,322 MWh in 2024, a compound annual rate of 1.57%. Industrial sales declined at a compound annual rate of 1.40% from 2020 to 2024.

New Load Policy

The District receives inquiries from potential new customers with large electric load requirements

that are interested in locating within the District’s service area. The District maintains a new large load policy, for potential customers with anticipated needs of 2.5 MW or greater, that contains a formula for allocating the cost of interconnecting and serving such new large load customers between the District and the new customer. The formula assigns costs for infrastructure that are attributable to the new load to the customer, and costs for infrastructure that serve the District’s customer base as a whole to the District. The District has received inquiries over the last several years for such new large loads, and currently anticipates 15 MW, or approximately 1% of load at peak demand, in total added by two new projects over the next two years.

ELECTRIC SYSTEM POWER SUPPLY

Overview

In 2024, approximately 75% of the District’s long-term energy resources came from Bonneville, approximately 5% from the Generation System, 4% from long-term renewable energy contracts, and approximately 16% from short-term market purchases. The District purchases and sells power in the short-term wholesale energy markets to balance the seasonal and daily variations in customer loads and the District’s owned and contracted resources. Upon the District’s transition from Bonneville’s Block and Slice product to the Load Following product, effective October 1, 2025, the composition of energy resources to serve load are expected to change. Most notably, direct wholesale power sales and purchases are expected to be significantly reduced or eliminated through the remaining life of the existing Bonneville contract. In addition, the District will be selling the output from its Hancock Creek Project and Calligan Creek Project small hydroelectric generation projects and remarketing the output from its long-term wind contracts through their remaining terms. Dedicated resources refer to non-federal resources that the District is contractually obligated through its agreement with Bonneville to use to serve load. These resources include the Jackson Project, the Woods Creek Project, the Youngs Creek Project, the Packwood Lake Hydroelectric Project, the Biofuel Project and the Arlington Microgrid solar array. The following table presents the Electric System’s energy resources for fiscal year 2020 through fiscal year 2024. See “—Bonneville Power Administration— *The District’s Transition to Load Following.*”

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TABLE 12
Public Utility District No. 1 of Snohomish County, Washington
Electric System
Energy Resources
(Megawatt Hours)
Year Ended December 31,

	2020	2021	2022	2023	2024
Long-Term Energy Purchases					
Bonneville	7,117,518	6,678,792	7,373,837	6,497,613	6,727,626
Jackson Project ⁽¹⁾	486,417	443,226	408,949	298,527	366,519
Renewable Energy Contracts ⁽²⁾	541,102	505,331	439,437	414,613	372,925
Biofuel Project ⁽³⁾	-	-	1,487	5,075	4,878
Small Hydro Electric Generation Projects ⁽⁴⁾	62,872	58,435	24,693	42,100	60,629
Other ⁽⁵⁾	17,512	17,522	17,713	12,506	12,768
Total Long-Term Energy Purchases	8,225,421	7,703,306	8,266,117	7,270,435	7,545,345
Short-Term Energy Purchases ⁽⁶⁾	484,270	682,287	623,189	1,067,268	1,451,131
Total Energy Resources	8,709,691	8,385,593	8,889,306	8,337,703	8,996,476
Wholesale Power Sales ⁽⁷⁾	(2,060,403)	(1,512,879)	(1,847,108)	(1,473,414)	(2,031,807)
Total Net Energy Resources	6,649,288	6,872,714	7,042,198	6,864,289	6,964,669

Source: District records.

⁽¹⁾ See “THE GENERATION SYSTEM—The Jackson Project.” Production from the Jackson Project varies by year depending on snowpack, hydrology, and operational schedules. Production decreased in 2022 due to a scheduled maintenance shutdown. In 2023, low levels of precipitation received in the Sultan River basin led to a significant drop in output. Additionally, in September 2024, the Jackson Project underwent a planned shutdown for an intake gate inspection, which resulted in lower annual generation than otherwise would have occurred.

⁽²⁾ See “ELECTRIC SYSTEM POWER SUPPLY—Long-Term Third Party Power Purchase Contracts.”

⁽³⁾ The Biofuel Project became a District asset in the fall of 2021 and began operations in September 2022. See “THE GENERATION SYSTEM—Biofuel Project.”

⁽⁴⁾ See “THE GENERATION SYSTEM—Small Hydroelectric Projects.” The increase in 2020 and 2021 was due to higher production correlating to favorable snowpack conditions. The primary driver for the decrease in 2022 was repair work that prevented two projects from being operational for most of the year. When the projects came back online in late 2022, unfavorable water conditions resulted in low generation.

⁽⁵⁾ Other includes a power sales agreement for 20% of the output from the Packwood Lake Hydroelectric Project, which was amended and restated in October 2011 (the “2011 Packwood Agreement”), output from the District’s Arlington Microgrid, Community Solar Array Project which began generating in 2019, and the Washington State Ferry Mukilteo Solar project that began in 2022. The decreases in 2023 and 2024 are driven by unfavorable water conditions which impacted production at Packwood.

⁽⁶⁾ Short-Term Energy Purchases represent energy purchases made daily to balance customer demand with power resource availability. 2020 water conditions were favorable which reduced the District’s need to supplement resources with short-term energy purchases. See “ELECTRIC SYSTEM POWER SUPPLY—Wholesale Power Market Purchases, Sales and Trades.” The increase in 2021 is attributed to the high demand summer load influenced by high temperatures. In 2023, significant cold weather events drove the District’s energy purchases to be 71% higher than the prior year. A major cold snap in January 2024 drove the additional need for substantial power purchases.

⁽⁷⁾ Wholesale Power Sales include energy sales made daily to balance customer demand with power resource availability. See “ELECTRIC SYSTEM POWER SUPPLY—Wholesale Power Market Purchases, Sales and Trades.” 2020 water conditions were favorable which allowed the District to sell excess power in the wholesale market. The increase in 2024 can be attributed to the District’s park and lend contract. See “Wholesale Power Market Purchases, Sales and Trades—Winter Capacity Options.”

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The following table presents purchased power costs for the Electric System for fiscal year 2020 through fiscal year 2024:

TABLE 13
Public Utility District No. 1 of Snohomish County, Washington
Electric System
Purchased Power Costs
(\$000's)
Year Ended December 31,

	2020	2021	2022	2023	2024
Long-Term Energy Purchases:					
Bonneville ⁽¹⁾	\$ 230,242	\$ 234,958	\$ 234,021	\$ 241,804	\$ 239,350
Jackson Project ⁽²⁾	8,584	7,774	12,133	12,076	10,898
Small Hydroelectric Generation Projects ⁽³⁾	6,748	7,813	7,127	6,574	6,610
Biofuel Project ⁽⁴⁾	-	855	1,626	443	396
Other Generation System Costs ⁽⁵⁾	7,725	7,292	7,857	7,335	8,438
Renewable Energy Contracts	41,640	39,840	33,516	32,711	29,789
Other ⁽⁶⁾	632	737	684	639	740
Total Long-Term Energy Purchases	295,571	299,269	296,964	301,582	296,221
Short-Term Energy Purchases:					
Market Purchases ⁽⁷⁾⁽⁸⁾	12,906	30,818	61,594	99,169	130,278
Other Short-Term Purchases	3,654	4,340	4,951	5,573	8,989
Total Short-Term Energy Purchases	16,560	35,158	66,545	104,742	139,267
Total Purchased Power Costs ⁽⁸⁾	312,131	334,427	363,509	406,324	435,488
Wholesale Power Sales ⁽⁸⁾⁽⁹⁾	(38,783)	(42,693)	(73,375)	(72,441)	(103,988)
Net Cost of Energy Purchased	\$ 273,348	\$ 291,734	\$ 290,134	\$ 333,883	\$ 331,500
Total Energy Purchases (MWh) ⁽⁷⁾	8,709,691	8,385,593	8,889,306	8,337,703	8,996,476
Less: Wholesale Power Sales (MWh) ⁽¹⁰⁾	(2,060,403)	(1,512,879)	(1,847,108)	(1,473,414)	(2,031,807)
Net Energy Purchase (MWh)	6,649,288	6,872,714	7,042,198	6,864,289	6,964,669
Total Purchased Power (cents/kWh) ⁽⁸⁾	3.6¢	4.0¢	4.1¢	4.9¢	4.8¢
Net Purchased Power (cents/kWh) ⁽⁸⁾	4.1¢	4.2¢	4.1¢	4.9¢	4.8¢

Source: District records.

⁽¹⁾ See "ELECTRIC SYSTEM POWER SUPPLY—Bonneville Power Administration—*The Bonneville Power Purchase Agreement.*"

⁽²⁾ The increase in 2022 was a result of the largest scheduled shutdown of the Jackson Project in District history for maintenance. Costs remained elevated in 2023 as a result of valve replacements that occurred in June. In 2024, the Jackson Project underwent a planned shutdown for an intake gate inspection, which continued to keep costs elevated. See "THE GENERATION SYSTEM—The Jackson Project."

⁽³⁾ See "THE GENERATION SYSTEM—Small Hydroelectric Generation Projects."

⁽⁴⁾ The Biofuel Project became a District asset in the fall of 2021 upon execution of a new contract with Qualco in the fall of 2021. Associated startup costs were recorded as District-owned purchased power in 2021 and 2022. The Biofuel Project began generating as a District owned and operated asset in September 2022. See "THE GENERATION SYSTEM—Biofuel Project."

⁽⁵⁾ Represents debt service on Generation System Bonds and other renewable generation costs that are not directly related to current Generation System projects.

⁽⁶⁾ The Arlington Microgrid serves as a source of energy for the District and the output is included in the total energy purchase MWh; however, costs from operating the Arlington Microgrid are not calculated by the District as purchased power and are thus not included in other costs. See "ELECTRIC SYSTEM POWER SUPPLY—The District's Future Power Supply Strategy—*Arlington Microgrid (MESA 3) and the Clean Energy Center.*"

⁽⁷⁾ 2020 water conditions were favorable which reduced the District's need to supplement its resource portfolio with short-term market purchases. Wholesale purchases were elevated in 2022 and 2023 due primarily to poor water conditions and significant weather events which caused the District to make market purchases at historically high prices to serve its customer load. A major cold snap in January 2024 drove the need for substantial power purchases at elevated prices.

⁽⁸⁾ Total Purchased Power (cents/kWh) represents the Total Purchased Power Costs divided by the Total Energy Purchases expressed in kWh. Net Purchased Power (cents/kWh) represents Net Cost of Energy Purchased divided by Net Energy Purchases expressed in kWh. The total and net purchased power costs per kWh vary annually as a result of changes in the District's resource portfolio, the impact of annual precipitation levels on hydroelectric power generation, and the amount of power provided by Bonneville, and wholesale energy market prices.

⁽⁹⁾ Wholesale sales increased in 2022, 2023, and 2024 due primarily to sales of energy during periods of high market prices.

⁽¹⁰⁾ The amount of wholesale power sales (MWh) typically varies year-to-year due to changes in annual hydrological conditions, retail customer demand and the initiation and expiration of power supply contracts.

Bonneville Power Administration

Background

Bonneville was created by federal law in 1937, and is a revenue-financed federal agency under the United States Department of Energy (the “DOE”) that markets wholesale electricity generated at 31 federal hydroelectric projects in the Columbia River basin, one nonfederal nuclear plant (the Columbia Generating Station) and several other small nonfederal power plants. The federal hydroelectric projects were constructed and are operated by the United States Bureau of Reclamation or the United States Army Corps of Engineers. Bonneville markets power from resources having an expected aggregate output in Bonneville’s operating year 2026 (from August 1 through July 31) of approximately 9,617 average annual megawatts[±] (“aMW”) under median water conditions and approximately 7,910 aMW under low water conditions. The federal hydroelectric projects and the related electrical system are known collectively as the Federal Columbia River Power System (the “Federal System”). Electric power sold by Bonneville currently accounts for approximately 32% of the electric power generated in the region. Bonneville sells electric power at wholesale rates to approximately 135 utility, industrial, tribal and governmental customers in the Pacific Northwest. Its primary service area covers over 300,000 square miles in Idaho, Oregon, Washington, parts of Montana and small parts of western Wyoming, northern Nevada, northern Utah and northern California, with a population of about 15 million. It also constructed, owns and/or possesses, operates and maintains a high voltage transmission system comprising more than 15,000 circuit miles of high voltage transmission lines in the Pacific Northwest.

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

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

Bonneville has agreed by contract to review and set the Tier 1 Rate every two years. In order to align the rate period with expiration of the long-term preference contracts on September 30, 2028, Bonneville has determined that it will implement a single three-year rate period for the 2026-2028 rate period. The ratemaking process incorporates inputs from a number of public processes which include (i) the Integrated Program Review, which establishes Bonneville’s operating budgets, costs, and long-range capital plan, and (ii) the Rate Period High Water Mark process, through which the size of the Federal System and the total preference customer load is determined for the purpose of allocating costs under the

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

tiered rate construct. At the conclusion of the ratemaking process, Bonneville submits its rates to FERC for approval. This review is to confirm Bonneville's rates are sufficient to recover the agency's costs.

Under the power purchase agreement with Bonneville (the "Power Purchase Agreement"), the District's High Water Mark for the maximum amount of power it can purchase at the Tier 1 Rate during the contract term is 811 aMW, which is 105 aMW higher than the District's prior Bonneville contract amount of 706 aMW. In fiscal year 2024, the District purchased 756 aMW at the cost-based, Tier 1 Rate. The operating capability of the Federal System has declined over the past 10 years, reducing the District's maximum allowable purchase amount at the Tier 1 Rate to approximately 798 aMW. The District does not expect any changes to the High Water Mark through the remaining term of its Power Purchase Agreement with Bonneville. The High Water Mark for the Provider of Choice contract period will be determined in 2026. It is expected that Bonneville's system size, and by product, the District's High Water Mark, will be fixed for the duration of the Provider of Choice contract.

A utility may elect to purchase power from Bonneville for its customer loads that exceeds its High Water Mark at a rate reflecting Bonneville's incremental costs for additional resources ("Tier 2 Power" priced at a Tier 2 Rate). Alternatively, a utility may acquire power from other sources to serve loads above its High Water Mark. The District is required to provide notice to Bonneville of whether it intends to purchase Tier 2 Power from Bonneville for fiscal years 2026 through 2028, or that it will rely on its own resources.

To date, the District has not exceeded its High Water Mark, and is not forecast to have loads above the High Water Mark for fiscal years 2026 through 2028. However, in fiscal year 2029, which marks the first year of the new long-term Bonneville power purchase contract, the District is expected to exceed its High Water Mark by an estimated margin of less than 10 aMW. The District is in the process of the 2025 IRP, which will assess whether non-federal resources, Tier 2 power, or a combination produces the most cost-effective result in procuring the District's above high water mark resource needs in 2029 and beyond.

The District's Transition to Load Following

On August 6, 2024, the District Board of Commissioners approved a Bonneville product switch to the Load Following product, effective October 1, 2025, until the end of the Power Purchase Agreement term on September 30, 2028. The Load Following product will provide firm power service to meet the District's actual total retail load minus its dedicated resources. Dedicated resources refer to non-federal resources that the District is contractually obligated to use to serve load. These resources include the Jackson Project, the Woods Creek Project, the Youngs Creek Project, the Packwood Lake Hydroelectric Project, the Biofuel Project and the Arlington Microgrid solar array. The District can choose to apply its dedicated resources in pre-established amounts, called shapes, or simply as the resource generates. Depending on the size and type of resource, the District may be required to purchase additional Resource Support Services from Bonneville to account for resource unpredictability. After the change to the Load Following product, the District expects that Bonneville will supply approximately 95% of the District's power requirements.

The switch to the Load Following product was precipitated by a four-month analysis which found that the Load Following product would result in less expected cost and less cost variance than the Block and Slice products. As the District transitions to the Load Following product, its sales and purchases in the wholesale market are expected to be significantly reduced or eliminated. Consequently, the District will no longer have direct exposure to wholesale market prices or the need to balance a short-term portfolio position.

As part of this analysis, the District evaluated the cost and benefits of retaining non-federal non-dedicated resources to meet its load. As a result, the output from the Hancock Creek Project and the Calligan Creek Project have been contracted to Citadel Energy Marketing, LLC (“Citadel”) under a three-year agreement starting October 1, 2025 (the “Citadel Energy Marketing Agreement”), and the District’s long-term wind contracts will be remarketed beginning October 1, 2025 through their remaining terms. See “—Long Term Third-Party Power Purchase Contracts—*Wheat Field Wind Agreement*” and “THE GENERATION SYSTEM—Small Hydroelectric Generation Projects—*Hancock and Calligan Creek Projects*”.

The Power Purchase Agreement

On December 1, 2008, the District executed a long-term Regional Dialogue power sales agreement with Bonneville (the “Power Purchase Agreement”), to purchase the “Block” and “Slice” energy products for the period October 1, 2011 through September 30, 2028. The Block product provides a set amount of energy delivered in flat monthly blocks; the Slice product represents a “slice” or percentage of the actual output of the Federal System, which is predominantly hydrogeneration based. The District will be transitioning to the Load Following product effective October 1, 2025, which will remain under the existing Regional Dialogue agreement.

Block Product. The Block product provides the District with power in flat monthly amounts that are determined based on the District’s historical average monthly load. In 2024, the Block product provided 485 aMW in December during the District’s winter peak period. The lowest Block purchase was 311 aMW both in July and August, when the District typically has the lowest average monthly load. In 2024, the District received 3,289,162 MWh from the Block product, at a total annual cost of \$110,379,777 and an average cost of \$33.56/MWh.

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

The output of the Federal System can vary annually with changes in hydrological conditions. Regional weather patterns create the snowpack and precipitation levels that provide fuel for this expansive hydroelectric system. In addition, climate change may over time have an impact on the timing of runoff into the Federal System. The output of the Federal System in the future may be affected by other longer-term factors, the impact of which are not yet known, including but not limited to the potential for breaching the Lower Snake River dams, and increased spill conditions.

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

After the end of each fiscal year, Bonneville “trues up” the difference between its actual costs and its rate forecast for the year through the Slice True-Up Adjustment charge or credit. The District’s share of the Bonneville’s fiscal year 2024 Slice True-Up Adjustment was a credit of \$6,581,051.

The Slice portion of the Power Purchase Agreement includes a separate Creditworthiness Agreement to secure the District's payment obligations. Under the provisions of the Creditworthiness Agreement, the District would be required to provide credit support through a letter of credit if the District's long-term credit rating were to drop below "BBB-." The maximum amount of credit support or collateral is based on a factor of 0.12 multiplied by the District's total annual cost for Slice, or approximately \$15 million. To date, the District has maintained ratings that are sufficient to avoid providing collateral for this purpose.

The District, Bonneville and other public power customers have been working on Provider of Choice, the successor to the current Regional Dialogue contract. Provider of Choice establishes the long-term power sales policy and contracts that will follow the current Regional Dialogue contracts that expire in September 2028. This new contract will have an updated core rate design, but rates and products largely mirror existing products and are expected to be similar on a cost basis. Bonneville required public utility customers to formally request a Provider of Choice contract and a specific Bonneville power product by June 18, 2025. Internal staff analysis of power products in the context of the Provider of Choice contract confirmed that the Load Following product will continue to be the best product to meet District and customer needs after the expiration of the existing Regional Dialogue contract, and as such the District's Board of Commissioners approved the formal request of the Load Following product under the Provider of Choice contract on May 13, 2025.

Bonneville Residential Exchange Program

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

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

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

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

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

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

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

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

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

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

The District submitted its financial information to Bonneville in June 2024, to determine its eligibility to participate in the Residential Exchange Program for fiscal years 2026 through 2028. Based on the Draft ASC Report, the District is eligible to receive residential exchange benefits on behalf of its residential customers during this time period, and the benefits are not expected to be impacted by the District's transition to Bonneville's Load Following product. The Final ASC Report will be issued in July 2025. Under Bonneville's new Provider of Choice contract beginning in 2028, customer-owned utilities, including the District, will not participate in the Residential Exchange Program.

Bonneville's Transmission Service Contracts

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

In parallel with the Bonneville power product transition from Block and Slice products to the Load Following product, the District is also transitioning its transmission portfolio from the Point-to-Point transmission product to the Network Transmission product, effective October 1, 2025. Point-to-Point transmission provides transmission capacity on specific paths from one point to another that can be redirected by a customer dependent on their hourly needs and transmission availability. By contrast, Network Transmission can only be used for load service. Customers designate their loads and resources, and Bonneville establishes rights on the customer's behalf. All Bonneville Load Following product customers utilize Network Transmission due to Bonneville's obligation to flex energy delivery up or down based on customer's net needs – this provides a better overall transmission fit for Load Following customers variable energy needs.

The District will transition its transmission portfolio to align with the change to the Load Following power product. This process will release 1,342 MW of Point-to-Point service paths delivering to the District's service area, providing capacity to Bonneville to provide firm Network Transmission service. Remaining Point-to-Point rights, which have historically been used to market surplus power to the wholesale electricity market, will be remarketed to third parties. A plurality of the surplus Point-to-Point portfolio was contracted to Citadel pursuant to the Citadel Energy Marketing Agreement.

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

The Pacific Northwest Intertie Capacity Ownership Agreement allows the District bi-directional use of its share of Third AC capacity and requires the District to pay an equivalent portion of the annual operating costs. Bonneville operates and maintains the north end of the Third AC.

In accordance with the provisions of the Pacific Northwest Intertie Capacity Ownership Agreement, the District can assign its Third AC capacity scheduling rights to another party, subject to Bonneville approval. In February 2009, the District executed a 15-year agreement assigning 100% of its Third AC scheduling rights to Avangrid Renewables, LLC (“Avangrid”). Bonneville approved the assignment of the District’s Third AC capacity and scheduling rights to Avangrid in March 2009. During this assignment period, Avangrid assumed responsibility for the District’s share of the annual operating costs and any capital expenditures that may arise during the term of the assignment. The District received the Third AC capacity scheduling rights back in early 2024, and, after observing limited use of the rights, executed a short-term assignment agreement with Mercuria Energy America, LLC for a term of January 1, 2025, to September 30, 2025. The District is in the process of negotiating a long-term assignment agreement with a term to begin October 1, 2025.

As a result of the transitions in the District’s transmission portfolio, including remarketing of surplus Point-to-Point and Third AC, the District expects to reduce its net transmission costs in calendar year 2026, though the extent of forecast cost reductions is subject to completion of negotiations.

Bonneville and Energy Northwest

Energy Northwest is a municipal corporation and a joint operating agency organized and existing under the laws of the State. It has the authority to acquire, construct and operate works, plants and facilities for the generation and transmission of electric power and energy. The membership of Energy Northwest includes 29 member utilities, all located in Washington State. The District is a member of Energy Northwest and previously held a seat on the Executive Board. Each member utility has a seat on the Energy Northwest Board of Directors, and currently the District has one seat on the Participant Review Board (“PRB”). The PRB represents the 92 utilities participating in the Columbia Generating Station. This nine-member board reviews all Columbia Generating Station plant purchases of more than \$500,000, construction and annual budgets, fuel management plans and plans for refinancing.

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

The District, Energy Northwest and Bonneville have entered into separate Net Billing Agreements with respect to approximately \$5.122 billion in outstanding bonds (as of June 30, 2025) for Energy Northwest’s Project No. 1, Project No. 2 (Columbia Generating Station), and 70% ownership share of Project No. 3 (collectively, the “Net Billed Projects”) under which the District has purchased from Energy Northwest and, in turn, assigned to Bonneville a maximum of 19.584%, 15.363%, and 19.334% of the capability of Projects Nos. 1 and 2, and Energy Northwest’s ownership share of Project No. 3, respectively. Under the agreements, the District is unconditionally obligated to pay Energy Northwest its *pro rata* share of the total costs of the projects, including debt service, whether or not construction is terminated (Project Nos. 1 and 3 were terminated). Under the Net Billing Agreements, Bonneville is responsible for the District’s percentage share of the total annual cost of each project, including debt service on revenue bonds issued to finance and refinance the costs of construction. The District’s electric revenue requirements are not directly affected by the cost of the Net Billed Projects. The revenue requirements are affected only to the extent that the costs of the projects result in increases in Bonneville’s wholesale power rates or if Bonneville failed to pay Energy Northwest. Bonneville and Energy Northwest executed an agreement with

respect to each Net Billed Project (“Direct Pay Agreements”) pursuant to which, beginning May 2006, Bonneville agrees to pay at least monthly all costs for each Net Billed Project, including debt service on the bonds for the Net Billed Projects, directly to Energy Northwest. In the Direct Pay Agreements, Energy Northwest agrees to promptly bill the District and other participants their share of the costs of the respective Net Billed Project under the Net Billing Agreements if Bonneville fails to make a payment when due under the Direct Pay Agreements.

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

Bonneville and Columbia River Treaty

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

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

The CRT flood control operations, which provided significant benefits to the United States, expired in September 2024, at which time the U.S. and Canada entered into an interim flood risk management operations period. In addition, U.S. hydro operations of the Columbia River system for fisheries management south of the U.S./Canadian border and the significant increase in new renewable resources like wind and solar that have been added to the grid have significantly reduced any benefits today to the United States and its Pacific Northwest utilities under the CRT.

The U.S. Entity engaged in a multi-year effort and collaborated and consulted with the region’s sovereign states, federally recognized tribes and a variety of stakeholders in the 2011-2013 period to evaluate the regional cost and benefits of the CRT after 2024. This culminated in the U.S. Entity’s issuance of the Regional Recommendation to the United States Department of State in December 2013. This recommendation identified potential modifications and rebalancing the value of the CRT post 2024, and outlined a general set of principles. While the recommendation requested that the U.S. government make a decision by mid-2014 to proceed with a renegotiation of the CRT with Canada, it has only been since 2016 that the U.S. Interagency Policy Committee completed their review of the Regional Recommendation, and forwarded it to the U.S. State Department. In 2024, the U.S. and Canada reached an agreement in principle to modernize the CRT. This agreement outlines a new treaty regime, which will require the U.S. Senate and the Canadian Prime Minister’s approval. Timing of potential approval in 2025 and beyond is unclear.

Bonneville's Over-Generation Conditions

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

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

During fiscal year 2024, the water supply volume for the Federal System was 78.8 million-acre feet ("MAF"), which was significantly below the 30-year average of 103.7 MAF. Bonneville did not call an OMP in 2024, compared to a total of 7 OMP event days in May 2023, for a total OMP request of 46,564 MWh, at a displacement cost of \$3.0 million.

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

District-Owned Power Supply

The District currently receives power from five District-owned hydroelectric generation projects included in the Generation System, which includes the Jackson Project, the Woods Creek Project, the Youngs Creek Project, the Hancock Creek Project and the Calligan Creek Project. The District also receives power from the District-owned Biofuel Project. The output of the Hancock Creek Project and the Calligan Creek Project is contracted to Citadel pursuant to the Citadel Energy Marketing Agreement in connection with the District's transition to the Bonneville Load Following product. This is a result of the transition by the District to the Bonneville Load Following product which does not require these projects to be brought

to load during this period. The result of remarketing the output from these projects and other projects for this period is a reduced cost of service due to increased access to lower cost Bonneville Tier 1 power. See “THE GENERATION SYSTEM—The Jackson Project,” “—Small Hydroelectric Generation Projects” and “—Biofuels Project.”

Long-Term Third-Party Power Purchase Contracts

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

Hay Canyon Wind Agreements

The District executed two power purchase agreements in February 2009 with Hay Canyon for 100% of the wind energy and RECs from the Hay Canyon Wind Project. This 100.8 MW nameplate project interconnects with the Bonneville transmission system and is located in north central Oregon along the Columbia River Gorge. The project was developed by Hay Canyon LLC, a subsidiary of Avangrid, which is part of the Iberdrola Group. Iberdrola S.A. has one of the largest renewable asset bases of any company in the world, with more than 32,000 MW of renewable energy spread across a dozen countries. Avangrid is headquartered in Portland, Oregon, and has more than 7,300 MW of owned and controlled wind and solar generation in more than 20 states. One portion (50.4 MW) of the Hay Canyon Agreement expired in February 2024 and the balance of the agreement expires February 2027.

The District began receiving energy output under the agreements on March 1, 2009. The project has an estimated annual output of approximately 210,000 MWh. The District receives 50% of the project’s output under a 15-year power purchase agreement and 50% under an 18-year power purchase agreement. For the year ended December 31, 2024, the District purchased output totaling 102,507 MWh. The District is in the process of remarketing the output of the remaining share of the Hay Canyon project for the remaining term. This is a result of the transition to Bonneville’s Load Following product which does not require this project to be brought to load during this period. The result of remarketing the output from the Hay Canyon project and other projects for this period is a reduced cost of service due to increased access to lower cost Bonneville Tier 1 power.

Wheat Field Wind Agreement

The District executed a 20-year power purchase agreement with Wheat Field for 100% of the project’s output and RECs from the 97 MW nameplate wind project known as the Wheat Field Wind Project. This project interconnects with the Bonneville transmission system and is located near the City of Arlington in north central Oregon. The project was developed by Wheat Field, in conjunction with Horizon Wind Energy, LLC, which was rebranded in 2011 to EDP Renewables North America LLC. The project is owned and operated by Wheat Field. The District began receiving energy output under the agreement on April 1, 2009. The Wheat Field Wind Project has an estimated annual output of over 210,000 MWh, and qualifies as an eligible renewable resource under Initiative 937. For the year ended December 31, 2024, the District purchased output totaling 198,045 MWh. The Wheat Field agreement will expire March 2029. See “—Washington State Energy Initiatives and Legislation.”

The District is in the process of remarketing the output of the Wheatfield Wind project for the remaining term. In that transaction, it is anticipated the District will retain a significant share of the environmental attributes. The planned transaction is a result of the transition to Bonneville’s Load Following product which does not require this project to be brought to load during this period. The result of remarketing the output from the Wheat Field project and other projects for this period is a reduced cost of service due to increased access to lower cost Bonneville Tier 1 power.

White Creek Wind Agreement

In January 2007, the District executed a 20-year power purchase contract with LL&P Wind, L.L.C., a wholly owned subsidiary of Lakeview Light & Power, Tacoma, Washington, for the output of approximately 10% of the White Creek Wind Project. The project is located in south-central Washington along the Columbia River Gorge. The District's share of the White Creek Wind Project output is equivalent to 20 MW of wind capacity, with an average annual output of approximately 52,000 MWh. The project achieved commercial operation in November 2007, and the District began taking output under its contract in January 2008. For the year ended December 31, 2024, the District purchased output totaling 55,324 MWh. The White Creek agreement will expire December 2027.

The District entered into a remarketing agreement with Citadel Energy Marketing, LLC for the output of the Wheatfield Wind project for the remaining term. The planned transaction is a result of the transition to Bonneville's Load Following product which does not require this project to be brought to load during this period. The result of remarketing the output from the White Creek Wind Project and other projects for this period is a reduced cost of service due to increased access to lower cost Bonneville Tier 1 power.

Packwood Agreements

Energy Northwest owns and operates the Packwood Lake Hydroelectric Project, located 20 miles south of Mount Rainier in Packwood, Washington. The Packwood Lake Hydroelectric Project began operating in 1964 and has a nameplate capacity of 27.5 MW. The District currently contracts for a 20% share, or approximately 17,000 MWh of annual energy from the project. The output from this contract is considered a non-federal dedicated resource under the District's purchase power contract with Bonneville. For the year ended December 31, 2024, the District's share was 12,152 MWh.

Hampton Lumber Mill Agreement

In 2006, the District executed a 10-year power purchase agreement with Hampton Lumber Mills-Washington, Inc. for 100% of the electrical output of a cogeneration project located at the Hampton Lumber Mill in Darrington, Washington. In December 2011, the District amended its existing contract to include the purchase of the energy and the RECs associated with the full electrical output of the project and the option to extend the contract term in five year increments, by mutual agreement. The agreement was extended in 2017 through December 31, 2021. In December 2021, a replacement power purchase agreement was executed with a termination date of December 31, 2026. The District is finalizing an amendment to extend the existing agreement to September 30, 2028. The project utilizes wood waste (biomass) and has a nameplate capacity of 4.5 MW and is recognized as an eligible renewable resource under Initiative 937. For the year ended December 31, 2024, the District purchased output totaling 17,049 MWh.

Small Power Production Facilities

The District has committed through both adopted resolutions and federal requirements under PURPA to interconnect District and customer owned Small Power Production Facilities with a generating capacity of less than 2 MWs. The District currently has three agreements in place with customer-owned generating facilities and has developed multiple District-owned facilities included in the Electric System.

Ebey Hill Hydro Agreement

Ebey Hill Hydroelectric, Inc. owns and operates a 97-kilowatt hydroelectric project in Arlington, WA. The Ebey Hill Project began generating power in 1992 and the District executed a Purchase Power

Agreement in May of 1992. The District is obligated to purchase all energy and capacity from the project, resulting from Ebey Hill’s status as a qualifying facility under PURPA.

Washington State Ferries Agreement

In 2020, the District executed a five-year Small Renewable Generation Power Purchase Agreement with Washington State Ferries for 100% of the output and RECs from an existing 154-kilowatt solar generating project located at the Mukilteo Ferry Terminal in Mukilteo, WA. The initial term of this agreement will expire on September 17, 2025, with an option for Washington State Ferries to elect to extend the agreement for an additional term from one year to a maximum of five years subject to District approval.

Qualco Energy Agreement

In 2014, the District executed a five-year power purchase agreement with the Qualco Energy Corporation (“Qualco”) for 100% of the output and RECs from its existing 450 kilowatt biogas electric generating facility located in Monroe, Washington that has been extended several times. Fuel for the project is provided through anaerobic digestion, which uses waste from local dairy operations and other bio-waste products such as restaurant trap grease and expired alcohol and beverages. This generator qualifies as an eligible renewable resource under Initiative 937.

The District executed a separate sublease and operating agreement with Qualco in 2021 under which the District assumed ownership of a new biogas electric generating facility and all corresponding environmental attributes and electricity at the Qualco site. The District installed the new generator with a capacity of 675 kW, along with updated metering and supportive infrastructure in 2022, at which time the existing purchase power agreement was terminated. The Biofuel Project is now included in the Generation System. See “THE GENERATION SYSTEM—Biofuel Project.”

Community Solar Projects

The District has completed two Community Solar projects to date, which are owned and operated directly by the District for the benefit of its customers. The two projects are located in Arlington, WA at the site of the District’s Arlington Microgrid and in Everett on land leased from Everett. The expected life of each project is twenty years and the maximum output from each project is 500 and 400 kilowatts, respectively. See “—Washington State Energy Initiatives and Legislation—*Community Solar Projects*.”

Conservation

The District has offered energy efficiency programs to its customers for forty-five years. These programs provide energy savings opportunities over a broad range of electric uses, from installing lighting to analyzing process improvements for industrial operation. In 2024, District programs enabled customers to reduce their annual energy consumption by over 53,000 MWh.

Residential Programs

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

Commercial and Industrial Programs

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

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

In 2025, the District launched a program to serve data centers by working with telecom customers to ensure benchmarking and energy efficiency retrofits occur when possible. The District forecasts that this program will deliver over 5,600 MWh savings over the next three years.

Customer Renewables Programs

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

Wholesale Power Market Purchases, Sales and Trades

As the District transitions to Bonneville's Load Following product, the District is expected to no longer have direct wholesale market price exposure or balance a short-term portfolio position through the remaining Regional Dialogue contract with Bonneville. The District may reintroduce some wholesale market exposure either directly or indirectly as it considers additional resources from Bonneville above its Tier 1 allocation, new contracted resources, or other market transactions to meet its above high water mark demand anticipated in 2029 and beyond. Additional resource needs under Bonneville's new Provider of Choice contract will be evaluated in the District's 2025 Integrated Resource Plan. The District will be updating its approach to energy risk management as a result of the changes which will be effective October 1, 2025. The following sections describe the District's current policies and practices. See "ELECTRIC SYSTEM POWER SUPPLY—Bonneville Power Administration—The Power Purchase Agreement."

Power Scheduling Operations

The District's Power Scheduling Operations sell power in the wholesale energy market when the District's contracted resources and surpluses associated with the Bonneville Slice product exceed its load and make purchases from the wholesale power market when required to meet the District's loads. In 2024,

the District sold 2,031,807 MWh and purchased 1,451,131 MWh in the short-term market. The short-term market purchases were made to serve customer loads during the winter months when peak demands (driven by space heating loads) exceed the capabilities of the District's owned and contracted resources. Short-term wholesale market purchases and sales fluctuate throughout the year, reflecting seasonal variations in customer loads, weather and market conditions. As the District transitions to Bonneville's Load Following Product, effective October 1, 2025, the District's sales and purchases in the wholesale market are expected to be significantly reduced or eliminated.

Winter Capacity Options

In order to mitigate the risk posed to the District each winter, the District has historically looked to acquire a winter call option that could be utilized in the event of peak market events. To facilitate the negotiation of the winter call options each year, the District has executed park and lend contracts, which result in the District selling power on a day-ahead basis to the contracted party and purchasing power back at the same quantity during the real-time scheduling. These transactions utilize the same index pricing, resulting in a net zero financial impact to the District, while providing operational benefits to the contracting parties. The volume of power purchased and sold under these contracts was approximately 588,189 and 111,619 MWh in 2024 and 2023, respectively.

Energy Risk Management

Models and tests for managing a variety of risks are outlined in the District's Energy Risk Management Policy and Procedures Manual, adopted in 2002 and last revised in 2023. All employees involved in the District's energy supply, energy risk management and finance functions have the obligation to see that proper procedures are followed and where necessary, intervene to mitigate risks.

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

Physical Energy

In order to meet the monthly, daily and hourly energy demands of the District's customers and contractual obligations, District staff purchase and sell power in the wholesale energy market, primarily at the Mid-Columbia market hub. Contracts for short-term energy are made in accordance with the District's Energy Risk Management Policies and Procedures Manual on a rolling 18 to 36 month planning horizon.

With the transition to the Load Following product, effective October 1, 2025, long-term annual average load growth beyond the District's High-Water-Mark for Tier 1 priced Bonneville power can be served by resources the District contracts for, develops, or purchases from the Bonneville Tier 2 product which is priced at a market rate. Whether the District should develop or acquire additional resources for long-term annual average load growth or utilize the Bonneville Tier 2 product will be addressed in the District's 2025 Integrated Resource Plan. See "—The District's Future Power Supply Strategy."

Risk Management Tools

In addition to buying and selling physical energy, the Commission has authorized the use of call and put options as additional tools to manage price and supply certainty. These instruments allow the

District to avoid buying large amounts of energy to cover a small number of peak load days. Options are purchased from approved and creditworthy counterparties.

In 2008, the Commission adopted a resolution authorizing the use of financial hedges to mitigate the District's exposure to energy price risk. This authorization allows the District to enter into financial hedging contracts wherein the District would pay to or receive from the counterparty a fixed sum of money calculated based on a fixed price multiplied by a number representing MWh of power over a period specified in the contract. The counterparty would receive or pay the District a sum of money based upon a market index rate multiplied by the MWh. These transactions would, in essence, allow the District to lock in a known expense or revenue for a future short-term power market purchase or sale in advance. The payment received from the counterparty would be used to purchase power in the future period. The District has not engaged in any financial hedging activities. With the transition to the Load Following product, effective October 1, 2025, the necessity for the District to consider this financial tool will be significantly reduced or potentially eliminated.

Renewable Energy Credits

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

As a matter of policy, the Commission approved the sale of up to 100% of RECs that are surplus to the District's Initiative 937 needs. In addition, through its approval of the District's Integrated Resource Plan (“IRP”), the Commission has approved a strategy of retaining and banking RECs in the future to meet the District's Initiative 937 needs. The market price for RECs fluctuates according to supply and demand, resource fuel type, year generated and timing of the renewable portfolio standards established in nearby states. The District has strategically bought and sold RECs while rolling over a “bank” of surplus RECs for consumption in the following year. In 2025, the District budgeted \$2.3 million for REC purchases.

The District's Future Power Supply Strategy

The District is in the process of revising its power supply strategy to better meet future customer needs. The core change involves transitioning from Bonneville's Block and Slice product to Bonneville's Load Following product. This switch ensures access to the required energy and capacity from Bonneville for District loads, reducing reliance on the volatile wholesale market and producing lower overall power supply costs and year-to-year cost variance.

In parallel, the District is transitioning its Bonneville transmission product from the fixed volume Point-to-Point to Network Transmission, which adjusts according to District loads. On an annual basis, District staff estimate that this transmission product conversion should result in reduced transmission costs.

These changes aim to accommodate significant load growth cost-effectively, driven by increased electrification and population expansion. An analysis in 2024 found switching Bonneville products more cost-effective than acquiring new resources. Consequently, the District will implement these changes by October 1, 2025. The upcoming 2025 Integrated Resource Plan will incorporate these new products and is expected to be adopted by December 2025.

The principal driver for changes to Bonneville’s power and transmission products is to accommodate the scale and type of load growth in a cost-effective manner for customers. The District, like many other regional utilities, is forecasting meaningful load growth driven by increased electrification, ongoing population growth, and local economic development activities. Load growth forecasts are increasing, and peak load growth is also increasing at a rate higher than annual average load growth. In an operating environment that now includes the Western Resource Adequacy Program (“WRAP”), which includes participant requirements for firm capacity to serve peak load growth, an analysis was performed in 2024 to evaluate whether a Bonneville product switch could be more cost-effective than District resource acquisition to meet customer growth needs.

District’s 2023 Integrated Resource Plan

Washington State law requires utilities with more than 25,000 customers in the State to develop and adopt an updated IRP at least every four years and provide a progress report at least every two years. The District’s 2023 Integrated Resource Plan (the “2023 IRP”) was formally adopted by the Commission in December 2023. See “—Washington State Energy Initiatives and Legislation—*Washington State Integrated Resource Planning Requirements*.”

The 2023 IRP established the following short-term policy and actions to begin implementing the long-term resource strategy: actively engage with Bonneville’s post-2028 contract process and analyze new power products; acquire 10.54 aMW or more cost-effective conservation by 2025; continue planned development of additional Time of Day rate options for customers, and explore additional cost-effective demand response programs; develop low-cost, locally sited energy storage; perform due diligence on regional renewable energy projects and prepare for potential procurement activity; acquire 50 MW of short-term market contracts; ensure compliance with State clean energy mandates; continue commitment to best-practice rooftop solar customer processes; perform due diligence on local hydroelectric capacity uprate projects; develop and enhance local partnerships for fusion energy; and continue to participate in regional forums discussing the formation of organized markets in the Pacific Northwest.

The 2023 IRP helped inform the District’s two-year conservation target for 2024 and 2025, and the 10-year conservation potential estimate for the 2024-2033 period. The District’s Bonneville power contract is set to expire September 30, 2028. The District has requested a long-term contract for the Bonneville Load Following product for the 2028-2044 contract term in 2025, as part of Bonneville’s Provider of Choice contract process.

The District’s 2025 Integrated Resource Plan (the “2025 IRP”) will be the first that provides a long-term power plan incorporating the new Bonneville Load Following and Network Transmission products. The 2025 IRP is in production and is intended to be adopted by December 2025.

See “—Washington State Energy Initiatives and Legislation—*Washington State’s Renewable Portfolio and Conservation Standard*.”

Battery Energy Storage Systems – MESA 1 and MESA 2

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

Several leak incidents at the MESA 2 Project were noted and reported after installation in 2017. In 2018, a spill occurred that had greater impact and required significant effort to mitigate, resulting in a decision to discontinue the MESA 2 operation. The vanadium flow battery technology is not as mature as lithium-ion, and the MESA 2 system was one of the manufacturer’s earlier versions of its flow battery system. It was determined that the MESA 2 system design is not viable for long-term reliability due to the risk of potential chemical spills and lack of system reliability. The MESA 2 components were decommissioned, and as a result, the Electric System recorded an \$8.5 million and \$2.0 million asset write-off charged to other income and expense in 2020 and 2021, respectively. Since the MESA 2 project was deemed to be emerging technology the District is not required to reimburse the Washington State Department of Commerce for the grant funds received in 2014. The District completed the decommission of the MESA 2 battery energy storage system in 2021.

In 2024, the MESA 1 Project was determined to have reached the end of its useful life, and in 2025 the District started the process of finding a recycling/decommissioning plan. Requests for proposals for recycling and second-life options were released, and a contract was awarded to Redwood Materials to decommission and recycle the batteries.

Arlington Microgrid and the Clean Energy Center (MESA 3)

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

District is able to test how these mini batteries can be another source of electric storage to benefit the overall grid and the Microgrid. This project was completed in March 2022.

Small Hydroelectric Generation

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

Grid-Scale Energy Storage

The District performed feasibility analyses on several types of potential large scale energy storage projects, including pumped hydroelectric projects, and liquid air storage. It was determined that lithium-ion batteries are the best fit for the District’s energy storage needs at this time, and in 2022 the District began planning for a grid-scale battery energy storage system (“BESS”). In early 2024, the District entered into an energy storage agreement (“ESA”) with Ameresco, who will construct and operate a 25 MW/100 MWh battery at the District’s Arlington Clean Energy Campus. The ESA is a 25-year contract for Ameresco to maintain the battery, while the District will act as the sole off-taker of energy and will manage charging and discharging schedules. Construction began on the battery site in early 2025. Receipt of the related Bonneville Balancing Authority Area Services Agreement, which is a prerequisite for Ameresco’s continued development of the battery, is forthcoming. Supply chain uncertainties could impact the project’s commercial operation date, currently expected to be the first quarter of 2026. As the District transitions to Bonneville’s Load Following product, risks of operational delays or termination are cost related and are not expected to produce load service or reliability concerns. The BESS is intended to offset peak hour demand from Bonneville by shifting it to off-peak demand, reducing the District’s cost by an estimated one to two million dollars a year. The installation is the largest standalone battery project in the Pacific Northwest, supporting electric reliability and reducing energy price fluctuation exposure during periods of peak demand.

Resource Adequacy

The District is part of the Western Power Pool (the “WPP”), a non-profit organization that provides professional and management services to its participating organizations, which includes major generating utilities serving the Northwestern United States, British Columbia, Canada, and Alberta, Canada. The WPP has worked with regional stakeholders to develop WRAP, which is the first region-wide reliability planning and compliance program in the history of western North America. The WRAP tariff was approved by FERC on February 23, 2023, and WRAP participants are planning for implementation. The District is currently a WRAP participant but will transition from an individual participant to load covered by Bonneville in parallel with the District’s transition to Bonneville’s Load Following product on October 1, 2025. In that capacity, Bonneville will be obligated to carry sufficient resources to support the District’s load under the WRAP program requirements.

Energy Market Participation

The District has been participating in stakeholder processes for two initiatives to develop real-time and day-ahead regional wholesale energy markets for the Pacific Northwest and other portions of the western United States. One initiative is the Extended Day-Ahead Market, which would be administered by the California Independent System Operator. The second initiative is Markets+, which would be administered by the Southwest Power Pool (“SPP”). The District was one of more than 30 participants in

the Phase 1 effort to establish Markets+, where it was a voting member and had staff serve on multiple work groups and task forces to establish the Markets+ tariff. The Markets+ tariff was approved by FERC on January 16, 2025. On May 9, 2025, Bonneville issued its Day-Ahead Market Policy which established their intention to pursue participation in Markets+. Because the District is within Bonneville’s Balancing Authority Area, the District anticipates its load and resources will also be within the Markets+ market footprint. Markets+ implementation planning will be led by SPP in 2025 in order to prepare for a go-live date as early as summer of 2027. Bonneville expects to be a participant in Markets+ in 2028, allowing time for policy development, which is currently in early stages. Specific impacts to Load Following customers, including the District, will be uncertain until further Bonneville policy progress has been made.

District Climate Change Policy, Principles and Strategies

The District was one of the first utilities in the region to adopt an official climate change policy, including supporting principles and strategies. In the policy, the District, among other things, (i) commits that it will provide electric, water and associated services to its customers in an environmentally responsible way while increasing economic value, financial stability and operational safety and security for its ratepayers; (ii) recognizes that climate change is a serious global problem that should be addressed through the development of thoughtful and forward-looking legislation that actually results in the reduction of greenhouse gas emissions in a workable and cost-effective manner; (iii) recognizes that the Pacific Northwest’s investments in energy efficiency and renewable hydroelectricity have yielded substantial environmental benefits and this legacy should be continued by meeting customer growth through conservation and a diverse mix of renewable technologies including, but not limited to, wind, tidal, solar, biomass and geothermal; and (iv) recognizes that using natural resources more efficiently and wisely makes good environmental and economic sense. Since adoption of its initial climate change policy, the District has developed several “strategic priorities” guidance documents, beginning in 2015, as well as an Environmental Commitment document in 2019, that prominently feature environmental stewardship and environmental sustainability as fundamental principles in carrying out the District’s business. The climate change policy was updated by the Commission in June 2024 and renamed the “Climate Change Principles.”

Washington State Energy Initiatives and Legislation

Washington State’s Renewable Portfolio and Conservation Standard

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

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

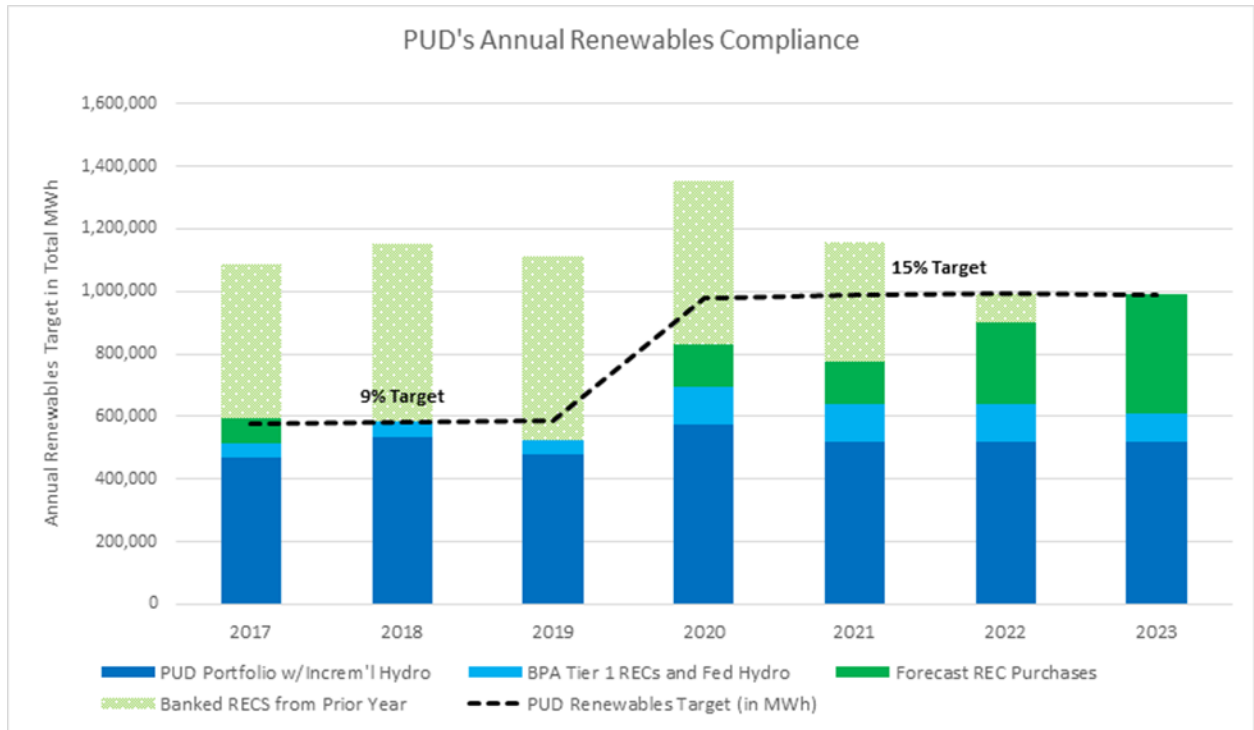
There are multiple methodologies available for RPS compliance, and the District has used multiple methods in recent years. From 2012-2020 and 2022-2023 the District used the Target methodology and retired an equivalent volume of RECs from its existing portfolio as the renewable requirement given by multiplying the total retail load by the percentage target. Under the No Load Growth methodology, a utility is not required to meet a renewable energy target if it spends at least 4% of its retail revenue requirement on the incremental cost of renewable energy and renewable energy credits. The cost limit for a utility with no load growth is 1%. In 2021, the District used the No Load Growth methodology, which required the District to retire only 84,214 RECs. In 2023, the District’s 15% renewable target equated to 1,001,639 MWh, which the District served from a combination of its 2022 REC bank (607,221 MWh) and from the contributions of its 2023 eligible renewable resources and unbundled REC purchases (394,418 MWh).

Ongoing compliance is explored and addressed in the District’s IRP process every two years. The District budgets for unbundled REC purchases sufficient to meet the regulatory compliance via the target methodology and has been procuring significant volumes of RECs ahead of expected compliance needs. In 2025, the District budgeted \$2.3 million for REC purchases, with forecasted expenditures of \$2.3 million for 2026, \$4.0 million for 2027, \$4.1 million for 2028, and \$4.1 million for 2029. Should the District become eligible for other compliance methodologies, it is anticipated that those methodologies would require fewer RECs, allowing the District to either bank the RECs for future compliance years or remarket the RECs to other regional buyers.

The District actively participated in the Washington State Legislative process for Senate Bill 5445, which permits storage resources and demand response programs to qualify for REC equivalents under RPS compliance obligations. As part of its strategic planning, the District is developing a 25MW battery project, scheduled to be operational in 2026, which is expected to qualify for REC-equivalents. Additionally, the District’s anticipated future time-of-use rate structure will be designed to generate REC-equivalents. See “—The District’s Future Power Supply Strategy—*Grid-Scale Energy Storage*.”

The District’s transition to Load Following is not anticipated to significantly impact the District’s ability to meet its RPS compliance requirements. The District is currently negotiating term sales of its wind projects in alignment with the Bonneville product transition, and expecting to retain some, but not all, of the RECs associated with these projects. In 2025, the District anticipates acquiring additional RECs, approximately \$900,000 above its budget, to supplement its portfolio and meet compliance obligations, assuming it adopts the target methodology as expected.

In early 2025, the District issued a renewable request for proposals to evaluate regional projects as either a Bonneville Tier 2 alternative or to supply RECs to meet compliance needs. It is currently conducting project due diligence and negotiations.



In December 2023, the Commission adopted conservation targets for the years 2024-2025 of 10.54 aMW, and set its 10-year conservation potential estimate at 81.84 aMW for the 2024-2033 period. The District subsequently filed the two-year target and 10-year potential estimate with the Washington State Department of Commerce in December 2023.

In accordance with Initiative 937 reporting requirements, the District submits its annual filings with the Washington State Department of Commerce by June 1 each year. This report consists of: (i) total owned and acquired renewable resources as of January 1 of the target year; and (ii) the actual conservation achievements for the two-year period, compared to the adopted target.

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

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

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

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

The District included CETA provisions in the 2021 IRP and 2021 CEIP, and, due to composition of the District’s power portfolio (which contains no direct carbon emissions), and previous practices which already considered the carbon impact of resource decisions, was not materially impacted by the provisions of CETA in setting long-term planning strategies. The District also included planning for CEIP requirements in the 2023 IRP Update. The District again was not materially impacted by the provisions of CETA in setting long-term planning strategies in the 2023 IRP.

As the District drafts its 2025 IRP, the planning environment has changed since the 2023 IRP as the District plans to become a Load Following customer of Bonneville changing the composition of its power portfolio. The District does not expect this product change to materially impact its ability to comply with the CETA standards beginning in 2030.

Washington State Emissions Performance Standards

In 2008, legislation was adopted in Washington requiring reductions in greenhouse gas emissions, initiating greenhouse gas reporting requirements, and requiring the Washington State Department of Ecology (“WDOE”) to make recommendations for the development of a market-based cap and trade system. Under the legislation, the State must reduce overall greenhouse gas emissions to 1990 levels by 2020; to 25% below 1990 levels by 2035; and to 50% below 1990 levels by 2050. The legislation also required the WDOE to adopt rules requiring the reporting of GHG emissions. Subsequent legislation adopted in 2010 aligned the Washington State greenhouse gas reporting protocols with federal regulations promulgated by the Environmental Protection Agency. The WDOE rules for the reporting of greenhouse gas emissions became effective on January 1, 2011. Mandatory reporting for facilities with annual greenhouse gas emissions of 10,000 metric tons CO₂ equivalent or greater began with 2012 emissions reported in 2013.

Related legislation provides that generation sources underlying power supply contracts of five years or more that are entered into after July 2008 must comply with a permissible ceiling of 1,100 pounds of greenhouse gas emissions per MWh (or the average available greenhouse gas emissions output as derived by the Washington State Department of Commerce analysis of appropriate combined cycle combustion turbines). Some emissions are allowable if sequestered or mitigated under a plan approved by the Energy Facilities and Site Evaluation Council (the “EFSEC”). In June 2008, the WDOE, EFSEC, Washington State

Department of Commerce and Bonneville coordinated and adopted rules to implement and enforce these standards. In addition to compliance with such ceiling, owners of generation facilities were required to comply with certain mandatory reporting requirements beginning in 2013 (based on 2012 emission levels).

Voluntary Green Power Program Legislation

Since 2002, State law (RCW 19.29A.090) has required that larger electric utilities in the State offer retail customers an option to purchase qualified alternative energy resources—often referred to as green power. Utilities have two options for providing customers with qualified green power: actual power from qualified green resources, and RECs. The law also requires electric utilities to maintain and make available upon request certain information and details regarding their green power programs.

The District’s business and residential customers can support green power through a second voluntary program option, Carbon Solutions. Customers can participate for as little as one unit at \$6.50 per month, which is applied directly to their consumption accounts. Customers also have the option to make a one-time purchase of any number of units. Every unit of RECs purchased for \$6.50 equals 1,000 kWh of energy generated by a renewable source, primarily solar and wind. Generation from qualified hydro, geothermal, and biogas may also be included depending on product availability. RECs are purchased through the North American Renewable Energy Resources.

Tree Relief for Energy Efficiency (TREE) Power

The District announced the launch of the Tree Relief for Energy Efficiency (TREE) Power Grant Program in April 2024. The program supports urban forestry projects by funding tree planting in parks, green spaces, and urban areas. The goal is to enhance energy efficiency by reducing heat retention from buildings and pavement, which can lower air conditioning demand. The TREE Power program provides grants to government agencies, quasi-government entities, and nonprofits for tree planting on publicly accessible land within the District’s service territory. Additionally, customers can also contribute to urban forestry projects through donations.

For the 2024 pilot year, the District will be funding three to five projects, each receiving up to \$10,000. The initiative aligns with broader sustainability efforts, aiming to mitigate rising air conditioning loads and reduce infrastructure costs.

Transportation Electrification

The District actively supports its residential and commercial customers in the adoption of transportation electrification by providing technical support, incentives, tools and partnerships to leverage various funding opportunities. Current programs, projects and recent accomplishments include:

- The District recently completed a commercial customer pilot program that assisted customers in developing a ten-year fleet electrification plan.
- The District’s newest Community Office, the North County Community Office, opened in March 2025 and features seven Level 2 electric vehicle charging stations available to the public and another ten charging stations to support the District’s continued expansion of its electric vehicle fleet.
- In 2025, the District will launch a program to support local transportation electrification with credits generated by the Washington State Clean Fuels Program. The program is being designed in alignment with WDOE requirements and guidance.

- In 2025, the District plans to complete a State funded en-route bus charging project in partnership with a local transit agency.
- In 2022, the District utilized State grants to install the first publicly available fast charging station in the downtown Everett corridor in addition to two fast chargers located at the District's headquarters.
- Since 2020, the District has offered incentives to customers to install connected EV chargers in homes and businesses.

Advanced Metering

Since obtaining approval from the Commission in August of 2020, the District has been deploying advanced metering technology, labeled the Connect Up project, throughout the District's service territory, targeting completion in 2027. Components of this program include an expanded communications network, metering technology, and a data management system. The first installations of meters began in 2023. The District will be using FCC-approved equipment that is the same as or is similar to that which is already used by many other utilities in the Pacific Northwest and nationally.

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

Community Solar Projects

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

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

The District completed construction of its second Community Solar Project in December 2024. The 400 kW solar array is located in South Everett, on land leased from Everett. The name of the project "El Sol al Alcance de tus Manos" (The Sun at Your Fingertips) came from the local community. All generation credits, valued at \$0.06/kWh, are contributed to the District's Community Energy Fund for emergency bill assistance to income-qualified customers. Project construction was funded in part by State and federal grant and incentive funds. A direct-pay federal investment tax credit is pending, which with grant and incentive funds, would cover approximately 90% of construction costs.

Climate Commitment Act (Cap and Invest Program)

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

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

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

The District successfully filed its first compliance report for Compliance Year 2023 in May of 2024. The District also had a successful third-party verification of its compliance calendar year 2023 report, receiving a positive verification statement with WDOE accepting the District’s compliance report and positive verification statement.

The District has also participated in previous auctions by consigning allowances believed to be surplus to its compliance needs. In 2023 and 2024, the District received \$1.3 million and \$11.6 million from WDOE, respectively from these consignments. These revenues have been used to benefit ratepayers, prioritizing mitigation of the Climate Commitment Act rate impacts to low-income customers.

Low Carbon Fuel Standard

Chapter 70A.535 RCW directs the WDOE to enforce rules establishing a clean fuels program (the “Clean Fuels Program”) which limits the greenhouse gas emissions attributable to each unit of transportation fuel. The program is now in effect and requires the carbon intensity of fuels to be 20% below 2017 levels by 2035, with annual reductions increasing between 2023 and 2034. The Clean Fuels Program exempts fuels exported or not used in the State, and fuels used in aircraft, railroad locomotives, marine vessels and military tactical vehicles.

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

Electric utilities can register and earn credits under the program for electricity used as transportation fuel, and for some electric vehicle charging activity, including smart vehicle charging technology. Proceeds from the sale of credits earned by electric utilities fund transportation electrification projects and programs. The District began receiving credits in 2025 and is currently in negotiations for its first sale transaction. The revenue from sale transactions will benefit items identified in the District's Transportation Electrification Plan.

Washington Families Clean Energy Credits Grant

In May 2024, the District was awarded a \$14 million grant from the Washington State Department of Commerce, as part of the Washington Families Clean Energy Credit Program, dedicating \$150 million statewide to assist low-to moderate-income households with the clean energy transition. This initiative provided funding for bill credits of \$200 per household to eligible residential customers through their electric utility provider. In 2024, the District received and distributed the \$14 million grant to eligible residential customers in the District's service area. Households with income less than 150% of the area median income qualify as low or moderate income. These funds were distributed to over 71,000 accounts, helping to offset current and future balances and lifting more than 1,000 customers out of distressed status. To be eligible for the balance adjustment, residential customers needed to be enrolled in one of several approved programs, such as Low-Income Home Energy Assistance Program, Community Energy Fund, Income Qualifies, Budgeted Payments, or through a formal self-attestation process.

Secure Modern Automated and Reliable Technology Project (SnoSMART) Grant

In October 2023, the District was awarded a \$30 million grant from the U.S. Department of Energy Grid Deployment Office for the District's Secure Modern Automated and Reliable Technology ("SnoSMART") Project. The contract was signed in September 2024, with \$33 million in District cost share funds allocated for the project. This project aims to accelerate a formerly twenty-year plan into just five years. Funds will be granted through cost reimbursement requests submitted in compliance with an Assistance Agreement. All requests are subject to review and approval by a Project Manager at the U.S. Department of Energy ("DOE"). The District's contract with the DOE allows for reimbursement requests up to twice a month. The District has submitted a total of \$695,000 for reimbursement and has received \$215,000.

The current Presidential administration's emphasis on conventional energy sources has resulted in policy shifts affecting projects associated with the previous Presidential administration's climate initiatives. At this time, the District has not identified any risks that could affect its contract with the DOE.

SnoSMART is an infrastructure and software endeavor designed to enhance the District's system reliability, mitigate wildfire risks, and enable demand management. The project involves deploying hundreds of wireless-connected smart grid devices to the distribution grid and upgrading the software tools to operate them. Supervisory Control and Data Acquisition, Advanced Distribution Management System, and the Distribution Automation Infrastructure will work together to create improved information and planning tools with new data analytics, moving toward a smarter grid.

Regional Transmission Planning

Regional Transmission Planning

Bonneville operates and maintains approximately 15,000 circuit miles of high-voltage transmission in Idaho, Oregon, Washington, western Montana and small parts of eastern Montana, California, Nevada, Utah and Wyoming. The District depends on Bonneville for the vast majority of its regional transmission needs and does not provide transmission services to others. While the District is not FERC jurisdictional and is not required to participate in joint regional planning, it is nonetheless interested in the development of a robust transmission network throughout the Pacific Northwest. In 2019, the District joined NorthernGrid, a new transmission planning region that facilitates regional transmission planning across the Pacific Northwest and Intermountain West. Other private and public utilities are members of NorthernGrid, including Bonneville, Avista Corporation, Puget Sound Energy, Seattle City Light, Idaho Power Company, BHE Canada, Public Utility District No. 1. of Chelan County, Washington, Northwestern Corporation, PacifiCorp, Portland General Electric, Tacoma Power, and NVEnergy. NorthernGrid began its planning operations in 2020. The District plans to continue its participation in NorthernGrid regional transmission planning upon the District's transition to Bonneville's Load Following product.

Open Access

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

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

FERC Order 1000

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

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

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

FERC Order 1920

FERC Order 1920 was issued in 2024 and revised Order 1000, regional transmission planning, to focus on long-term, regional planning over a 20-year horizon. Order 1920 mandates the inclusion of local projects in regional processes, clarifies the role of states in cost allocation, and requires transmission providers to establish evaluation processes for long-term regional transmission facilities. NorthernGrid’s enrolled members are updating their Open Access Transmission Tariff Attachment Ks to incorporate the Order 1920 requirements and the NorthernGrid members are incorporating the Order 1920 changes into the existing planning process.

WestTEC Regional Transmission Planning

In early 2000, the District was part of a subgroup of NorthernGrid that identified the need for 20-year transmission plans. This group worked with the WPP to develop 20-year studies. By 2023, this effort expanded to include the Western Interconnection and became the Western Transmission Expansion Coalition, or WestTEC. The mission of this regional effort was to develop an actionable transmission study to support the needs of the future energy grid. The final deliverable will be a West-wide transmission needs study looking out over 10- and 20-year periods. The study began in spring 2025 and is expected to be finished in the first quarter of 2027. The WPP is coordinating the project, which spans across the region and includes regional partners representing a broad swath of industry sectors, states and tribes.

Transmission Reliability

In March 2007, FERC issued Order 693, which addresses mandatory reliability standards for utilities. The North American Electric Reliability Corporation (“NERC”) was tasked with developing reliability standards for the electric industry and for ensuring those standards are met. All users, owners and operators of the bulk power system are required to identify functions they perform and register the information with the NERC or their Regional Entity. In the District’s case, this is the Western Electricity Coordinating Council (“WECC”).

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

The District has had two audit findings throughout the five WECC audits. The findings were both identified in the 2021 Critical Infrastructure Protection audit and involved the Critical Infrastructure Protection-003-8 Reliability Standard requirements R1 and R2. The findings are still in progress, and the District expects them to be addressed through a dismissal, compliance exception, or Find, Fix, Track and Report process as they involved documentation related to low impact Bulk Electric System cyber systems.

Public Utility Regulatory Policies Act

FERC Rulemaking

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

Amendments from Infrastructure Investment and Jobs Act (IIJA)

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

Energy Imbalance Market

In July 2019, Bonneville issued a letter to the region seeking public comment on Bonneville potentially joining the Western Energy Imbalance Market (“EIM”). This letter included a package with Bonneville’s policy proposal document, a report of Bonneville’s EIM cost-benefit analysis and a draft of the California Independent System Operation (“CAISO”) EIM implementation agreement. Bonneville addressed comments received on this package in its record of decision published in September 2019. On September 26, 2019, Bonneville signed an implementation agreement with the CAISO and a record of decision in a move toward joining the Western EIM in March 2022. Bonneville joined the Western EIM on May 2, 2022. As Bonneville begins its transition to the Markets+ Day-Ahead and Real-Time markets, expected in 2028, it is anticipated that Bonneville will transition out of the EIM as it enters Markets+.

ELECTRIC SYSTEM FINANCIAL INFORMATION

Financial Results

The following table presents income statements of the Electric System from fiscal year 2020 through fiscal year 2024. Appendix A contains the audited financial statements for the District for fiscal years 2024 and 2023. See “—Financial Condition and Liquidity” for a description of the District’s cash balances and liquidity reserves.

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TABLE 14
Public Utility District No. 1 of Snohomish County, Washington
Electric System
Operating Results
(\$000's)

Year Ended December 31,

	2020	2021 As reclassified ^(*)	2022 As restated ^(*)	2023 As restated ^(*)	2024
Operating Revenues					
Sales of Electric Energy					
Residential	\$ 379,219	\$ 384,362	\$ 403,147	\$ 419,674	\$ 452,789
Commercial	196,879	204,048	208,569	213,133	226,541
Industrial	32,972	32,564	33,188	32,778	33,545
Other ⁽¹⁾	3,910	3,739	3,981	5,370	16,176
Sales for Resale ⁽²⁾	38,783	42,693	73,375	72,441	103,988
Unbilled Revenue ⁽³⁾	(5,300)	8,400	6,900	(5,400)	(3,600)
Total Sales of Electric Energy	646,463	675,805	729,160	737,996	829,439
Other Operating Revenues ⁽⁴⁾	32,088	32,334	36,161	64,031	42,664
Total Operating Revenues	678,551	708,139	765,321	802,027	872,103
Operating Expenses					
Purchased Power and Generation ⁽⁵⁾	312,131	334,427	363,509	406,324	435,487
Operations ⁽⁶⁾	213,742	180,224	191,729	213,673	247,958
Maintenance ⁽⁷⁾	25,493	35,412	48,549	37,143	61,749
Depreciation	57,202	58,988	62,797	65,651	66,971
Taxes	38,525	39,534	40,732	42,107	45,285
Total Operating Expenses	647,093	648,585	707,316	764,898	857,450
Net Operating Income (Loss)	31,458	59,554	58,005	37,129	14,653
Interest and Other Income ⁽⁸⁾	6,828	3,653	473	31,474	25,129
Interest Charges					
Interest ⁽⁹⁾	16,044	16,045	18,856	20,101	20,083
Amortization of Debt Costs ⁽¹⁰⁾	(643)	(2,115)	(5,587)	(2,386)	(2,366)
Total Interest Charges	15,401	13,930	13,269	17,715	17,717
Capital Contributions ⁽¹¹⁾	28,445	27,800	28,294	29,785	33,795
Net Income	\$ 51,330	\$ 77,077	\$ 73,503	\$ 80,673	\$ 55,860
Net Income Adjustments:					
Non-cash Contributions ⁽¹¹⁾	\$ (5,442)	\$ (6,376)	\$ (3,977)	\$ (10,252)	\$ (10,180)
Interest Charges ⁽⁹⁾⁽¹⁰⁾	15,401	13,930	13,269	17,715	17,717
Depreciation	57,202	58,988	62,797	65,651	66,971
Pension and OPEB Liability Actuarial Adjustment ⁽¹²⁾⁽¹³⁾	(16,207)	(43,297)	(20,549)	(25,782)	(22,962)
Net (Increase) Decrease in the Fair Value of Investments ⁽¹⁴⁾	(2,513)	4,857	11,390	(8,265)	(2,707)
Hydroelectric Project Termination Charge ⁽¹⁵⁾	8,465	-	-	-	-
Balance available for debt service coverage	\$ 108,236	\$ 105,179	\$ 136,433	\$ 119,740	\$ 104,699
Electric System Bonds Debt Service ⁽¹⁶⁾	\$ 26,579	\$ 26,847	\$ 29,998	\$ 31,954	\$ 32,588
Electric System Bonds Debt Service Coverage	4.1x	3.9x	4.5x	3.7x	3.2x

Source: District records. See "APPENDIX A—INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS" for the years ended December 31, 2024 and 2023.

(*) Reclassified or restated, as applicable to conform with GASB standards.

- (1) Other includes No-Cost Allowances Auction proceeds of \$1.3 million and \$11.6 million in 2023 and 2024, respectively related to the Climate Commitment Act.
- (2) Wholesale sales increased in 2022 due to favorable water production in the region, resulting in additional available energy to the District from Bonneville's Slice product. Sales remained elevated through 2024 as regional energy demand remained consistent while energy supply was diminished, driving persistent high market prices.
- (3) Unbilled revenue results from timing differences between when customers are provided power when they are invoiced, typically a one-month difference. The District expects to see increases to unbilled revenue balance in the fall/winter and decreases in the spring/summer, consistent with customer usage trends. The primary driver that impacts the unbilled revenue balance at year end is weather, which will vary year to year. An updated unbilled revenue calculation model was implemented in 2020.
- (4) In 2022, revenues rose due to the reinstatement of late fee assessments in fall 2021, along with a one-time insurance reimbursement. The 2023 increase was attributed to the Bonneville Reserves Distribution Clause and higher Bonneville Energy Conservation Achievement revenue. However, in 2024, revenues declined primarily due to reductions in Bonneville programs, including Power Reserves Distribution Clause, Energy Conservation Agreement, and Residential Exchange Program.
- (5) Purchased power costs increased in 2021 and 2022 due to extreme heat in June and July and extreme cold in December, resulting in greater market purchases made at higher prices. An unfavorable regional water year in 2023 significantly increased purchased power costs due to decreased output from the District's share of Bonneville's Slice product resulting in an increased volume of purchases made on the open market at significant premium. For 2024, the primary driver of higher costs was the extreme cold in western Washington during January, which resulted in unusually high wholesale market prices.
- (6) Operations costs decreased in 2021 primarily due to a reduction of the District's net pension obligation of \$43 million, in addition to an accounting reclassification to maintenance expense of \$6 million. Operating expenses in 2022 increased from 2021 but were heavily benefited by a \$7 million reduction of bad debt expense. Operating expenses in 2023 and 2024 reflect similar activity to pre-pandemic levels, adjusted for inflation. Additionally, the District had a labor wage increase that was 11.5% on average for non-represented staff effective January 2024 and a labor wage increase of about 11.3% for represented staff on April 2024.
- (7) The increase in maintenance expense in 2021 was a result of a \$6 million accounting reclassification from operations expense effected in 2022. Rising cost pressures coupled with historically significant winter storms led to an increase in maintenance costs in 2022. Costs related to Emergency Work and Restoration increased by approximately \$20 million in 2024 due to wind events, including the bomb cyclone in November 2024.
- (8) Interest income decreased in 2022 due to unrealized losses on held investments that are reported at fair value in accordance with Generally Accepted Accounting Principles. Due to the frequency of Federal Reserve rate increases in 2022, unrealized fair value losses were significant. In 2023, interest and other income increased significantly as a result of interest rates observed in the overall economy. In 2024, other income had a decline as a result of a broader economic downturn in interest rates. With market yields dropping significantly from the prior year, the District has had a reduction of unrealized gains, relative to those recognized in 2023.
- (9) Interest charges increased in 2022 and 2023 due to higher outstanding debt balances associated with issuances in 2021 and 2022.
- (10) The decrease in 2021's amortization of debt costs was associated with an accounting true-up for the amortization of premiums associated with a series of 2020 refunding bonds. In 2022 the District 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.
- (11) Capital contributions are collected from property developers when they request to connect to the District's electric distribution system or request engineering or construction services. Non-cash contributions relate to a developer's plot work that is transferred to the District after the work is completed. Contributions may vary from year-to-year based on growth and factors external to the District.
- (12) GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires governments providing defined benefit pensions to their employees to recognize the net pension liability for pension benefits in their operating results. The District participates in PERS and implemented this Statement for the year ended December 31, 2015. These amounts are determined through an actuarial analysis by the State. The corresponding increase (gain) or decrease (loss) from year to year is reflected in the operating results. The effect of recording the pension adjustment has no impact on District cash flows, so the impact has been removed from the debt service coverage calculation. A large decrease of net pension expense was recorded in 2021 due to market returns within PERS, resulting in a reclassification of a portion of the net pension obligation from a liability to an asset on the District's Statement of Net Position.
- (13) In 2018, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions, required governments to recognize net liability related to OPEB. The corresponding increase or decrease from year to year is reflected in the operating results. The effect of recording the OPEB adjustment has no impact on District cash flows, so the impact has been removed from the debt service coverage calculation.
- (14) The District typically holds investments to maturity. Generally Accepted Accounting Principles, however, require certain unrealized gains and losses be recorded as a component of net income. Because the effect of recording the mark-to-market value of these investments has no impact on District cash flows, the impact is removed from the debt service coverage calculation.
- (15) Due to the inherent risk of potential vanadium electrolyte spills and lack of system reliability, MESA 2 was terminated, and equipment was decommissioned, and as a result, the Electric System recorded an \$8.5 million asset write-off charged to other income and expense in 2020. See "—The District's Future Power Supply Strategy—Energy Storage - MESA 1 and MESA 2."
- (16) Debt Service rose in 2022 and 2023 due to the increase in outstanding long-term debt associated with issuances in 2021 and 2022.

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

Revenues from the District's annual sales of electric energy increased from \$646.5 million in 2020 to \$829.4 million in 2024, an increase of \$183.0 million over the period. Excluding sales for resale, sales of electric energy increased from \$607.7 million in 2020 to \$725.5 million in 2024, an increase of \$117.8 million, or 19.4%, over the period. The increase in retail energy sales revenue during this period reflects a growing residential customer base and enacted rate increases over the past five years.

In 2021, Bonneville raised its rates, and the District passed through a 0.54% rate increase to its customers effective October 1, 2021. On April 1, 2022, the District implemented a 2.1% system-wide average rate increase, followed by a 1.4% system-wide average revenue adjustment to reflect increased costs of Bonneville passed through to customers effective November 1, 2023. The District enacted a system-wide average rate increase of 2.0%, effective April 1, 2023; 5.8%, effective April 1, 2024; and 4.6% effective April 1, 2025.

The total average number of customers of the District's Electric System increased from 361,076 in 2020 to 381,511 in 2024, an increase of 1.1%. The growth in customers reflects the population growth rate in the County.

The District is not dependent on its large corporate customers for its retail sales revenue. In 2024, industrial customers represented only about 6% of the District's retail sales revenue, while residential and commercial customers made up 58% and 35% of retail sales, respectively. The District's two largest customers in terms of power consumption accounted for 5.1% of retail energy sales revenues in 2024. See "THE ELECTRIC SYSTEM—Customers, Energy Sales and Peak Demand."

Power received from the District's own generating resources and power purchase contracts, in particular its Bonneville Slice product, can exceed the District's retail power requirements during certain periods of the year, resulting in sales for resale (wholesale market sales). Annual fluctuations in resale revenues have resulted from changes in retail load, variations in annual hydrological conditions, changes in District resources and variations in wholesale power prices. Resale revenues of \$104 million in 2024 were \$32 million higher than in 2023 due to an increase in wholesale market prices in 2024.

Other operating revenues include proceeds from the sales of the District's transmission capacity, proceeds from the sale of RECs, reimbursements from Bonneville to fund conservation programs, lease revenue for use of District facilities and customer fees. These revenues decreased from \$64.0 million in 2023 to \$42.7 million in 2024 primarily due to reductions in Bonneville programs, including the Power Reserves Distribution Clause, the Energy Conservation Agreement, and the Residential Exchange Program totaling approximately \$23.1 million. These declines were mainly caused by rate changes. Purchased power and generation expenses increased from \$312.1 million in 2020 to \$435.5 million in 2024, an increase of 40%. Purchased power and generation expenses increased from \$363.5 million in 2022 to \$406.3 million in 2023 due to considerably greater market purchases in 2023. The increase was primarily due to unfavorable weather conditions as well as record high wholesale power market prices. Purchased power and generation expenses increased from \$406.3 million in 2023 to \$435.5 million in 2024 due to significant weather events experienced in January and November of 2024.

Operations expense increased from \$213.7 million in 2020 to \$248.0 million in 2024. Operations expense declined in 2021 primarily due to a reduction of the District's net pension obligation of \$43 million, in addition to an accounting reclassification to maintenance expense of \$6 million. Operating expenses increased from \$191.7 million in 2022 from \$180.2 million in 2021 but were heavily benefited by a \$7 million reduction of bad debt expense. Operations expense in 2023 and 2024 reflect similar activity to pre-pandemic levels, adjusted for inflation.

Maintenance expenses increased from \$25.5 million in 2020 to \$61.7 million in 2024, an increase of \$36.3 million, or 142%. Maintenance expenses are subject to annual fluctuations based on the level of restoration efforts necessary following periodic storms that impact the Pacific Northwest. The District experienced major windstorms in each of the years 2020, 2021, 2022, and 2024 resulting in heightened maintenance expense in those years. In 2024, the District had \$15 million in costs associated with the bomb cyclone weather event that occurred in November. See "CERTAIN INVESTMENT CONSIDERATIONS—Severe Weather." In addition to storm restoration, maintenance expenses represent

the costs to repair, refurbish and preserve the Electric System’s transmission and distribution assets to appropriate operating levels, including regular maintenance of lines and stations. Maintenance expenses also include programs such as tree and vegetation trimming around overhead lines, as well as upkeep of Electric System facilities, vehicles and equipment.

Depreciation expense increased from \$57.2 million in 2020 to \$67.0 million in 2024, an increase of \$9.8 million, or 17%. Higher depreciation expense over the five-year period reflects continued investments in Electric System infrastructure, facilities and systems as the District continues to grow and expand to serve a growing customer base.

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

Interest and other income was \$6.8 million in 2020 and increased \$18.3 million to \$25.1 million in 2024, with greater fluctuations within the years between. These fluctuations are related to varying factors including a decrease in 2021 due to unfavorable market conditions resulting in a decrease of interest income and an increase in other deductions related to the final decommissioning of the MESA 2 battery energy storage system assets. Interest income decreased in 2022 due to unrealized losses on held investments that are reported at fair value in accordance with Generally Accepted Accounting Principles. Due to the frequency of rate increases in 2022, unrealized fair value losses were significant. In 2023 and 2024, interest and other income increased significantly as a result of interest rates observed in the overall economy. See “—The District’s Future Power Supply Strategy—*Energy Storage - MESA 1 and MESA 2*.”

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Financial Condition and Liquidity

Cash and Temporary Investments

As of December 31, 2024, the Electric System’s cash, temporary investments, and long-term investments totaled \$323.6 million, and special funds totaled \$85.1 million. Cash and temporary investments represent bank deposits and highly liquid, short-term investments that are available for use in District operations. Long-term investments consist of unrestricted funds invested with maturities exceeding one year. Special funds are limited-use funds established by the Commission and are restricted for specific purposes such as debt service, bond reserves, qualifying capital expenditures, post-employment benefits, and other reserve requirements. Cash, temporary investments, long-term investments, and special funds for each of the years 2020 through 2024 are summarized in the following table.

TABLE 15
Electric System
Cash and Temporary Investments and Special Funds
(\$000s)

<u>Year</u>	<u>Cash, Temporary Investments, and Long-term Investments</u>	<u>Special Funds</u>
2020	219,115	179,976
2021	204,754	267,921 ⁽¹⁾
2022	229,987	306,278 ⁽²⁾
2023	221,850	252,738
2024 ⁽³⁾	323,560	85,073

Source: The District.
⁽¹⁾ Balance includes proceeds of the 2021A Bonds deposited in the District’s construction fund, all of which were expended by March 2024.
⁽²⁾ Balance includes proceeds of the 2022A Bonds deposited in the District’s construction fund, of which \$16.1 million remained as of December 31, 2024. The District expects such proceeds of the 2022A Bonds to be fully expended in 2025.
⁽³⁾ Reserve resolutions were adopted in September 2024 and restructured the reserve categories and balances within those reserves. Some existing funds considered special in 2020 through August 2024 were reclassified from special funds to long-term and temporary investment assets.

Reserve Policy

The District has several special funds. These funds, which consist of cash, cash equivalents and investments, are restricted for specific purposes, including debt service, debt service reserves, qualifying capital expenditures, post-employment benefits, and other reserve requirements. In September 2024, the District adopted resolutions which reclassified its rate stabilization funds from restricted to unrestricted within the investment portfolio. As a result, \$115 million of Electric System funds were prospectively reclassified on the Combined Statement of Net Position from restricted net position to unrestricted net position and from special funds to long-term and temporary investment assets.

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

- Reserve funds have been structured to enable the District to prudently and consistently meet its financial obligations while allowing for flexible planning in the development and implementation of its capital plan and operations and maintenance budget.
- Reserve funds allow the District to mitigate risks from unforeseen financial variability, thereby minimizing the need for temporary rate surcharges.
- Areas that may warrant reserves include, but are not limited to, power cost variability, capital infrastructure investment, insurance policy retentions or deductibles, legal claims, operating cash

flow needs, bond reserve covenant compliance, bond payment sinking requirements, future financial obligations, contingencies for significant known or estimated liabilities, and other areas as determined by the Commission from time to time.

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

- Reserve funds will be classified and reported as Restricted or Unrestricted, as defined by the Governmental Accounting Standards Board, further described below.

- Unrestricted reserve funds are defined as funds that may be used, or redirected for use by the Commission, to meet any operating obligations. Beginning, at the latest, with the 2027 annual budget, unrestricted reserve funds are required to be budgeted to represent a minimum of 180 days of budgeted operating expenses, less depreciation expense. If the actual balance of unrestricted reserve funds falls below 165 days of budgeted operating expenses, less depreciation expense, the CEO/GM or designee shall notify the Commission at the next regularly scheduled Commission meeting, and a plan for replenishment through cost-of-service revenue, or other method approved by the Commission, shall be adopted to restore the balance to 180 days within two budget cycles.

- Restricted reserve funds are defined as funds that contain a legally enforceable requirement through the Electric System Bond Resolution, law, contractual agreement, or as committed by the Commission to be used only for a defined purpose.

As of December 31, 2024, the Electric System's unrestricted cash, temporary investments, and long-term totaled \$323.6 million. Table 13 above shows the Electric System's cash and unrestricted investments in the cash reserve funds, as of December 31 for years 2020 through 2024. The District has established the following cash reserves for the Electric System:

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

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

- Project Reserves: funds that may be utilized to fund projects as approved by the Commission, either through the adopted District budget, as directed by the Commission, as required by the State, or with respect to proceeds of Bonds held in construction funds, as required to comply with applicable requirements set forth in the Electric System Bond Resolution and subsequent resolutions authorizing additional series of Bonds.

- Contingency Reserve: funds set aside to mitigate Electric System risk exposure, including risks associated with wholesale market exposure resulting from power supply portfolio imbalances, major storms or natural disasters, cyber risks, and the estimated cost to support self-insured retention, insurance carrier deductibles, and claims settlements.

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

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

Electric System Debt

As of June 1, 2025, the Electric System Bonds were outstanding in the aggregate principal amount of \$400,180,000. See “OUTSTANDING DEBT OF THE ELECTRIC SYSTEM AND GENERATION SYSTEM.”

Historical Capital Expenditures

Capital expenditures for the fiscal year 2020 through fiscal year 2024 are presented in the following table.

TABLE 16
Electric System
Capital Expenditures
(\$000s)

<u>Year</u>	<u>Historical</u>	<u>Amount</u>
2020		\$102,239
2021		110,419
2022		124,177
2023		156,101
2024		156,937

Source: The District.

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

Intersystem Loans

The Electric System and the Generation System periodically enter into loan transactions between the systems for various purposes. As of December 31, 2024, the aggregate outstanding principal amount of Electric System loans to the Generation System was \$25.1 million. See “APPENDIX A—INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023,” Note 11.

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

Financial Plan

As part of its continuous planning efforts, the District prepares a five-year financial plan including projected operating results. Projected operating results are based on forecasts of retail loads, market prices

for wholesale energy, District energy resources and energy contracts, and capital and operating expenditures. The District believes the underlying assumptions in the projected operating results are reasonable; however, there will be differences between the actual and forecasted results because events and circumstances frequently do not occur as expected, and these differences may be material. The District tests the sensitivity of its projected operating results to certain factors which it believes could significantly affect its operating results, such as variations in load forecasts, the impact of annual precipitation levels on hydroelectric power generation and the cost of purchased power on the wholesale market.

The District has established financial guidelines developed for the Electric System in connection with a comprehensive financial study. The District has concluded that a minimum debt service coverage ratio of 1.75x on the Electric System Bonds, no more than 40% debt financing of capital improvements, and a minimum of 180 days of days cash on hand within District unrestricted funds provide a capital structure which will minimize rates and maintain the financial stability of the District. The District adopted updated its days cash on hand requirement in 2024, which is expected to be phased in through 2027. The District determines its days cash on hand by calculating the number of days available within its unrestricted reserves to meet budgeted operating expenses, less depreciation expense. In 2024, the District updated its days cash on hand requirement to 180 days, with full implementation anticipated within two budget cycles, by 2027. See “—Financial Condition and Liquidity—*Reserve Policy*.”

Load Forecast

The District uses end-use, trend and econometric analysis to prepare its load forecast. The end-use analysis focuses on space heating characteristics and the effects of the District’s conservation program. The District’s load forecasts include several scenarios of load growth. Trend and econometric analysis are used to predict new customer connections by type (such as single family with electric heating and new apartment complexes with gas heating), with key model inputs including various measures of national and regional economic and demographic data.

Resource Forecast

The District’s resources must meet its expected loads and satisfy regulatory requirements. Resource planning is an ongoing process and documented in the District’s adopted IRPs, which are updated every two years. The District is currently transitioning Bonneville power products to Load Following from Block and Slice, effective October 1, 2025. When this transition is complete, Bonneville will be responsible for matching the District’s load with Bonneville’s power, after consideration of District resources. District resources will be planned in coordination with Bonneville, and Bonneville will make up any resource generation shortfalls through provision of Resource Support Services which the District will purchase. Long-term annual average load growth beyond the District’s High-Water-Mark for Tier 1 priced Bonneville power can be served by resources the District contracts for or develops, or, the Bonneville Tier 2 product which is priced at a market power rate. Whether the District should develop or acquire additional resources for long-term annual average load growth or utilize the Bonneville Tier 2 product will be addressed in the 2025 IRP.

See “ELECTRIC SYSTEM POWER SUPPLY—The District’s Future Power Supply Strategy—*District’s 2023 Integrated Resource Plan*.”

Projected Capital Expenditures

Projected capital expenditures for the years 2025 through 2027 are presented in the following table.

TABLE 17
Electric System
Capital Expenditures
(\$000s)

	<u>Projected</u>	
<u>Year</u>		<u>Amount</u>
2025		221,007
2026		217,668
2027		227,764

Source: The District.

The District does not commit funds to capital construction projects or future growth until it is clear that forecast loads and new customer connections are likely to develop. The District pays for its capital construction program from five sources: cash reserves, line extension fees, grant proceeds, general rates, and bond proceeds. Significant projects that are in the forecast include, a new community office in the District's eastern service territory, advanced meter deployment, SnoSmart, and general substation and distribution capital work. Projected costs increase annually due to a combination of higher cost of labor and materials, and additional projects added to the forecast. The District does not expect that the projected cost increases will have a material adverse effect on the District's operations or finances.

Projected Financial Results

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

The District's independent auditors have not been engaged to compile, examine, or perform any procedures with respect to the District's forecasted financial information, nor have they expressed any

opinion or any other form of assurance on such information or its achievability and assume no responsibility for, and disclaim any association with, the forecasted financial information.

In projecting the financial results for the Electric System, the District has made certain assumptions regarding various factors that affect financial performance. Changes in these assumptions can have material effects on the projected financial performance. While numerous factors (or combinations of factors) could affect the District's financial performance, the factors most likely to affect the projections are the impact of Bonneville power price adjustments, the effect of the distributed generation, conservation response or temperature variations on load forecasts, significant weather events, and a reallocation of District priorities. Changes to the assumptions regarding these factors could have material effects on the outcome of the District's financial projections.

The 2025, 2026 and 2027 projected financial results were prepared based on the following assumptions: (i) approximately 2.7% annual increase in retail loads, reflecting modest growth in residential customers and increases in commercial consumption, (ii) a projected 2.5% rate increase to offset a forecasted Bonneville wholesale power price increase expected to be effective October 1, 2025, and additional 3.05% and 2.0% general retail rate increases projected for April 1, 2026 and 2027, respectively; (iii) increased power purchase costs due to expected 2.5% pass-through rate increases from Bonneville in 2027 and 2029; and (iv) increased operating and maintenance costs, reflecting higher transmission and ancillary services costs, increased labor, materials, and upgrade and maintenance costs for certain District software systems.

The District's financial projections for 2025, 2026 and 2027 assume P25 water conditions at hydroelectric facilities. A P25 forecast refers to a probabilistic estimate indicating that there is a 25% chance that actual water inflows or reservoir levels will be equal to or lower than the forecasted value. The District uses this type of forecast to conservatively assess risk and variability in water availability for power generation. However, upon the District's Bonneville product transition from Block and Slice to Load Following, effective October 1, 2025, differing hydrology assumptions will no longer produce material deviations in financial projections.

The following table presents the projected Electric System financial results for the years ending December 31, 2025, 2026 and 2027.

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TABLE 18
Electric System
Projected Financial Results
(\$000s)
Year End December 31,

	2025 ⁽¹⁾	2026	2027
Operating Revenues			
Retail Sales of Electric Energy ⁽²⁾	\$745,728	793,711	827,886
Wholesale Sales of Electric Energy ⁽³⁾	53,824	17,635	14,579
Other Operating Revenues	32,130	29,470	29,716
Total Operating Revenues	831,682	840,816	872,181
Operating Expenses			
Purchased Power and Generation ⁽⁴⁾	373,471	339,102	342,072
Operations and Maintenance ⁽⁵⁾	302,016	302,938	308,236
Depreciation	69,045	71,116	73,250
Taxes	46,394	49,352	51,460
Total Operating Expenses	790,926	762,508	775,018
Net Operating Income	40,756	78,308	97,163
Interest Income & Other	24,991	22,651	20,659
Contributions	33,735	34,036	34,342
Interest Charges	(22,717)	(25,406)	(24,891)
Net Income	76,765	109,589	127,273
Interest Charges	(22,717)	(25,406)	(24,891)
Depreciation	69,045	71,116	73,250
Other	4,000	4,000	4,000
Balance Available for Debt Service	\$164,527	\$202,111	\$221,414
Electric System Bonds Debt Service	\$37,076	\$41,721	\$41,652
Electric System Bonds Debt Service Coverage:	4.44x	4.84x	5.32x

Source: The District.

⁽¹⁾ 2025 includes a P25 hydrology assumption. 2026 and 2027 projections are not expected to be adversely affected by water conditions due to the District's Bonneville product transition from Block and Slice to Load Following, effective October 1, 2025.

⁽²⁾ Retail Sales of Electric Energy reflects a 2.5% projected rate increase effective October 1, 2025 and proposed general retail rate increases of 3.0% and 2.0% effective April 1, 2026 and April 1, 2027 respectively.

⁽³⁾ The decrease in wholesale sales from 2025 to 2026 reflects reduced energy available to be sold in the wholesale market expected from the District's transition from Bonneville's Block and Slice products to Load Following, effective October 1, 2025.

⁽⁴⁾ Changes in purchased power are a reflection of the District's power needs that can vary year to year based on contracts, water production, market volatility and the District's ability to serve its own resource load. The decrease from 2025 to 2026 reflects the cost savings expected from the District's transition from Bonneville's Block and Slice products to Load Following, effective October 1, 2025.

⁽⁵⁾ Operations and Maintenance costs support the District's daily operation. The fluctuation between years correlates mainly to programmatic planning and capital schedules. In years when capital construction is heavier, the pressure on operations and maintenance is less. This is anticipated to create minor fluctuations in the District's Operations and Maintenance costs.

ECONOMIC AND DEMOGRAPHIC INFORMATION

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

The County encompasses a land area of approximately 2,100 square miles in northwestern Washington. The County extends from Puget Sound to the crest of the Cascade Mountain range 70 miles to the east. The County includes a significant portion of the Puget Sound metropolitan area and is the third most populated county in Washington State, after King and Pierce Counties. As shown in the following table, since 2020, the County's population has grown 4.7% and Everett's population has grown 3.8%.

**TABLE 19
POPULATION ESTIMATES**

Year	Snohomish County	City of Everett
2024	867,100	114,800
2023	859,800	114,200
2022	847,300	113,300
2021	837,800	112,300
2020	830,500	112,700

Source: Washington State Office of Financial Management, as of April 1, 2024.

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

The County has recently experienced an increase in housing prices but a decrease in closed sales. According to Northwest Multiple Listing Services, closed sales for houses and condos in the County decreased from 956 closed sales in May 2024 to 923 in May 2025 and the median selling price for houses stayed consistent at \$785,000 for the same period.

The Boeing Company remains the County's largest employer, with an estimated 30,000 workers at its Everett facility. Boeing established an airplane manufacturing plant at the south end of Everett in 1966. The plant was built to assemble wide-bodied 747 aircraft. In 1980 the plant was expanded for production of the new-generation 767 wide-body twin jet, and in the early 1990s Boeing completed a \$1.5 billion expansion project to accommodate 777 aircraft production. Additionally, Boeing is developing and plans to build the next generation 777, the 777X in Everett. A new \$1 billion, 1.3 million square foot 777X carbon fiber wing plant was constructed in Everett in 2016. Located adjacent to the Seattle Paine Field International 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. Boeing has announced that it will cease production of the 767 aircraft by 2027. However, in response to strong demand for the 737 MAX, Boeing plans to open a fourth assembly line at the Everett facility to supplement existing production in Renton. The company is currently awaiting FAA approval to lift a production cap imposed after a January 2024 incident involving a mid-flight door plug failure.

In fall 2024, Boeing experienced a strike at the Everett facility that extended approximately five weeks. Upon strike resolution, electricity demand at the Everett site quickly returned to pre-strike levels. In late 2024, Boeing announced plans to reduce its global workforce by approximately 17,000 employees, or 10%. As part of this downsizing, nearly 2,600 jobs were cut in Washington state. Despite these layoffs, Washington remains Boeing's largest employment hub globally, with approximately 66,000 employees statewide.

In 2019 Paine Field, a two-gate commercial passenger terminal opened near Everett. Alaska Air Group and United Airlines operated approximately 24 commercial passenger flights per day. However, due to the Pandemic, Paine Field announced a temporary pause of flights on May 22, 2020, for a period of 10 weeks. Flights resumed on August 1, 2020, with a reduced schedule of three flights per day. Subsequently, United Airlines announced that they would end service to Paine Field in October 2021. Since then, Alaska Airlines has been gradually expanding service and currently operates between 10 to 14 daily departures. In addition to Alaska Airlines, Frontier Airlines began service from Paine Field on June 2, 2025, adding 18 new departures and arrivals per week to Paine Field's schedule. In 2024, Paine Field handled 580,000 passengers, rebuilding toward the 1 million passengers served in 2019, its first year of operation.

The U.S. Navy operates a homeport, Naval Station Everett ("NSE"), that is the current berthing for six U.S. Navy destroyers and two U.S. Coast Guard cutters. NSE opened in 1996 and remains the newest Naval base in the continental United States. The Navy has announced plans for NSE to be the homeport for up to 12 newly designed frigate class vessels at a projected rate of two vessels arriving per year beginning in 2028. NSE employed a total of approximately 6,000 military and civilian personnel as of 2024.

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

TABLE 20
MAJOR EMPLOYERS IN SNOHOMISH COUNTY (2024)

Employer	Product/Business	2024 Estimated Employment
The Boeing Company	Aircraft Manufacturing	15,006
Microsoft	Technology	3,448
Amazon	Retail.- Electronic	2,725
Providence Swedish	Health Care	2,393
Naval. Station Everett	U.S. Navy Base	1,340
Premiera Blue Cross	Health Insurer	1,311
AT&T	Telecommunications	1,244
Washington State	State Government	1,228
Government	Telecommunications	1,076
T-Mobile US	School. District	1,072
Edmonds School. District	Colleges and Universities	1,029
Edmonds College	School. District	917
Everett Public Schools	Health Care	906
Optum Care Washington I The Everett Clinic	Retail.- Grocery	872
Kroger	Medical. Equipment	842
Philips	Retail.- General. Merchandise	804
Costco	Restaurants	778
Starbucks	Health Care	740
Evergreen Health	Colleges and Universities	697
Everett Community College	Manufacturing	677

Sources: Economic Alliance Snohomish County.

TABLE 21
SNOHOMISH COUNTY AND CITY OF EVERETT
TAXABLE RETAIL SALES

Year	Snohomish County	City of Everett
2024 ⁽¹⁾	\$ 5,752,027,828	\$1,089,203,155
2023	22,081,191,379	4,224,141,895
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

Source: Washington State Department of Revenue.

⁽¹⁾ Quarter 3 2024 numbers are most recent data available.

TABLE 22
ASSESSED VALUATION OF SNOHOMISH COUNTY

Collection Year	Valuation
2025	\$223,731,214,105
2024	212,393,172,358
2023	219,454,345,012
2022	170,299,965,640
2021	154,392,389,464
2020	145,174,737,279

Source: Snohomish County Assessor's Office.

TABLE 23
SNOHOMISH COUNTY PERSONAL AND PER CAPITA INCOME

Year	Personal Income (\$000s)	Per Capita Income
2023 ⁽¹⁾	\$ 63,627,196	\$ 75,320
2022	58,874,668	70,051
2021	56,449,211	67,515
2020	51,706,431	62,267
2019	47,617,430	57,900
2018	44,722,291	54,934

Source: U.S. Bureau of Economic Analysis.

⁽¹⁾ Most recent data available.

TABLE 24
SNOHOMISH COUNTY EMPLOYMENT DATA

	Annual Averages					
	2023⁽¹⁾	2022	2021	2020	2019	2018
Civilian Labor Force	458,599	449,837	437,145	440,196	439,464	430,814
Employed	442,668	435,227	415,354	402,101	426,100	415,930
Unemployed	15,931	14,610	21,791	38,095	13,364	14,884
County Unemployment Rate	3.5%	3.2%	5.0%	5.2%	3.0%	3.5%

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

⁽¹⁾ Most recent data available.

TABLE 25
SNOHOMISH COUNTY NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT

NAICS Industry Title	Annual Averages					
	2023	2022	2021	2020	2019	2018
Goods Producing						
Mining, Logging, and						
Construction	27,104	26,809	24,800	23,400	24,400	24,200
Manufacturing	53,867	51,365	49,900	56,800	60,600	58,500
Total ⁽²⁾	80,971	78,174	74,800	80,200	84,900	82,700
Services Providing						
Trade, Transportation and						
Utilities	50,444	50,209	49,200	47,000	49,000	48,400
Information	3,660	3,528	3,300	3,700	4,600	5,200
Financial Activities	8,934	9,094	13,400	13,600	13,100	13,000
Professional and Business						
Services	35,265	33,979	28,400	28,200	29,300	28,500
Education and Health Services	38,073	37,326	36,900	34,900	36,500	35,600
Leisure and Hospitality	27,479	26,326	24,000	22,000	27,000	26,500
Other Services	7,698	7,380	9,800	10,400	10,800	10,300
Government	39,951	38,616	37,600	37,800	40,400	40,000
Total ⁽¹⁾	211,504	206,458	202,500	197,600	210,600	207,400
Total Nonfarm ⁽¹⁾	292,630	284,634	277,300	277,800	295,500	290,100

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

⁽¹⁾ Totals may not add due to rounding.

TABLE 26
SNOHOMISH COUNTY NUMBER OF HOUSING UNITS BY STRUCTURE TYPE

	Total Housing Units		One Unit Structures		Two or More Unit Structures		Mobile Homes, Trailers, Special Units	
	2020	2024	2020	2024	2020	2024	2020	2024
City of Everett	47,198	49,671	22,103	22,421	23,933	26,084	1,162	1,166
Other Incorporated	184,333	199,705	112,816	118,796	65,588	75,032	5,929	5,877
Unincorporated	137,094	141,572	98,915	100,475	24,482	27,357	13,697	13,740
Snohomish County	321,427	341,277	211,731	219,271	90,070	102,389	19,626	19,617

Source: Washington State Office of Financial Management.

Note: Numbers are shown as of April 1, 2020 and April 1, 2024.

CERTAIN INVESTMENT CONSIDERATIONS

General

The electric utility industry in the United States is in a period of significant change, resulting in part from actions taken by legislative and regulatory bodies at the national, regional and state levels. Legislative and regulatory actions have fostered, among other things, increased wholesale competition and, in some states, competition at a retail level, as well as “open access” for certain transmission facilities. The industry also is being affected by a variety of other factors that can have an impact on the financial condition of electric utilities, including without limitation the following: (1) the effects of increased competition in certain sectors of the industry, including in the wholesale power markets; (2) changes in the availability and cost of fuels, including natural gas; (3) changes in the availability of and demand for power generally, as a

result of economic, demographic, technological, regulatory, weather and other factors; (4) climate change; (5) reliability standards; (6) increased costs or inability to obtain equipment due to tariffs, domestic or international supply chain disruptions, increased demand, inflation or armed conflicts; and (7) the costs and operational impacts of endangered species, environmental, safety, licensing and other federal, state and local laws, taxes, energy tax credits and regulations.

Electric utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures that regulate the environmental impact of electric utilities are subject to change. Consequently, there is no assurance that the facilities operated by the District will remain subject to the regulations currently in effect, will always be in compliance with future regulations or will always be able to obtain all required operating permits. An inability to comply with environmental or regulatory standards could result in reduced operating levels or the shutdown of facilities not in compliance.

The District cannot predict whether additional legislation or rules will be enacted which will affect the operations of the District, and if such laws or rules are enacted, what the costs to the District might be in the future because of such action.

The electric utility industry is also subject to changes in technologies. Recent and continuing advances in electrical generation may render electrical generation on a smaller scale more feasible or make alternative forms of generation more or less economic. Such technology would provide certain purchasers of the power generated by the District's facilities with the ability to generate increased portions of their own electrical power needs and reduce the market price for power provided by the District. The District cannot predict the timing of the development or availability of such technologies and the ultimate impact they would have on the Revenues of the Generation System and the Electric System.

The District cannot predict what effects such factors will have on its operations and financial condition, but the effects could be significant. Extensive information on the electric utility industry is available from the various regulatory bodies and other sources in the public domain.

Federal Policies

Federal policies on the federal debt ceiling, foreign trade, and tariffs, immigration, climate change, clean energy, and other topics can shift dramatically from one administration to another. From time to time, such shifts can result in shifts in the level of federal funding for various policy priorities, leading to unpredictability in future federal funding.

The District receives federal money for a variety of programs and is affected by federal energy policy, strategy, regulation, tariffs, and legislative action. Federal funding is subject to federal legislative action, including through the federal budget process and sequestration. Executive actions, including actions seeking to freeze, reduce, eliminate or reallocate federal grant, loan, and other financial assistance, could also affect the availability of federal funds.

Proposed and potential federal legislative and executive actions and initiatives could adversely impact the District. Such potential actions include, but are not limited to, regulatory changes to programs administered by federal agencies including the DOE, Environmental Protection Agency ("EPA"), Fish and Wildlife Service, and other federal agencies, cuts to federal spending on energy programs and federal agencies that impact energy programs, curtailment of tax exempt bond financing, and regulation and policy that directly and indirectly impact Bonneville and its operations, including operations of the Federal System.

Recently, several such policy shifts, including delays in grants and other appropriations, have been proposed or promulgated through presidential executive orders and other official and unofficial actions at the federal level.

The District is unable to predict what impact these and other potential factors will have on its operations and financial condition.

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 COVID-19, or other highly contagious or epidemic diseases (an "Outbreak").

Regardless of any policies or actions of the District or the existence of governmental aid programs, there can be no assurances that an Outbreak 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 Outbreaks; (ii) the scope, duration or effect on the District of government restrictions, if any, related to commercial or other activity by businesses and individuals; (iii) whether and to what extent Outbreaks may disrupt the local or global economy or financial markets, or whether any such disruption may adversely affect the District's activities; or (iv) whether any of the foregoing may have a material adverse effect on the finances and operations of the District, including, without limitation, the ability to collect Revenues and meet its debt service obligations, changes to pension contribution rates and other budgetary considerations.

Cybersecurity

Cyberattacks continue to become more sophisticated and are increasingly capable of impacting control systems and components. To mitigate this threat, the District maintains layered cyber defenses consisting of policies, procedures, training, and technical controls to protect the reliability of systems, mitigate intrusions, and plan for business continuity and data recovery. The District also has insurance covering cyber events, see "THE DISTRICT—Insurance." These defenses conform to North American Electric Reliability Corporation Critical Infrastructure Protection Standards and best practices. While the threat of a cyberattack can never be completely eliminated, the District maintains a strong cybersecurity program to enhance cyber defense and resilience, protecting critical infrastructure, information networks, and the data the District possesses and transmits. Notwithstanding these and other cybersecurity measures, a cybersecurity breach could damage District systems and cause material disruption to operations and services. The cost to remedy such damage or protect against future attacks could be substantial. Security breaches could expose the District to litigation and other legal risks, which could cause the District to incur significant costs related to the claims.

Natural Disaster, Climate Change and Wildfires

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 did 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 and are experiencing increases in drought conditions and longer seasons for wildfires. The District's service area is generally located in a region with low to moderate wildfire risk. However, operation of an exposed electric system including above-ground substations, transmission and power distribution infrastructure is vulnerable to equipment damage and service disruption in the event of wildfire. Public safety remains a foundational priority for the District, with a strong focus on mitigating wildfire risk. In October 2024, the District updated its Wildfire Mitigation Plan ("WMP") to align with evolving best practices and new state legislation, developed with the help of 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 WMP outlines measures including vegetation management, asset inspection, protective device settings, communication protocols, service restoration, and community outreach. It also establishes plan ownership, performance metrics, and deficiency tracking. Recognized by the state as an effective framework for risk reduction, the WMP reinforces the District's commitment to operational safety and wildfire prevention.

Additionally, the District purchases power from non-District owned generating sources located beyond the District's service area, and those generating sources and related transmission equipment are subject to wildfire risks based on the regional climate, geography, vegetation and mitigation steps taken by the non-District parties.

The District cannot predict the timing, extent, or severity of climate change impacts or their effect on the District's operations and finances, and there can be no assurances that such effects will not be material or adverse. Under Washington law, any person, firm, or corporation may be liable if it negligently creates or allows extreme fire hazards to exist and which hazards contribute to the spread of fires.

Severe Weather

Extreme weather events, including extended periods of extreme cold or heat, may cause, among other things, fluctuations in customer energy needs, physical damage to or reduction in capabilities of utility facilities, interruptions in the ability to provide service, and impacts to operating costs and revenues that could affect the overall financial position of the District.

The District has experienced major windstorms that have cost \$2.3 million in 2020, \$7.2 million in 2021, and \$11.4 million in 2022. The District has submitted requests for federal assistance from the Federal Emergency Management Agency ("FEMA") seeking \$1.9 million in 2020, \$4.2 million in 2021, and \$8.9 million in 2022. To date, the District has received a total of \$1.9 million for the 2020 storm, \$4.2 million for the 2021 storm and \$0.4 million for the 2022 storm.

In November 2024, a powerful bomb cyclone struck the Pacific Northwest, rapidly intensifying into one of the strongest storms on record for the region. With hurricane-force winds, torrential rain, and heavy snowfall, it caused widespread damage across the State. Over 166,000 customers throughout the District's service territory lost power, roadways were flooded, and tornado warnings were issued along the coast. The storm, fueled by an atmospheric river, demonstrated the increasing intensity of extreme weather events in the region. Following the storms, then-Gov. Jay Inslee declared a disaster in 11 counties, including the County, and submitted a request to FEMA for disaster relief to fund repairs to public highways, utilities, and electrical power systems.

In June 2025, FEMA denied the State's appeal of a request for emergency relief funds to cover an estimated \$34 million in damages, directly affecting the District as well. The total cost of the event for the District was approximately \$15 million.

The District cannot predict the scope or effect on the District of future extreme weather events, and the frequency and intensity of extreme weather events may be affected by climate change.

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.

Risk of Tax Audit of Municipal Issuers

The Internal Revenue Service (the "IRS") has established an ongoing program to audit tax-exempt obligations (such as the Bonds) to assess compliance with IRS provisions governing municipal bonds. The District cannot predict whether the IRS will commence an audit of the Bonds. Registered owners of the Bonds are advised that, if the IRS does audit the Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the District as the taxpayer, and the registered owners of the Bonds may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Potential Limitations of Tax Exemption of Interest on the Bonds

From time to time, the President of the United States, the United States Congress and/or state legislatures have proposed and could propose in the future, legislation that, if enacted, could cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or could cause interest on the Bonds to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. Clarifications of the Internal Revenue Code, or court decisions may also cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or may cause interest on the Bonds to be subject to or exempted from state income taxation. The introduction or enactment of any such legislative proposals or any clarification of the Internal Revenue Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion. See "TAX MATTERS."

LIMITATIONS ON REMEDIES; BANKRUPTCY

Limitations on Remedies

Any remedies available to the owners of the Bonds upon the occurrence of an event of default under the Generation System Bond Resolution are in many respects dependent upon judicial actions that are in turn often subject to discretion and delay and could be both expensive and time-consuming to obtain. If the District fails to comply with its covenants under the Generation System Bond Resolution or to pay principal of or interest on the Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the owners of the Bonds.

In addition to the limitations on remedies contained in the Generation System Bond Resolution, the rights and obligations under the Bonds and the Generation System Bond Resolution may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. The opinions to be delivered by Orrick, Herrington & Sutcliffe LLP, as Bond Counsel ("Bond Counsel") to the District, concurrently with the issuance of the related series of 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 Bonds will be similarly qualified. A complete copy of the proposed form of opinion of Bond Counsel related to the 2025A Bonds is included as APPENDIX D-1 and a complete copy of the proposed form of opinion of Bond Counsel related to the 2025B Bonds is included as APPENDIX D-2.

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 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 Generation System Bond Resolution and the 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 Generation System Bond Resolution or the Bonds. The holders of the 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 Generation System Bond Resolution and Bonds, then there may be limited, if any, funds from which the holders of the 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 Generation System Bond Resolution may not be controlling.

If the District is in bankruptcy, the parties (including the Trustee and the holders of the Bonds) may be prohibited from taking any action to collect any amount from the District or to enforce any obligation of the District, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the Bonds from funds in the Trustee’s possession. The rate covenant (see “SECURITY FOR THE BONDS—Rates and Charges”) may not be enforceable in bankruptcy by the holders of the Bonds.

The District is permitted to commingle the Revenues with its own funds for certain periods of time before turning over the Revenues to the Trustee. See “SECURITY FOR THE BONDS—Flow of Funds.” If the District goes into bankruptcy, the District may not be required to turn over to the Trustee any Revenues that are in its possession at the time of the bankruptcy filing and have been commingled with other moneys. If the District has possession of Revenues (whether collected before or after commencement of the bankruptcy) and if the District does not voluntarily turn over such Revenues to the Trustee, it is not entirely clear what procedures the holders of the Bonds would have to follow to attempt to obtain possession of such Revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. The United States Court of Appeals for the First Circuit, in another case involving the insolvency proceedings of Puerto Rico, concluded that a bankruptcy court does not have the power order a debtor to comply with state law.

The District may be able to borrow additional money that is secured by a lien on any of its property (including the Revenues), which lien could have priority over the lien of the Generation System Bond Resolution, or to cause some of the Revenues to be released to it, free and clear of lien of the Generation System Bond Resolution, in each case as long as the bankruptcy court determines that the rights of the Trustee and the holders of the 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 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 Generation System Bond Resolution and the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

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

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.

SECONDARY MARKET AND PRICES

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

LITIGATION

No Litigation Affecting the Bonds

There is no litigation now pending or threatened restraining or enjoining the issuance and delivery of the Bonds or the power and authority of the District to impose, prescribe or collect rates or charges for the services of the Electric System or the Generation System, or in any manner questioning the power and the authority of the District to impose, prescribe or collect such rates or charges or issue and deliver the Bonds or affecting the validity of the Bonds.

Other Litigation

The District is a party to a number of lawsuits and claims arising out of its normal course of business, but the District does not believe any of such litigation will have a material adverse effect upon the District.

TAX MATTERS

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the 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 Bonds. Complete copies of the proposed forms of opinion of Bond Counsel are set forth in APPENDIX D-1 and APPENDIX D-2 hereto.

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

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

Payments on the 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 Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the 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 Bonds to provide certain financial information and operating data relating to the Generation 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, 2025, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report and the notices of listed events is set forth in "APPENDIX—FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants will be made in order to assist the Underwriters for the 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

Fitch Ratings, Moody’s Ratings and S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, have assigned their ratings of “[__],” “[__],” and “[__],” respectively, to the Bonds. Such ratings reflect only the views of the respective rating agency and are not a recommendation to buy, sell or hold the Bonds. An explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. The District has furnished to each rating agency certain information and materials with respect to the 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 Bonds will continue for any given period of time or that they will not be revised, suspended or withdrawn entirely by such rating agencies if, in the judgment of the rating agencies, circumstances so warrant. A downward revision, suspension or withdrawal of the ratings may have an adverse effect on the market price and marketability of the Bonds.

UNDERWRITING

Raymond James & Associates, Inc., on behalf of itself and as representative of Goldman Sachs & Co. LLC (collectively, the “Underwriters”) has agreed, subject to certain conditions, to purchase the Bonds from the District at an aggregate purchase price of \$_____, representing the total aggregate principal amount of the Bonds, plus original issue premium of \$_____ and less Underwriters’ discount of \$_____. The Underwriters’ obligations are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all Bonds if any such Bonds are purchased.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District.

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 Bonds, the Generation System Bond Resolution, and certain legislation do not purport to be complete and are qualified in their entirety by reference to the respective documents and laws. Copies of the Generation System Bond Resolution are available at the offices of the District. The execution and delivery of this Official Statement by its Treasurer have been duly authorized by the District.

Conflicts. Certain of the fees of the Underwriters, Bond Counsel and Underwriters' Counsel are contingent upon the sale of the Bonds. From time to time Bond Counsel may serve as counsel to the Underwriters with respect to transactions other than the issuance of the Bonds.

MUNICIPAL ADVISOR

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

CERTAIN LEGAL MATTERS

The validity of the 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 opinion of Bond Counsel related to the 2025A Bonds is included as APPENDIX D-1 and a complete copy of the proposed form of opinion of Bond Counsel related to the 2025B Bonds is included as APPENDIX D-2. 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 Bonds will be passed upon for the District by F. Colin Willenbrock, Chief Legal Officer. Certain legal matters will be passed upon for the Underwriters by their special counsel, Foster Garvey, P.C. Any opinion of Foster Garvey, P.C. will be addressed solely to the Underwriters and may not be relied upon by owners of the Bonds.

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

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

Treasurer

APPENDIX A

**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS FOR THE YEARS
ENDED DECEMBER 31, 2024 AND 2023**

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 (the PUD), which comprise the PUD'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, 2024, and the PUD's combined statements as of and for the year ended December 31, 2023, 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 PUD as of December 31, 2024 and 2023, and the individual financial positions of the Electric, Generation, and Water Systems as of December 31, 2024, and the respective changes in financial position and cash flows 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 PUD 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.

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 PUD'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 objective is 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 reports that include 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 PUD'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 PUD'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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the PUD'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 is 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, 2025, on our consideration of the PUD'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 PUD'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 PUD's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Everett, Washington
April 4, 2025

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, 2024 and 2023. 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 2024 was \$22 million, a \$26 million decrease from \$48 million in 2023. Combined net income decreased from \$95 million in 2023 to \$67 million in 2024, a 29.5% decrease. Net income was influenced by a \$22 million decrease in miscellaneous service revenue from three primary sources in 2024: (1) Due to the Bonneville Power Administration's (BPA) exceptional financial performance during fiscal years 2022 –2023, its Power Reserves Distribution Clause (RDC) program provided \$11 million in 2024, which was a decrease of \$14 million from 2023, (2) BPA's Energy Conservation Agreement (ECA) provided \$3.5 million less revenue in 2024 than in 2023, and (3) The PUD saw a decrease of \$5.9 million in the Residential Exchange Program (REP) revenue from 2023 to 2024.

Combined net operating income decreased from \$72 million in 2022 to \$48 million in 2023. Combined net income in 2022 was \$94 million and saw modest growth to \$95 million in 2023. The PUD benefitted from higher interest rates in 2023, resulting in a \$31 million increase in interest income from 2022. Of this increase, \$21 million is attributable to non-cash fair market value adjustments made to the PUD's investments. Net income was influenced by an increase of \$25 million in miscellaneous service revenue from two primary sources in 2023: (1) Due BPA's exceptional financial performance during fiscal year 2021–2022, its RDC provided \$21 million and (2) BPA's ECA provided \$5.0 million.

The average number of Electric System accounts increased from 377,270 in 2023 to 381,511 in 2024, a 1.1% increase. New electric service connections were 5,136 in 2024, compared to 4,648 in 2023. The majority of new connections in 2024 and 2023 were from residential units.

Retail megawatt hours (MWh) provided to customers increased 0.2% from 6,799,853 MWh in 2023 to 6,811,055 MWh in 2024, compared to a 0.6% increase from 2022 to 2023. The increase in both 2023 and 2024 were primarily caused by modest gains in residential and commercial MWh consumption.

Combined retail sales in 2024 were \$741 million, \$60 million higher than the \$681 million realized in 2023, higher still than the \$670 million experienced in 2022. This increase in 2024 was primarily attributable to \$47 million in residential and commercial retail energy sales. A notable area of increase was the PUD base charges. The first year that PUD realized twelve months of the base charge was in 2023. The PUD's Board of Commissioners (Commission) approved a rate structure change that became effective April 1, 2023, which increased the base charge, resulting in \$30 million in base charge revenue for 2023. Additionally, the Commission approved further increases to the base charge that became effective April 1, 2024, resulting in \$59 million in base charge revenue for 2024. The PUD's base charge is designed to better align rate recovery with the sources of fixed costs it incurs on behalf of customers, including meter maintenance and billing. The base charge results in more predictable and stable bills for our customers and revenue for PUD, which will allow the PUD to focus on keeping rates low.

The PUD sells surplus power into wholesale power markets to balance resources with customer loads. Combined wholesale revenue was \$105 million in 2024 compared to \$73 million in 2023 and \$74 million in 2022. Although regional energy demand remained consistent, energy supply was diminished, increasing wholesale revenue prices on average in 2024. Additionally, high natural gas prices drove an increase in energy prices from other generating sources. The Electric System sold \$14 million of excess transmission capacity in 2024 and \$13 million in 2023.

Combined other operating revenue was \$44 million in 2024, a decrease of \$21 million from \$65 million in 2023. Of this decrease, \$22 million is attributable to miscellaneous service revenue decreases as noted above. Combined other operating revenue was \$65 million in 2023, an increase of \$28 million from 2022.

Combined operating expenses were \$867 million in 2024. This included \$409 million in purchased power costs, which was \$29 million more than the prior year. The rise in costs was primarily due to extreme cold temperatures in Western

Washington in January 2024, which led to unusually high wholesale market prices. Additionally, the PUD's adoption of higher energy and capacity reserves in May 2024 contributed to increased market purchases to ensure sufficient energy for forecasted loads.

Combined operating expenses were \$770 million in 2023. These expenses include \$380 million in purchased power costs, an increase of \$45 million from the prior year. This large increase in cost was the result of a very cold and long-lasting winter, followed by rapid warming that preceded a quick water runoff evolution. The 2023 summer months were quite warm, and Western Washington experienced a lack of precipitation from late June to late September. Power supplied by BPA from Block and Slice products was down by approximately 12% from the prior year due to the lack of available water for generation. This required the PUD to purchase power on the market, typically at a premium price.

Interest income, excluding fair market value adjustments, increased from \$18 million in 2023 to \$21 million in 2024. This increase of 17% is consistent with changes in interest rates observed in the broader economy. The PUD's cash reserve portfolio is invested in securities and deposits authorized by Washington State statute and is managed according to the PUD's cash reserve and investment policies. During 2023, the PUD's interest income, excluding fair market value adjustments, increased to \$18 million from \$7.7 million in 2022.

Electric System

Electric System Rates

General Rates

Effective April 1, 2023, the PUD raised the base charge on all connection types. The PUD has elected to reduce per kilowatt hour charges as base charges increase. Effective November 1, 2023, the PUD implemented a 1.4% system-wide average revenue adjustment to pass through the increased costs of purchased power from BPA to customers.

Effective April 1, 2024, the PUD implemented a 4.6% system-wide average revenue adjustment. Among the largest rate class categories, the residential class saw a 4.9% increase, small general service a 4.1% increase, medium general service a 3.6% increase, and large primary service a 5.1% increase.

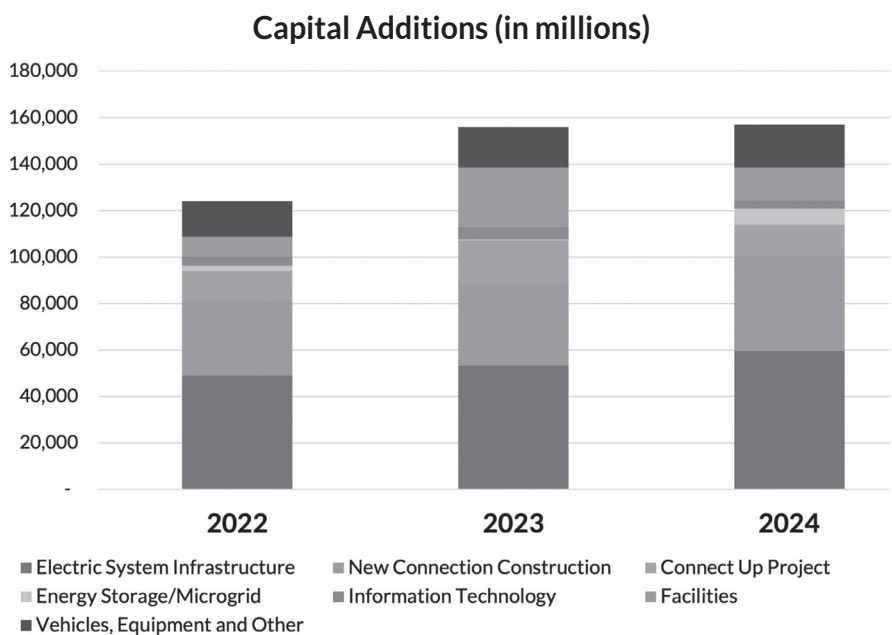
BPA Rates

BPA's wholesale electricity is generated from federally owned hydroelectric projects in the Columbia River basin and one non-federal nuclear power plant. In 2024, BPA provided approximately 75% of the energy resources used by the PUD to serve its customers compared to 78% in 2023. Power purchases from BPA were \$239 million in 2024 and \$242 million in 2023, respectively. The \$3 million decrease purchased about 659 thousand more megawatts year over year.

At the end of 2023, BPA provided a distribution of cash reserves to preferred buyers of energy. The financial performance from BPA gives their administrators the discretion to apply RDC amounts to rate reduction, incremental capital investment, debt reduction, or other high value purposes. This resulted in the PUD receiving the benefit of \$12 million from December of 2023 through September of 2024. The PUD has recorded these transactions as other operating revenue.

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 distri-



bution infrastructure and facilities to serve customers and assure reliability is expected to continue. Electric System capital additions were \$159 million in 2024 and \$158 million in 2023.

In 2024, the PUD managed nineteen substation projects at various design stages, with ten under some form of construction. The larger projects included the completion and energization of the Jennings Park Substation, the completion of civil construction on both the new Crosswind Substation and the Camano Substation rebuild, and the completion of the Clearview Substation switchgear replacement. Additionally, six substation reliability projects were completed in 2024.

To improve the reliability and safe distribution of energy, the PUD continued to replace infrastructure that has reached the end of its useful life. In 2024, 525 distribution poles, 92 transmission poles, and 5.8 miles of cable were replaced.

Key projects in 2023 include site, civil, and electrical construction completed on the Sky Valley substation. Harbour Pointe Bank 1 upgrade is completed, energized, and serving customers. The addition of Bank 2 at Edgecomb is energized and supporting new load in North County. The PUD completed ten substation reliability upgrades. Construction of a new 5.3-mile transmission line from Stanwood to Camano Island is under way. The PUD, to improve the reliability and safe distribution of energy, continued to replace infrastructure that has reached its useful life. In 2023, 573 distribution poles, 25 transmission poles, and 6.9 miles of underground cable were replaced.

Capital Funding and Debt Levels

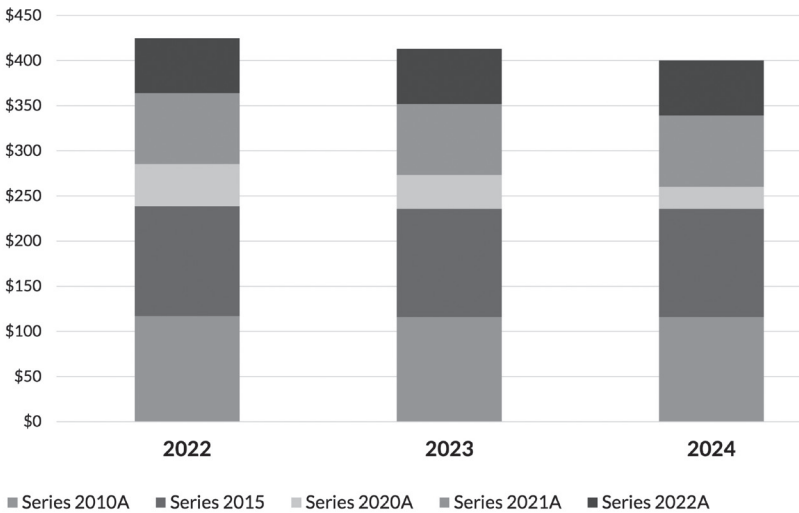
The PUD utilizes a combination of revenues, cash reserves, grants, and Revenue bonds to fund investments in the electric distribution and transmission system infrastructure. In addition, the PUD receives capital contributions from developers to fund infrastructure construction directly related to growth.

In June 2021, the Electric System issued \$79 million of Series 2021A Revenue bonds, the first sale of new money tax-exempt bonds since 2015. The bonds, which have a final maturity of 2051, were sold at an average interest rate of 1.5%, benefiting from a historically low long-term interest rate environment and strong bond ratings. In July 2022, the Electric System issued \$61 million of Series 2022A Revenue bonds with a final maturity of 2052 and an average interest rate of 3.4%. Proceeds from the bond sales are 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 advanced meter project, and development of the PUD’s North County community office. By March of 2024, proceeds from the previously issued Series 2021A were fully expended. The PUD expects proceeds from the 2022A bonds to be fully expended in 2025.

In conjunction with the 2022A bond sale, S&P and Moody’s, two major bond rating agencies, affirmed the PUD’s bond ratings of AA and Aa2, respectively.

Long-term debt of the Electric System, including current maturities, totaled \$400 million as of December 31, 2024, compared to \$413 million in 2023 and \$425 million in 2022.

Electric System Revenue Bonds (in millions)



Martin Luther King Weekend Freeze

In January 2024, Western Washington experienced some of its coldest temperatures since 1990. These extreme cold temperatures significantly impacted electricity demand, as many residents and businesses rely on electric heating. Consequently, the PUD had to purchase a substantial amount of energy from the open market to meet this increased demand. Throughout January, the PUD purchased 183 thousand megawatts of energy. During this period, energy prices hit the soft cap limit of \$1,000 per megawatt, compared to the PUD average price of about \$294 per megawatt. Overall, the PUD spent approxi-

mately \$54 million on open market energy in January 2024, compared to \$9.3 million in January 2023.

Bomb Cyclone Event

In November 2024, Western Washington experienced a storm system known as a bomb cyclone, characterized by a rapid drop in barometric pressure in a short period of time that intensified the impact of powerful winds. Sustained winds reached speeds of fifty-two miles per hour, with gusts up to seventy miles per hour. These strong winds, blowing in an unusual wind direction from the east, combined with waterlogged soil, caused many trees to fall, damaging homes, businesses, PUD infrastructure, and resulting in widespread power outages. During the storm, at the peak of the outages, the number of customers impacted was approximately 165 thousand.

The PUD received mutual aid from across the region to help restore power. The response included fourteen PUD line crews, nineteen service crews, twenty-three mutual aid crews, two contract line crews, two PUD tree crews, and fifteen contracted tree crews. Over seven days, these crews worked a total of 42 thousand hours without any reportable injuries. They used twenty-two miles of wire, replaced 102 poles, and replaced 112 transformers. The total cost of the event was approximately \$15 million, and it is pending recognition from the Federal Emergency Management Agency for cost recovery efforts.

Guam Mutual Aid

In May 2023, the island of Guam was struck by Typhoon Mawar. Mawar was the strongest storm to strike the island in twenty years; wind speeds surpassed 130 miles per hour and impacted nearly all of island's 52 thousand electrical customers. Guam Power Authority (GPA) reached out to the American Public Power Association for mutual aid assistance. In response, the PUD dispatched its personnel and equipment to the restoration effort including fifteen-line workers, equipment operators, and mechanics, two bucket trucks, and a mechanic truck. PUD personnel contributed over 9 thousand labor hours and repaired several miles of a major transmission line that services critical operations such as a hospital and United States (U.S.) military base. PUD equipment was returned, and GPA reimbursed the PUD \$2.5 million in related expenses.

Connect Up Project

In August 2020, the Commission approved the Connect Up program. This infrastructure and technology project includes installation of new meters capable of two-way communication. The installation process is scheduled to be completed in 2026, as every PUD customer is slated to receive a new meter. The initial network will consist of 149 base stations dispersed throughout the service territory on existing or new poles or towers. Due to supply chain constraints sourcing meters, the PUD has delayed components of this project. Upon the project's completion, the PUD will have deployed over 385,000 new electric meters and 25,000 water meters.

Benefits for the Electric System include improved system visibility, outage responses, and 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, 2024, the PUD has expended \$53 million on this project.

Washington Families Clean Energy Credits Grant

In May 2024, the PUD was awarded a \$14 million grant from the Washington State Department of Commerce, as part of the Washington Families Clean Energy Credit Program, dedicating \$150 million statewide to assist low-to moderate-income households with the clean energy transition. This initiative provided funding for bill credits of \$200 per household to eligible residential customers through their electric utility provider. In 2024, the PUD received and distributed the \$14 million grant to eligible residential customers in the PUD's service area. Households with income less than 150% of the area median income qualify as low or moderate income. These funds were distributed to over 71 thousand accounts, helping to offset current and future balances and lifting more than 1 thousand customers out of distressed status. To be eligible for the balance adjustment, residential customers needed to be enrolled in one of several approved programs, such as Low-Income Home Energy Assistance Program, Community Energy Fund (formerly Project Pride), Income Qualifies, Budgeted Payments, or through a formal self-attestation process.

South Everett Community Solar Array - El Sol al Alcance de Tus Manos (The sun at your fingertips) Grant

In December 2024, the PUD completed a 375-kilowatt solar array installation at Walter E Hall Park on Casino Road in Everett, Washington. The PUD will donate all the solar-generated kilowatts to the Community Energy Fund over a fifteen-

year lease with the City of Everett. This project utilizes Distributed Energy Resources (DER) as a non-wire alternative, advancing the PUD’s DER planning efforts. The solar array aims to reduce summer peaking demand on PUD circuits in the Casino Road area. The project received initial funding of \$868 thousand from the Washington State Department of Commerce’s Clean Energy Fund 3 Low-Income Community Solar Deployment Grant, including American Recovery and Reinvestment Act funding from the U.S. Department of Energy (DOE), with an additional \$652 thousand from PUD cost share funds. Further funding of \$400 thousand is being provided by the Washington State University Community Solar Expansion Program. The PUD also plans to use Inflation Reduction Act Direct Tax credits to lower the total project costs.

Snohomish County PUD’s Secure Modern Automated and Reliable Technology Project (SnoSMART) Grant

In October 2023, the PUD was awarded \$30 million from the DOE Grid Deployment Office for SnoSMART. The contract was signed in September 2024, with \$33 million in PUD cost share funds allocated for the project. This project aims to fast-track a twenty-year plan into just five years.

SnoSMART is an infrastructure and software endeavor designed to enhance the PUD’s system reliability, mitigate wildfire risks, and enable demand management. It will revolutionize system visibility and control for grid operators, further prepare the grid for transportation and building electrification, and improve the integration of DER through advanced system planning. The project involves deploying hundreds of wireless-connected smart grid devices to the distribution grid and upgrading the software tools to operate them. Supervisory Control and Data Acquisition, Advanced Distribution Management System, and the Distribution Automation Infrastructure will work together to create improved information and planning tools with new data analytics, moving toward a smarter grid.

Generation System

Henry M. Jackson Hydroelectric Project (Jackson Project) Maintenance and Capital Improvement

In 2024, as part of the Jackson Project’s Federal Energy Regulatory Commission license obligations, approximately 2 thousand feet of side channel was added along the Sultan River. This million-dollar project, funded by a Department of Ecology grant, extends the existing 12 thousand feet of side channel, providing resting space for fish during their annual migratory journeys. This is one of many PUD projects to preserve and enhance habitats within our service area.

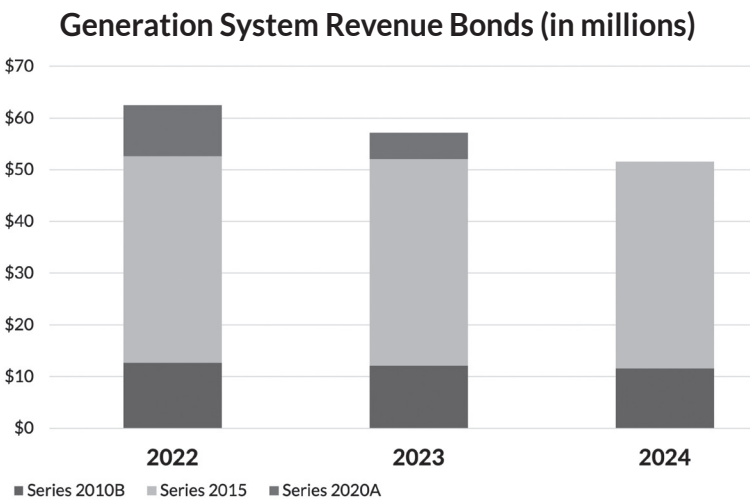
In September 2024, Jackson Project underwent a planned shutdown, allowing the PUD to inspect the intake gate for the Culmback Dam at Spada Lake for the first time in twenty years. The gate, which controls water flow, was found to be in good condition. This inspection was one of several projects completed during the shutdown.

In June 2023, the PUD completed the replacement of forty-eight-inch and ten-inch cone valves. The valves are used to maintain minimum flows of water on the Sultan River, which is a crucial component to maintaining water levels for natural resource operations to maintain healthy flows for migratory fish. These valves have a useful life of sixty years and will provide continued serviceability of the Jackson project. The valve replacement cost was approximately \$3.2 million as of December 2023 and involved PUD planning resources from September of 2020 through October of 2023.

The Jackson Project is embarking on a multiyear switchyard transformer redesign project to increase the facility’s reliability, resiliency, and overall service life. This project is expected to cost \$9.3 million and be completed in 2028.

Debt Levels

Debt levels in the Generation System continue to decline. Long-term debt for the Generation System, including current maturities, totaled \$52 million as of December 31, 2024, compared to \$57 million in 2023, and \$63 million in 2022. The Series 2020A Revenue bonds were fully paid off in 2024.



Water System

Water System Operating Results

In 2024, retail sales for the Water System remained steady at \$15 million in 2024, the same as it was in 2023. Although water retail rates increased in March 2024, this was balanced by a decrease in water usage, causing revenue to be flat. This stability followed an increase from \$14 million in 2022. The revenue growth in 2023 was driven by higher water residential rate and customer growth. The Water System added 203 and 257 customer connections in 2024 and 2023, respectively.

Operating expenses increased slightly from \$16 million in 2023 to \$17 million in 2024, following an increase of \$1.7 million in 2023 from 2022. The 2024 increase was the result of higher operations and maintenance costs of \$1.5 million, partially offset by lower purchased water of \$0.5 million. The 2023 increase resulted from higher purchased water due to a shutdown of the Lake Stevens Well, as well as higher operation and maintenance costs. The Lake Stevens Well was shut down due to a failure of pump motors. The extended nature of the shutdown was a result of longer than normal lead times for replacement parts. The well was back in operation in May of 2023, but the PUD did not see usual production until June of the same year.

Water System capital contributions were \$4.0 million in 2024, an increase of \$1.1 million from the \$2.9 million in 2023, but lower than the \$4.9 million in 2022. The 2024 increase indicates a strengthening in developer activity after previous periods of rising interest rates and supply chain constraints in the central Snohomish County area that the Water System serves.

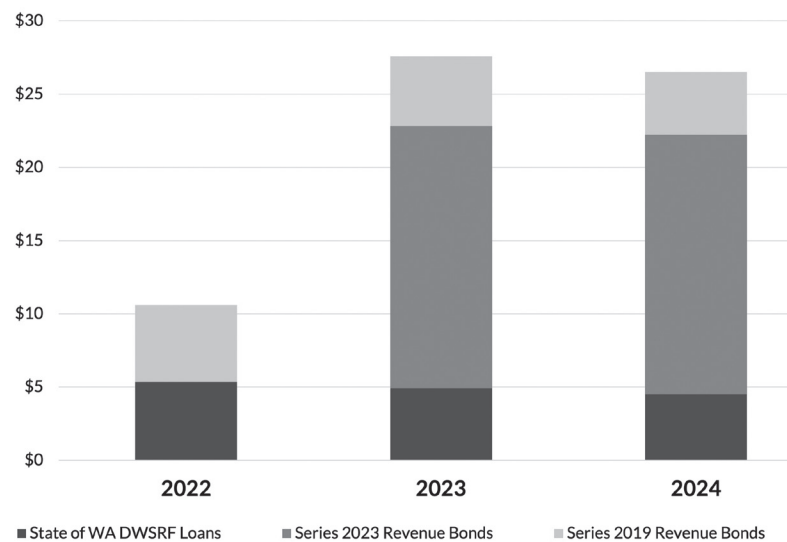
Capital Funding and Debt Levels

The PUD utilizes a combination of revenues, cash reserves, grants, Washington State loans, and Revenue bonds to fund Water System capital improvements. In addition, the Water System receives capital contribution fees from developers to address growth in the Water System service area.

In October 2023, the Water System issued \$18 million of Series 2023A Revenue bonds. The bonds, which have a final maturity of 2043, were sold at an average interest rate of 4.2%. Proceeds of the bond sale are being used to fund qualifying additions, replacements, and improvements to the Water System, including construction and upgrades relating to the water distribution system and the Connect Up advanced meter project. The PUD expects proceeds to be fully expended in 2026.

Long-term debt of the Water System, including current maturities, totaled \$27 million as of December 31, 2024, compared to \$28 million in 2023, and \$11 million in 2022.

Water System Revenue Bonds (in millions)



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)

	2024	As restated 2023	As restated 2022
Current Assets, Investments, and Special Funds	\$ 664	\$ 716	\$ 763
Net Utility Plant	1,947	1,856	1,761
Other Assets	56	82	85
Total Assets	2,667	2,654	2,609
Deferred Outflows of Resources	58	44	51
Current Liabilities	151	136	157
Long-Term Debt	500	521	525
Other Liabilities	103	107	115
Total Liabilities	754	764	797
Deferred Inflows of Resources	29	60	84
Net Investment in Capital Assets	1,462	1,417	1,366
Restricted	96	223	220
Unrestricted	384	234	193
Net Position	\$ 1,942	\$ 1,874	\$ 1,779
Operating Revenues	\$ 889	\$ 819	\$ 781
Operating Expenses	866	771	709
Net Operating Income	23	48	72
Interest Charges	21	20	14
Other Income and Expense	28	33	3
Net Income (Loss) before Capital Contributions	30	61	61
Capital Contributions	38	34	33
Net Income	68	95	94
Net Position, Beginning of year	1,874	1,779	1,685
Net Position	\$ 1,942	\$ 1,874	\$ 1,779

Assets

Current assets, investments, and special funds decreased \$52 million in 2024. This decline was primarily due to reductions in special funds that were partially offset by increases in current assets and investments. Current assets, investments and special funds decreased \$47 million in 2023 from 2022 balances.

As of December 31, 2024, and 2023, the PUD had approximately \$1.9 billion invested in a broad range of net utility capital assets. Utility capital assets, reported as net utility plant on the Combined Statement of Net Position, include five operating hydroelectric power generation plants, one biofuel generator, electric transmission and distribution lines, substations, water transmission and distribution pipes, storage and pump station facilities, buildings, and equipment. Utility plant additions were \$181 million in 2024 and \$173 million in 2023, 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 \$29 million and \$11 million due to routine retirements and transfers in 2024 and 2023, respectively. Accumulated depreciation and amortization increased \$61 million and \$66 million due to annual depreciation and amortization expense along with routine plant asset retirements and transfer activity in 2024 and 2023, respectively. For additional details on capital assets, see footnote 4. Other assets decreased \$26 million in 2024 and decreased \$3.2 million in 2023. Changes in lease asset receivables contributed \$14 million, while net pension assets accounted for \$11 million of the decrease from 2023 to 2024.

Deferred Outflows of Resources

Deferred outflows of resources increased to \$58 million in 2024. This resulted from net increases of \$15 million in the other post-employment benefits (OPEB) and net pension liability deferrals in 2024. The PUD experienced a \$1.2 million decrease on the unamortized loss on the refunding of debt.

Deferred outflows of resources decreased to \$44 million in 2023 from \$51 million in 2022. This resulted from net decreases of \$7.3 million in the OPEB and net pension liability deferrals in 2023 and unamortized loss on the refunding of debt.

Liabilities

Current liabilities increased \$15 million in 2024, primarily due to an \$8.1 million rise in accounts payable balances and an \$7.6 million increase in other accrued liabilities. The accounts payable increase was mainly driven by a \$4.1 million rise in outstanding purchase power invoices. The increase in other accrued liabilities was attributed to compensated absences. Current liabilities decreased \$22 million in 2023 resulting from lower vendor payable balances primarily from market power purchases in 2022.

Long-term debt decreased \$21 million and \$4.0 million in 2024 and 2023, respectively. The smaller decrease in 2023 long-term debt levels is the result of the issuance of 2023 Water System bonds. In 2024 without the issuance of new debt the PUD resumed normal declines in the long-term debt balance. For additional details on long-term debt, see footnote 7.

Total other liabilities decreased \$4.1 million in 2024 and decreased \$7.7 million in 2023 primarily due to actuarial valuation changes in post-employment liabilities.

Deferred Inflows of Resources

Deferred inflows decreased \$31 million in 2024, primarily due to changes in the valuation of lease contracts and decreased \$24 million in 2023, primarily due to changes in the valuation of the net pension deferrals.

Net Position

Net investment in capital assets increased \$45 million and \$51 million in 2024 and 2023, respectively, reflecting the growth in net utility plant.

Restricted net position represents resources that are subject to external restrictions, such as bond covenants or third-party contractual agreements, and resources restricted by a Commission resolution. Restricted net position decreased \$128 million in 2024 and increased \$3.3 million in 2023 due to changes in the actuarial valuation of a net pension asset. In 2024, the PUD reclassified the rate stabilization fund from restricted to unrestricted following a resolution by the Commission.

Unrestricted net position is available to finance day-to-day operations without constraints established by covenants, legal requirements, or the Commission's resolutions. Unrestricted net position increased \$150 million in 2024 due to the changes in recognition of post-employment liabilities, material inventory, and the reclassification of the rate stabilization fund. Unrestricted net position increased \$41 million in 2023 due to the changes in recognition of post-employment liabilities.

Operating Revenues

Operating revenues increased to \$889 million in 2024, from \$819 million in 2023. Retail revenues increased \$60 million in 2024 due to increases in billed residential and commercial revenues. Wholesale revenues increased \$31 million primarily due to the PUD's adoption of higher energy and capacity targets in May 2024. The increased targets generally resulted in higher volumes of market sales as the PUD aligned their energy position with the observed system loads. Other operating revenues declined by \$21 million, primarily due to reductions in BPA programs such as the RDC, ECA, and REP.

Operating revenues increased to \$819 million in 2023, from \$781 million in 2022. Retail revenues increased \$11 million in 2023 due to increases in billed residential and commercial revenues. Wholesale revenues decreased \$734 thousand due to decreases in power available for sale in the wholesale market. The largest contributor to the changes in operating revenues were the changes from other operating revenues. This consisted of changes in revenues from BPA programs including the RDC, ECA, and REP.

Operating Expenses

Operating expenses increased \$97 million in 2024 to \$867 million from \$770 million in 2023. During 2024, purchased power costs increased by \$29 million. One major cold snap in January 2024 required significant purchases of power at high premiums. The PUD deferred budgeted maintenance and capital projects to help alleviate the high prices being paid for energy. Operations and maintenance costs increased by \$63 million which can be attributed to repairs and general operating of PUD infrastructure.

Operating expenses increased \$61 million in 2023 to \$770 million from \$709 million in 2022. During 2023, purchased power costs increased by \$45 million due to a particularly poor water year. The PUD, like many other utilities in the Northwest, saw a poor water year with remarkably high prices on the open market. The PUD deferred budgeted maintenance and capital projects to help alleviate the high prices being paid for energy. Operations and maintenance costs still increased by \$11 million which can be attributed to repairs and general operating of PUD infrastructure.

Interest Charges

Interest charges rose by \$382 thousand from 2023 to 2024.

Interest charges increased \$5.8 million from 2022 to 2023.

Other Income and Expense

Other income and expense had a slight decline to \$28 million in 2024 from \$33 million in 2023. This is the result of an overall reduction of interest rates observed in the broader economy.

Other income and expense increased significantly to \$33 million in 2023 from \$2.6 million in 2022. This is the result of higher interest rates observed in the overall economy.

Capital Contributions

Capital contributions increased by \$3.9 million in 2024 and \$0.6 million in 2023. Capital contributions are collected from property developers when they request to connect to the PUD's electric or water distribution systems or request engineering or construction services. The PUD collected an increase of \$3.4 million in cash contributions where the remainder of the change came from non-cash contributions.

Requests for Information

The basic financial statements, notes, and management's discussion and analysis are designed to provide a general overview of the PUD's finances. Questions concerning any of the information provided in this report should be directed to the PUD at 2320 California Street, Everett, WA 98201.

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Combined Statement of Net Position

December 31, 2024 and 2023

(In thousands)

	2024				2023
	Electric System	Generation System	Water System	Combined	Combined
Assets					
Current Assets:					
Cash and temporary investments:					
Cash and cash equivalents	\$ 56,362	\$ 5,644	\$ 3,183	\$ 65,189	\$ 54,104
Temporary investments	114,561	2,245	986	117,792	77,331
Total Cash and Temporary Investments	170,923	7,889	4,169	182,981	131,435
Accounts and other receivables, net	104,250	95	1,997	106,342	107,063
Intersystem loans receivable	2,425	-	-	-	-
Materials and supplies	72,969	-	2,634	75,603	61,631
Prepayments and other	11,653	392	194	12,239	8,558
Total Current Assets	362,220	8,376	8,994	377,165	308,687
Long-Term Investments & Special Funds:					
Long-term investments	152,637	5,816	2,664	161,117	106,358
Special funds – bond funds and other	85,073	11,210	29,534	125,817	301,093
Total Long-Term Investments & Special Funds	237,710	17,026	32,198	286,934	407,451
Utility Plant:					
Plant in service	2,427,947	366,937	196,318	2,991,202	2,832,441
Construction work in progress	172,597	3,565	7,791	183,953	191,152
Total Utility Plant	2,600,544	370,502	204,109	3,175,155	3,023,593
Accumulated depreciation and amortization	(1,000,295)	(174,144)	(53,796)	(1,228,235)	(1,166,796)
Net Utility Plant	1,600,249	196,358	150,313	1,946,920	1,856,797
Other Assets:					
Conservation loans and other receivables, net	-	-	201	201	245
Lease asset receivable	5,330	-	350	5,680	20,101
Intersystem loans and receivables	22,630	-	-	-	-
FERC licenses	-	12,882	-	12,882	13,426
Net pension assets	34,311	627	1,018	35,956	46,833
Other assets	796	356	-	1,152	1,014
Total Other Assets	63,067	13,865	1,569	55,871	81,619
Total Assets	2,263,246	235,625	193,074	2,666,890	2,654,554
Deferred Outflows of Resources					
Unamortized loss on refunding debt	320	-	-	320	1,475
Net pension and OPEB deferrals	54,641	1,574	1,476	57,691	42,669
Total Deferred Outflows of Resources	54,961	1,574	1,476	58,011	44,144
Total Assets and Deferred Outflows	\$ 2,318,207	\$ 237,199	\$ 194,550	\$ 2,724,901	\$ 2,698,698

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

Combined Statement of Net Position

December 31, 2024 and 2023

(In thousands)

	2024				As restated 2023
	Electric System	Generation System	Water System	Combined	Combined
Liabilities					
Current Liabilities:					
Accounts payable	\$ 60,617	\$ 677	\$ 1,437	\$ 62,731	\$ 54,651
Accrued taxes	20,845	93	130	21,068	19,428
Accrued interest	1,646	221	104	1,971	2,007
Other accrued liabilities	44,804	77	2	44,883	37,292
Customer deposits	2,786	-	2	2,788	2,880
Current maturities of long-term debt	14,860	1,410	1,128	17,398	19,503
Intersystem loans payable	-	2,425	-	-	-
Total Current Liabilities	145,558	4,903	2,803	150,839	135,761
Long-Term Debt:					
Revenue bonds	420,451	53,039	22,847	496,337	516,673
Other notes payable	-	-	4,082	4,082	4,500
Total Long-Term Debt	420,451	53,039	26,929	500,419	521,173
Other Liabilities:					
Intersystem loans and payables	-	22,630	-	-	-
FERC license obligations	-	12,882	-	12,882	13,426
Net pension liability	14,510	376	340	15,226	20,330
Lease liability	7,818	180	-	7,998	8,330
SBITA liability	3,488	-	-	3,488	2,042
OPEB liability	47,020	935	990	48,945	47,460
Other liabilities	13,264	1,627	7	14,898	15,906
Total Other Liabilities	86,100	38,630	1,337	103,437	107,494
Total Liabilities	652,109	96,572	31,069	754,695	764,428
Deferred Inflows of Resources					
Unearned FERC license contributions	-	3,000	-	3,000	3,500
Net pension deferrals	14,362	(36)	399	14,725	25,854
Other deferred inflows	10,354	45	543	10,942	30,499
Total Deferred Inflows of Resources	24,716	3,009	942	28,667	59,853
Net Position					
Net investment in capital assets	1,186,718	141,412	133,886	1,462,016	1,417,452
Restricted:					
Reserve funds	1,006	5,772	831	7,609	7,448
Rate stabilization	-	-	-	-	114,816
Net pension assets	34,311	627	1,017	35,955	46,833
Debt service and other	29,517	5,217	17,310	52,044	54,297
Unrestricted	389,830	(15,410)	9,495	383,915	233,571
Total Net Position	1,641,382	137,618	162,539	1,941,539	1,874,417
Total Liabilities, Deferred Inflows and Net Position	\$ 2,318,207	\$ 237,199	\$ 194,550	\$ 2,724,901	\$ 2,698,698

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, 2024 and 2023

(In thousands)

	2024				As restated 2023
	Electric System	Generation System	Water System	Combined	Combined
Operating Revenues:					
Retail sales	\$ 725,451	\$ -	\$ 15,409	\$ 740,860	\$ 680,664
Wholesale sales	103,988	26,342	713	104,701	73,410
Other	42,664	400	439	43,503	64,637
Total Operating Revenues	872,103	26,742	16,561	889,064	818,711
Operating Expenses:					
Purchased power	435,487	-	-	409,145	379,896
Purchased water	-	-	3,689	3,689	4,230
Operations	247,958	7,221	5,929	261,108	224,971
Maintenance	61,749	5,229	3,164	70,142	42,999
Depreciation and amortization	66,971	6,301	3,831	77,103	75,353
Taxes	45,285	92	841	46,218	42,998
Total Operating Expenses	857,450	18,843	17,454	867,405	770,447
Net Operating Income (Loss)	14,653	7,899	(893)	21,659	48,264
Interest Charges:					
Interest	20,083	3,993	1,182	24,183	23,801
Amortization of debt related costs	(2,366)	(892)	(253)	(3,511)	(3,511)
Total Interest Charges	17,717	3,101	929	20,672	20,290
Other Income and Expense:					
Interest income, fair value adjustments, net	21,478	1,323	2,092	23,818	26,569
Other income and expense, net	3,651	827	(17)	4,461	6,698
Total Other Income and Expense	25,129	2,150	2,075	28,279	33,267
Net Income Before Capital Contributions	22,065	6,948	253	29,266	61,241
Capital Contributions	33,795	36	4,025	37,856	33,930
Net Income	55,860	6,984	4,278	67,122	95,171
Net Position, Beginning of year	1,585,522	130,634	158,261	1,874,417	1,779,246
Net Position, End of year	\$ 1,641,382	\$ 137,618	\$ 162,539	\$ 1,941,539	\$ 1,874,417

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, 2024 and 2023

(In thousands)

	2024				As restated 2023
	Electric System	Generation System	Water System	Combined	Combined
Cash Flows from Operating Activities:					
Cash received from customers	\$ 833,472	\$ 28,011	\$ 16,251	\$ 851,392	\$ 767,723
Cash payments to suppliers	(647,338)	(5,989)	(6,557)	(633,542)	(593,183)
Cash payments to employees	(129,133)	(7,506)	(6,318)	(142,957)	(113,056)
Cash payments for taxes	(45,312)	(75)	(818)	(46,205)	(43,884)
Other cash received (paid)	31,987	544	296	32,827	50,260
Net Cash Provided by Operating Activities	43,676	14,985	2,854	61,515	67,860
Cash Flows from Capital & Related Financing Activities:					
Capital construction	(141,697)	(3,012)	(10,086)	(154,795)	(158,714)
Proceeds from debt	-	-	-	-	19,652
Repayment of debt	(12,815)	(5,610)	(1,078)	(19,503)	(18,233)
Debt issuance costs	-	-	-	-	(227)
Interest paid	(20,091)	(4,017)	(1,186)	(24,219)	(23,771)
Capital contributions	23,411	37	1,777	25,225	20,926
Intercompany loans	2,483	(2,483)	-	-	-
Other cash received (paid)	15,409	(35)	256	15,630	5,535
Net Cash Provided by (Used for) Capital & Related Financing Activities	(133,300)	(15,120)	(10,317)	(157,662)	(154,832)
Cash Flows from Investing Activities:					
Sale of special funds and investment securities	313,899	16,450	25,185	355,534	337,630
Purchase of special funds and investment securities	(235,928)	(17,728)	(19,031)	(272,687)	(265,341)
Interest on investment securities	20,475	1,443	1,993	22,836	18,802
Net Cash Provided by (Used for) Investing Activities	98,446	165	8,147	105,683	91,091
Cash Flows from Non-Capital Financing Activities:					
Non-capital grants received	569	980	-	1,549	10,669
Net Cash Provided by Non-Capital Financing Activities	569	980	-	1,549	10,669
Net Increase (Decrease) in Cash & Cash Equivalents	9,391	1,010	684	11,085	14,788
Beginning of Year	46,971	4,634	2,499	54,104	39,316
Cash & Cash Equivalents – End of Year	\$ 56,362	\$ 5,644	\$ 3,183	\$ 65,189	\$ 54,104

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

Combined Statements of Cash Flows (continued)

Years Ended December 31, 2024 and 2023

(In thousands)

	2024				As restated 2023
	Electric System	Generation System	Water System	Combined	Combined
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:					
Net Operating Income (Loss)	\$ 14,653	\$ 7,899	\$ (893)	\$ 21,659	\$ 48,264
Adjustments to net operating income					
Depreciation expense	66,971	6,301	3,831	77,103	75,353
Pension and OPEB related	(23,059)	(659)	(714)	(24,432)	(27,216)
Other cash received (paid)	(258)	(154)	(17)	(429)	2,190
(Increase)decrease in receivables	398	1,355	(64)	1,689	7,698
(Increase)decrease in other assets	(17,201)	(43)	(40)	(17,284)	(15,380)
Increase(decrease) in payables	7,183	(85)	982	8,080	(28,694)
Increase(decrease) in other liabilities	(5,011)	371	(231)	(4,871)	5,645
Total Adjustments	29,023	7,086	3,747	39,856	19,596
Net Cash Provided by Operating Activities	\$ 43,676	\$ 14,985	\$ 2,854	\$ 61,515	\$ 67,860

Non-cash Investing, Capital and Related Financing Activities:

Non-cash capital contributions	\$ 10,180	\$ -	\$ 2,248	\$ 12,428	\$ 11,853
Changes in valuation of financial instruments	2,707	72	96	2,875	8,977
Amortization of debt related costs	2,366	892	253	3,511	3,511

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

Notes to Combined Financial Statements

December 31, 2024 and 2023

Note 1

Summary of Significant Accounting Policies

General

Public Utility District No. 1 of Snohomish County, Washington, (the PUD) is a public electric and water utility serving Snohomish County and Camano Island in Island County, Washington. The PUD's operations consist of three systems: Electric, Generation, and Water. The PUD is governed by a three-member Board of Commissioners (Commission), which is elected for staggered six-year terms. The legal responsibilities and powers of the PUD, including the establishment of rates and charges for services rendered, are exercised through the Commission.

The Electric System is made up of the PUD's electric transmission and distribution system. The Generation System is composed of the PUD's Henry M. Jackson Hydroelectric Project (Jackson Project), four smaller hydroelectric projects, and a biofuel generator. The Water System is made up of the PUD's water distribution system.

The accompanying financial statements for 2024 include the Combined Statements of Net Position, the Combined Statements of Revenues, Expenses, and Changes in Net Position, and the 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 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 other income and expense.

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 monthly. 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 \$38 million and \$42 million as of December 31, 2024, and 2023, respectively. Unbilled water revenue was \$701 thousand and \$709 thousand as of December 31, 2024, and 2023, respectively.

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 \$2.7 million and \$2.1 million as of December 31, 2024 and 2023, respectively.

Material and Supplies

Material and supplies are recorded at average cost and consist primarily of materials for construction and maintenance of utility plant.

Special Funds

Special funds are restricted or limited-use funds that have been established in accordance with Commission resolutions, bond resolutions, state law, or other agreements. These funds, which consist of cash, cash equivalents, and investments, are restricted for specific purposes, including debt service, bond reserves, qualifying capital expenditures, other post-employment benefits

(OPEB), Federal Energy Regulatory Commission (FERC) license commitments, and other reserve requirements. It is the PUD's practice to use unrestricted funds prior to using restricted funds, except for funds set aside for specific expenditures and debt service payments.

In September 2024, the Commission adopted resolutions which reclassified its Electric and Water System rate stabilization funds from restricted to unrestricted within the investment portfolio. As a result, \$115 million of Electric System funds and \$1.5 million of Water System funds were prospectively reclassified on the Combined Statements of Net Position from restricted net position to unrestricted net position and from special funds to long-term and temporary investment assets.

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 method. The 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 and amortization 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 Commission 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 accumulate earned but unused paid time off, vacation, holidays, compensatory time off, sick and extended sick pay benefits, collectively referred to as compensated absences. The liability for compensated absences is calculated under the provisions of GASB Statement No. 101 Compensated Absences. As of December 31, 2024 and 2023, the accrued liability for these benefits was \$29 million and \$27 million, respectively, reflecting a net increase of \$2 million. These liabilities are included in other accrued 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 receivable, accrued liability for injuries and damages, compensated absences, depreciable lives of utility plant, pensions, and other contingencies. Actual results could differ from these estimates.

Note 2

Accounting Changes and Reclassifications

Change in Accounting Principles

In June 2022, GASB issued Statement No. 100 Accounting Changes and Error Corrections, which establishes accounting and financial reporting requirements for accounting changes and error corrections. This new standard has been issued to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The PUD adopted the provisions of GASB Statement No. 100 for the year ended December 31, 2024.

In June 2022, GASB issued Statement No. 101 Compensated Absences, which establishes a financial reporting requirement for the recognition and measurement of compensated absences. This statement provides for more consistent reporting of compensated absence liabilities and related expenses. A liability for compensated absences is recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability is recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates,

and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The PUD adopted the provisions of GASB Statement No. 101 effective January 1, 2023. To reflect the cumulative effect of implementing this statement, the Combined Statements of Net Position and Combined Statements of Revenues, Expenses, and Changes in Net Position have been restated, as summarized below (in thousands) as of December 31, 2023.

	Electric			Combined		
	As Previously Reported	Change in Accounting Principle	As Restated	As Previously Reported	Change in Accounting Principle	As Restated
Operations expense	\$ 208,087	\$ 5,586	\$ 213,673	\$ 219,385	\$ 5,586	\$ 224,971
Maintenance expense	36,008	1,135	37,143	41,864	1,135	42,999
Net Income	87,394	(6,721)	80,673	101,892	(6,721)	95,171
Other accrued liabilities	30,495	6,721	37,216	30,571	6,721	37,292
Net Position	\$ 1,592,243	\$ (6,721)	\$ 1,585,522	\$ 1,881,138	\$ (6,721)	\$ 1,874,417

In May 2020, GASB issued Statement No. 96 Subscription-Based Information Technology Arrangements (SBITAs), which establishes a standard of accounting for the right-to-use subscription assets that are a financial exchange when specific conditions are met. These arrangements are considered right-to-use assets. The PUD adopted the provisions of GASB Statement No. 96 for the year ended December 31, 2023. (Footnote 6)

Certain reclassifications have been made in the 2023 financial statements to conform to the 2024 presentation.

Note 3

Special Funds and Cash and Temporary Investments

The PUD's investment policy authorizes the investment of funds in United States (U.S.) Treasury, federally guaranteed and U.S. government-sponsored enterprise agency obligations, municipal bonds, supranational securities, commercial paper, certificates of deposit, bankers' acceptances, bank deposits and savings accounts. Certificates of deposit and bank deposits are held with qualified public depositories of the State of Washington and are 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 State of Washington statutes, PUD investment policy, 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 as of December 31, 2024 and 2023 are summarized below.

	Electric System		Generation System		Water System	
	2024	2023	2024	2023	2024	2023
U.S. Treasury Securities	42%	50%	27%	23%	41%	42%
U.S. Agency Obligations						
Federal Home Loan Bank	10%	16%	6%	11%	1%	8%
Federal Farm Credit Bank	12%	8%	6%	-	4%	13%
Federal National Mortgage Association	3%	2%	7%	7%	4%	4%
Supranational Securities						
Inter-American Development Bank	5%	2%	-	-	-	2%
International Bank for Reconstruction and Development	-	-	5%	5%	3%	2%
International Finance Corporation	1%	1%	1%	-	3%	-
Municipal Bonds						
State of California	1%	1%	-	5%	-	1%
State of Hawaii	-	-	-	-	5%	4%
State of Maryland	-	-	-	-	10%	-
Cash and Interest-bearing Demand or Time Deposits	3%	4%	-	-	1%	-
Washington State Local Government Investment Pool	23%	16%	48%	49%	28%	24%

The PUD invests funds consistent with the following objectives: conform with state and local statutes, preserve principal, maintain adequate liquidity, and maximize yield. The PUD's investments are purchased with the intent 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 under the Washington State Public Deposit Protection Act.

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, 2024, LGIP investments include primarily U.S. Treasury securities, repurchase agreements, U.S. agency securities, and interest-bearing bank deposits. The PUD records these investments at amortized cost.

The PUD must give notice to the LGIP of planned withdrawals over \$1 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 U.S. bond markets are closed, and if the Securities and Exchange Commission declares an emergency.

To address custodial credit risk, all investments except bank deposits, certificates of deposit, and funds held in the LGIP, are held in the PUD's name by a third-party custodian. The PUD addresses concentration of credit risk by diversifying investments by security type and issuer.

The PUD manages its exposure to decreases in the fair value of its investments arising from increasing interest rates by diversifying investments by time to maturity. 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 to mitigate interest rate risk. Investment maturities for combined special funds and cash and temporary investments as of December 31, were as follows:

Term	2024		2023	
	Amount Invested (In thousands)	Percent of invested funds	Amount Invested (In thousands)	Percent of invested funds
Less than 30 days	\$ 98,020	21%	\$ 93,717	17%
30 to 90 days	37,257	8%	30,671	6%
90 days to 1 year	104,177	22%	174,522	32%
1 year to 5 years	202,884	43%	212,165	40%
Bond reserves invested to bond maturity	27,577	6%	27,811	5%
Total	\$ 469,915	100%	\$ 538,886	100%

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):

	2024				2023			
	Electric		Generation		Water		Combined	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
U.S. Treasury Notes	\$ 173,176	\$ -	\$ 6,806	\$ -	\$ 14,822	\$ -	\$ 263,447	\$ -
U.S. Agency Obligations	-	102,641	-	4,765	-	3,316	-	137,422
Supranational Securities	-	25,802	-	1,488	-	2,184	-	19,007
Municipal Bonds	-	2,638	-	-	-	5,322	-	6,150
Assets Valued at Fair Value	\$ 173,176	\$ 131,081	\$ 6,806	\$ 6,253	\$ 14,822	\$ 10,822	\$ 263,447	\$ 162,579

Note 4

Capital Assets

Utility Plant

The PUD's utility plant is stated at cost, which includes both direct and indirect costs of construction or acquisition. The capitalization threshold for utility plant is \$5 thousand and \$35 thousand for information technology. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from five to seventy-seven years.

When utility plant assets are retired, the original cost together with removal costs, less salvage, is charged to accumulated depreciation. The cost of maintenance and repairs is charged to expense as incurred, while the cost of replacements and betterments is capitalized. See Table 1 for additional utility plant details.

The PUD reviews the carrying value of its utility plant and other equipment when 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, relating to expansions to the PUD's infrastructure, as a separate category of non-operating revenue.

Note 5

Leases

The PUD is both a lessee and a lessor. For leases with a maximum possible term of twelve months or less at commencement, the PUD considers those short-term leases and recognizes expense or revenue in the year incurred based on the provisions in each contract. For all other leases, as a lessee or lessor, the PUD recognizes a right-to-use asset and lease liability, or a lease receivable and a deferred inflow, respectively.

PUD as a Lessee

The following table summarizes the balances of right-to-use assets by major classes reported in net utility plant as of December 31 (in thousands):

	2024		2023	
	Electric	Generation	Electric	Generation
Right-to-use assets – Land	\$8,210	\$ 102	\$ 8,117	\$ 102
Less Accumulated Amortization	(1,075)	(17)	(647)	(9)
Right-to-use assets – Land, Net	7,135	85	7,470	93
Right-to-use assets – Building	-	162	419	162
Less Accumulated Amortization	-	(60)	(279)	(30)
Right-to-use assets – Building, Net	-	102	140	132
Right-to-use assets – Equipment	287	-	339	-
Less Accumulated Amortization	(81)	-	(52)	-
Right-to-use assets – Equipment, Net	206	-	287	-
Total Right-to-use Assets	\$7,341	\$ 187	\$ 7,897	\$ 225

The PUD is involved in several leases and subleases of land and buildings to perform PUD operations. The obligations relating to these leases have been recognized on the Combined Statements of Net Position under lease liability and the related right-to-use asset under plant in service, equal to the present value of the lease payments in each agreement payable during the contracted term. For years ended December 31, 2024 and 2023, the PUD recorded \$740 thousand and \$644 thousand as amortization of right-to-use lease assets, as well as \$265 thousand and \$238 thousand in interest expense, respectively.

Table 1 Utility Plant

(In thousands)

	As restated 2022	2023			2024		
	Ending Balance	Additions	Retirements & Transfers	Ending Balance	Additions	Retirements & Transfers	Ending Balance
Electric System							
Transmission	\$ 189,178	\$ 9,300	\$ (515)	\$ 197,963	\$ 18,752	\$ (440)	\$ 216,275
Distribution	1,436,941	91,172	(8,645)	1,519,468	108,392	(11,127)	1,616,733
General Plant & Other	446,072	30,300	(279)	476,093	24,629	(5,028)	495,694
Right-to-use Lease Assets	4,490	4,542	(157)	8,875	151	(529)	8,497
Right-to-use Subscription Assets ¹	7,157	1,069	(1,721)	6,505	3,491	(2,619)	7,377
Land & Non-Depreciable Assets	77,312	2,056	-	79,368	4,003	-	83,371
Plant in Service	2,161,150	138,439	(11,317)	2,288,272	159,418	(19,743)	2,427,947
Construction Work in Progress	155,155	19,861	-	175,016	-	(2,419)	172,597
Utility Plant	2,316,305	158,300	(11,317)	2,463,288	159,418	(22,162)	2,600,544
Less Accumulated Depreciation and Amortization ¹	(891,231)	(60,339)	3,624	(947,946)	(60,318)	7,969	(1,000,295)
Net Utility Plant	\$ 1,425,074	\$ 97,961	\$ (7,693)	\$ 1,515,342	\$ 99,100	\$ (14,193)	\$ 1,600,249
Generation System							
Generation/Production	\$ 297,767	\$ 4,583	\$ (25)	\$ 302,325	\$ 5,650	\$ (509)	\$ 307,466
Transmission	2,916	100	(43)	2,973	-	-	2,973
Distribution	8,814	-	16	8,830	-	-	8,830
General Plant & Other	31,343	1,603	(22)	32,924	632	(7)	33,549
Right-to-use Lease Assets	161	103	-	264	-	-	264
Land & Non-Depreciable Assets	13,850	1	4	13,855	-	-	13,855
Plant in Service	354,851	6,390	(70)	361,171	6,282	(516)	366,937
Construction Work in Progress	6,230	471	-	6,701	-	(3,136)	3,565
Utility Plant	361,081	6,861	(70)	367,872	6,282	(3,652)	370,502
Less Accumulated Depreciation and Amortization	(162,063)	(6,180)	17	(168,226)	(6,220)	302	(174,144)
Net Utility Plant	\$ 199,018	\$ 681	\$ (53)	\$ 199,646	\$ 62	\$ (3,350)	\$ 196,358
Water System							
Generation/Production	\$ 9,418	\$ 389	\$ -	\$ 9,807	\$ 437	\$ -	\$ 10,244
Transmission & Distribution	153,522	1,062	(21)	154,563	13,850	(1,147)	167,266
General Plant & Other	14,216	243	-	14,459	542	(362)	14,639
Land & Non-Depreciable Assets	4,169	-	-	4,169	-	-	4,169
Plant in Service	181,325	1,694	(21)	182,998	14,829	(1,509)	196,318
Construction Work in Progress	3,731	5,704	-	9,435	-	(1,644)	7,791
Utility Plant	185,056	7,398	(21)	192,433	14,829	(3,153)	204,109
Less Accumulated Depreciation	(47,562)	(3,086)	24	(50,624)	(3,677)	505	(53,796)
Net Utility Plant	\$ 137,494	\$ 4,312	\$ 3	\$ 141,809	\$ 11,152	\$ (2,648)	\$ 150,313
Combined Net Utility Plant	\$ 1,761,586	\$ 102,954	\$ (7,743)	\$ 1,856,797	\$ 110,314	\$ (20,191)	\$ 1,946,920

¹Right-to-use subscription assets and associated accumulated amortization restated in 2022 in accordance with GASB 96

Lessee activity resides within the Electric System except for two Generation System leases. As of December 31, 2024, the PUD had principal and interest requirements for active leasing activities, as follows (in thousands):

Year Ended December 31	Principal	Interest	Total
2025	\$ 358	\$ 259	\$ 617
2026	336	251	587
2027	294	244	538
2028	248	238	486
2029	263	233	496
2030-2034	1,381	1,063	2,444
2035-2039	1,608	844	2,452
2040-2044	1,159	587	1,746
2045-2049	951	410	1,361
2050-2054	1,400	142	1,542
Total	\$ 7,998	\$ 4,271	\$ 12,269

PUD 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 one month to twenty-two years. The agreements are recorded as a lease asset receivable at their net present value of \$5.7 million and \$20 million on the Combined Statements of Net Position as of December 31, 2024 and 2023, respectively. The PUD recognized \$1.9 million and \$4.3 million of lease income and \$93 thousand and \$244 thousand in lease interest income recorded as other income for both years ended December 31, 2024 and 2023, respectively.

Note 6

Subscription Based Information Technology Arrangements

The PUD considers SBITAs with a maximum possible term of twelve months or less at commencement to be short-term and expensed as incurred. For all other SBITAs, the PUD recognizes a right-to-use subscription asset and a subscription liability. Currently, all SBITAs are held by the Electric System. The PUD has eighteen SBITAs that meet the criteria for recognition and the PUD's information technology capitalization threshold of \$35 thousand. The right-to-use asset relating to these SBITAs are recognized on the Combined Statements of Net Position within plant in service.

The following table shows the total amount of SBITA assets and the related accumulated amortization as of December 31 (in thousands):

	2024	2023
Subscription Assets	\$ 7,377	\$ 6,505
Accumulated Amortization	(2,598)	(2,557)
Net Subscription Asset	\$ 4,779	\$ 3,948

The PUD's eighteen SBITAs have terms through 2027 that meet the criteria for recognition under GASB Statement No. 96. For years ended December 31, 2024 and 2023, the PUD recorded \$2.8 million and \$2.4 million as amortization of right-to-use subscription assets, as well as \$49 thousand and \$19 thousand in interest expense, respectively. As of December 31, 2024, the PUD had principal and interest requirements for their SBITA activities, as follows (in thousands):

	Principal	Interest	Total
2025	\$ 1,905	\$ 60	\$ 1,965
2026	1,564	20	1,584
2027	19	1	20
Total	\$ 3,488	\$ 81	\$ 3,569

The PUD excludes variable payments from the measurement of the right-to-use assets and subscription liability. Those payments totaled \$358 thousand and \$227 thousand for the years ended December 31, 2024 and 2023, respectively.

Note 7

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 2 (in thousands):

Table 2

	Electric System Revenue Bonds		Generation System Revenue Bonds		Water System Revenue Bonds		Loans	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 14,860	\$ 19,682	\$ 1,410	\$ 2,654	\$ 710	\$ 1,100	\$ 418	\$ 48
2026	14,275	19,173	1,480	2,583	685	1,065	418	43
2027	14,695	18,678	1,560	2,505	740	1,031	418	38
2028	15,140	18,153	1,640	2,423	840	994	354	33
2029	15,620	17,595	1,730	2,337	885	952	354	29
2030-2034	88,015	74,388	10,100	10,225	5,135	4,049	1,360	100
2035-2039	110,475	48,590	13,025	7,295	6,505	2,635	736	44
2040-2044	46,865	24,786	16,750	3,569	6,510	834	442	9
2045-2049	50,325	15,678	3,870	194	-	-	-	-
2050-2053	29,910	2,578	-	-	-	-	-	-
Total	\$ 400,180	\$ 259,301	\$ 51,565	\$ 33,785	\$ 22,010	\$ 12,660	\$ 4,500	\$ 344

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 in 2024 and 2023 were \$43 million and \$41 million, respectively. Total revenues available for debt service as defined for the same periods were \$126 million and \$144 million in 2024 and 2023, respectively. Annual principal and interest payments required 34% and 29% of revenues as of December 31, 2024 and 2023, respectively.

Tax-exempt Revenue bonds make up the majority of the PUD's long-term debt and are subject to Internal Revenue Service Code (the Code) requirements for arbitrage rebate. Rebates are calculated based on earnings on gross proceeds of the bonds that are in excess of the amount prescribed by the Code. The estimated arbitrage liability as of December 31, 2024, was \$505 thousand and \$354 thousand as of December 31, 2023.

Electric System

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

	December 31,	
	2024	2023
Series 2022A Revenue bonds, 4.0-5.0%, due 2025-2052, earliest call 2032	\$ 61,050	\$ 61,050
Series 2021A Revenue bonds, 5.0%, due 2026-2051, earliest call 2031	78,685	78,685
Series 2020A Revenue Refunding bonds, 0.7-1.5%, due 2025-2028	24,975	37,790
Series 2015 Revenue bonds, 5.0%, due 2025-2040, earliest call 2025	119,475	119,475
Series 2010A Revenue bonds, 5.5-5.6%, due 2025-2035, currently callable	115,995	115,995
Total Principal Outstanding on Long-Term Debt	\$ 400,180	\$ 412,995

Changes in the Electric System long-term debt for the years ending as of December 31, follow (in thousands):

	2022	2023			2024		
	Balance	Additions	Reductions	Balance	Additions	Reductions	Balance
Revenue bonds, face amount	\$ 424,980	\$ -	\$ (11,985)	\$ 412,995	\$ -	\$ (12,815)	\$ 400,180
Unamortized bond premium	40,454	-	(2,660)	37,794	-	(2,623)	35,171
Unamortized bond discount	(51)	-	6	(45)	-	5	(40)
Total Debt	465,383	-	(14,639)	450,744	-	(15,433)	435,311
Less: Current maturities	(11,985)			(12,815)			(14,860)
Total Long-Term Debt	\$ 453,398			\$ 437,929			\$ 420,451

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. As of December 31, 2024 and 2023, the PUD maintained the reserve requirement of \$21 million in the Electric System.

The fair value of the Electric System's long-term debt was \$411 million and \$437 million as of December 31, 2024 and 2023, respectively. 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,	
	2024	2023
Series 2020A Revenue Refunding bonds, 5.0%, due 2024	\$ -	\$ 5,080
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 2025-2040, currently callable	11,580	12,110
Total Principal Outstanding on Long-Term Debt	\$ 51,565	\$ 57,175

Changes in the Generation System long-term debt for the years ending as of December 31, follow (in thousands):

	2022			2023			2024		
	Balance	Additions	Reductions	Balance	Additions	Reductions	Balance	Additions	Reductions
Revenue bonds, face amount	\$ 62,530	\$ -	\$ (5,355)	\$ 57,175	\$ -	\$ (5,610)	\$ 51,565	\$ -	\$ (5,610)
Unamortized bond premiums	4,098	-	(720)	3,378	-	(489)	2,889	-	(489)
Unamortized bond discounts	(6)	-	1	(5)	-	-	(5)	-	-
Total Debt	66,622	-	(6,074)	60,548	-	(6,099)	54,449	-	(6,099)
Less: Current maturities	(5,355)			(5,610)			(1,410)		
Total Long-Term Debt	\$ 61,267			\$ 54,938			\$ 53,039		

The PUD is required to maintain a cash reserve for certain Generation System bonds. As of December 31, 2024 and 2023, the PUD maintained the reserve requirement of \$5.1 million and \$5.3 million, respectively, in the Generation System.

The fair value of the Generation System's long-term debt was \$54 million and \$60 million as of December 31, 2024 and 2023, respectively. 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,	
	2024	2023
Series 2023 Revenue Refunding bonds, 5.0%, due 2025-2043	\$ 17,725	\$ 17,885
Series 2019 Revenue Refunding bonds, 5.0%, due 2025-2031	4,285	4,785
State of Washington Drinking Water Revolving Fund loans:		
equal principal payments plus 1.0% interest due annually through 2042	2,649	2,797
equal principal payments plus 1.0% interest due annually through 2034	1,246	1,370
equal principal payments plus 1.5% interest due annually through 2029	413	496
equal principal payments plus 1.5% interest due annually through 2027	192	256
Total Principal Outstanding on Long-Term Debt	\$ 26,510	\$ 27,589

During October of 2023, the PUD issued \$18 million of Series 2023 Water System Revenue bonds at a premium of \$1.1 million with an average interest rate of 4.2%. The proceeds from the bonds will be used to finance additions, betterments, and improvements to and renewals, replacements, and extensions of the Water System.

Changes in the Water System long-term debt for the years ending December 31, follow (in thousands):

	2022			2023			2024		
	Balance	Additions	Reductions	Balance	Additions	Reductions	Balance	Additions	Reductions
Revenue bonds, face amount	\$ 5,260	\$ 17,885	\$ (475)	\$ 22,670	\$ -	\$ (660)	\$ 22,010		
Unamortized bond premiums	843	1,142	(189)	1,796	-	(249)	1,547		
Other notes payable	5,337	-	(419)	4,918	-	(418)	4,500		
Total Debt	11,440	19,027	(1,083)	29,384	-	(1,327)	28,057		
Less: Current maturities	(893)			(1,078)			(1,128)		
Total Long-Term Debt	\$ 10,547			\$ 28,306			\$ 26,929		

The Water System periodically enters into low-interest loan agreements with the Washington State Public Works Trust Fund and the Drinking Water State Revolving Fund (DWSRF). These funds have provided various loans to the PUD for the repair, replacement, rehabilitation, and reconstruction of water facilities.

The PUD is required to maintain a cash reserve for certain Water System bonds. As of December 31, 2024 and 2023, the PUD maintained the reserve requirement of \$1.2 million in the Water System.

The fair value of the Water System's long-term Revenue bonds was \$24 million and \$26 million, respectively, as of December 31, 2024 and 2023. The fair value for the Washington State Public Works Trust Fund loan and the DWSRF loans approximates the carrying amounts since such loans are exclusive and have no market.

Note 8

Retirement and Deferred Compensation Plans

Pensions – State Sponsored Plans

The table that follows represents the aggregate pension amounts for all plans ending December 31, (in thousands):

	2024	2023
Pension liabilities	\$ (15,226)	\$ (20,330)
Pension assets	\$ 35,956	\$ 46,833
Deferred outflows of resources	\$ 54,172	\$ 38,478
Deferred inflows of resources	\$ (14,725)	\$ (25,854)
Pension expense/expenditures (credits)	\$ (21,050)	\$ (21,679)

State Sponsored Pension Plans

Substantially all PUD full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The Washington State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

DRS, a department within the primary government of the State of Washington, issues a publicly available Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials, state employees, employees of local governments, and higher education employees not participating in higher education retirement programs.

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the 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. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits 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 Plan 2 or Plan 3 members or beneficiaries.

PERS Plan 1 Description & Contributions

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's twenty-four highest consecutive service months. Members are eligible for retirement from active status at any age with at least thirty years of service, at age fifty-five with at least twenty-five years of service, or at age sixty with at least five years of service.

PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of sixty-five may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). 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 Washington State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary (OSA), adopted by the Pension Funding Council and is subject to change by the legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) were as follows:

Actual Contribution Rates	Employer	Employee
September 2022 through June 2023	10.39%	6.00%
July 2023 through August 2023	9.39%	6.00%
September 2023 through June 2024	9.53%	6.00%
July 2024 through August 2024	9.03%	6.00%
September 2024 through December 2024	9.11%	6.00%

PERS 2/3 Description & Contributions

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's sixty highest-paid consecutive service months. Members are eligible for retirement with a full benefit at sixty-five with at least five years of service credit. Retirement before age sixty-five is considered an early retirement. PERS Plan 2/3 members who have at least twenty years of service credit and are fifty-five 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 sixty-five. PERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the Consumer Price Index, capped at 3% annually. 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 twelve months of that service are earned after age forty-four. PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. 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 OSA to fully fund Plan 2 and the defined benefit portion of Plan 3. The rates are adopted by the Pension Funding Council and are subject to change by the Legislature. The employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plan 2/3 defined benefit required contribution rates (expressed as a percentage of covered payroll) were as follows:

Actual Contribution Rates	Employer Plan 2/3	Employee Plan 2	Employee Plan 3
September 2022 through June 2023	10.39%	6.36%	varies
July 2023 through August 2023	9.39%	6.36%	varies
September 2023 through June 2024	9.53%	6.36%	varies
July 2024 through August 2024	9.03%	6.36%	varies
September 2024 through December 2024	9.11%	6.36%	varies

Both the PUD and employees made the required contributions. The PUD's required contributions for the years ended December 31, were (in thousands):

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2024	\$39	\$14,888	\$2,927
2023	\$37	\$13,046	\$2,687
2022	\$39	\$13,262	\$2,666

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2024 with a valuation date of June 30, 2023. The actuarial assumptions used in the valuation were based on the results of the OSA 2013-2018 Demographic Experience Study and the 2023 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2023 actuarial valuation report (AVR). The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2024. Plan liabilities were rolled forward from June 30, 2023, to June 30, 2024, reflecting each plan's normal cost (using the entry-age cost method), assumed interest, and actual benefit payments.

- **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 service-based salary increase.
- **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.

Assumptions did not change from the prior contribution rate setting June 30, 2022, AVR. OSA adjusted their methods for calculating UAAL contribution rates in PERS 1 to reflect the delay between the measurement date of calculated Plan 1 rates and when the rates are collected. OSA made an adjustment to their model to reflect past inflation experience when modeling future COLAs for current annuitants in all plans except PERS 1.

Discount Rate

The discount rate used to measure the TPL 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.

Long-term Expected Rate of Return

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 CMAs 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 pen-

sion plan's target asset allocation as of June 30, 2024. The inflation component used to create the table is 2.5% 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	19%	2.1%
Tangible assets	8%	4.5%
Real estate	18%	4.8%
Global equity	30%	5.6%
Private equity	25%	8.6%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the PUD's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.0%, as well as what the PUD's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate (in thousands).

	2024			2023		
	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	\$ 22,397	\$ 15,226	\$ 8,937	\$ 28,402	\$ 20,330	\$ 13,285
PERS 2/3	\$ 64,817	\$ (35,956)	\$ (118,718)	\$ 50,936	\$ (46,833)	\$ (127,156)

Pension Plan Fiduciary Net Position

Detailed information about Washington State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liability (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, the PUD reported its proportionate share of the net pension liabilities and assets as follows (in thousands):

Plan	Liability (or Asset)	
	2024	2023
PERS 1	\$ 15,226	\$ 20,330
PERS 2/3	(35,956)	(46,833)
Total	\$ (20,730)	\$ (26,503)

As of June 30, the PUD's proportionate share of the collective net pension liabilities was as follows:

Plan	Proportionate Share 6/30/24	Proportionate Share 6/30/23	Change in Proportion
PERS 1	0.86%	0.89%	(0.03%)
PERS 2/3	1.09%	1.14%	(0.05%)
Total	1.95%	2.03%	(0.08%)

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2024, are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the Schedules of Employer and Nonemployer Allocations for all plans.

Pension Expense

For the years ended December 31, the PUD recognized pension expense (credits) as follows (in thousands):

Plan	2024	2023
PERS 1	\$ (6,502)	\$ (6,784)
PERS 2/3	(14,548)	(14,895)
Total	<u>\$ (21,050)</u>	<u>\$ (21,679)</u>

Deferred Outflows of Resources and Deferred (Inflows) of Resources

As of December 31, the PUD reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following (in thousands):

	2024				2023			
	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	\$ -	\$ -	\$ 20,431	\$ (83)	\$ -	\$ -	\$ 9,540	\$ (523)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,218)	-	(10,304)	-	(2,293)	-	(17,649)
Change of assumptions	-	-	19,855	(2,278)	-	-	19,662	(4,286)
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	4,228	(842)	-	-	1,694	(1,103)
Contributions subsequent to measurement date	2,803	-	6,855	-	2,479	-	5,103	-
	<u>\$ 2,803</u>	<u>\$ (1,218)</u>	<u>\$ 51,369</u>	<u>\$ (13,507)</u>	<u>\$ 2,479</u>	<u>\$ (2,293)</u>	<u>\$ 35,999</u>	<u>\$ (23,561)</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 ending December 31, 2025. Other amounts reported as deferred outflows and deferred (inflows) of resources related to pensions will be recognized through pension expense as follows (in thousands):

Year Ended December 31	PERS 1	PERS 2/3
2025	\$ (2,016)	\$ (7,178)
2026	1,036	16,375
2027	(110)	7,547
2028	(128)	7,301
2029	-	3,854
2030	-	3,108
	<u>\$ (1,218)</u>	<u>\$ 31,007</u>

Post-Employment Benefits Other than Pensions

The PUD implemented GASB Statement No. 75 to recognize the 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. The two OPEB plans, and other employee benefits are administered by a Voluntary Employees'

Beneficiary Association (VEBA) Trust, of which the PUD is a plan sponsor and makes irrevocable employer and employee contributions to the trust for the benefit of plan beneficiaries. There are no stand-alone financial statements presented for either of these plans, however the combined VEBA Trust financial statements are available upon request.

OPEB 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 HRA. For retirees and their dependents under the age of sixty-five 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 the age of sixty-five 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 sixty-five, 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 June 30, 2009. The PUD continues to make contributions and calculate future liabilities; however, the plan itself is closed to new members. In 2024 and 2023, the PUD contributed \$3.5 and \$2.9 million, respectively, to the plan. Plan members receiving benefits contributed \$504 thousand and \$463 thousand in 2024 and 2023, respectively.

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 thousand 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 \$361 thousand and \$328 thousand toward the premium in 2024 and 2023, respectively.

Valuation Date, Measurement Date, and Reporting Date

The valuation date of OPEB liability is December 31, 2022. This is the date as of which the census data is gathered, and the actuarial valuation is performed. The measurement date is December 31, 2023. This is the date as of which the total OPEB liability is determined and rolled forward to the reporting date of December 31, 2024. 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 for the period ended December 31, 2024, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- **Inflation:** 2.5% based on Actuary's capital market expectations
- **Salary increases:** 3.25% for which the assumption above inflation is based upon the most recent pension valuation for PERS Plan 2, a subset DRS
- **Discount rate:** 3.26% as of the measurement date of December 31, 2023
- **Healthcare cost trend rates:** 6.8% for 2023, decreasing to an ultimate rate of 4.5% for 2042 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 2023-2027, increasing to 5.0% in 2028-2057, and decreasing to an ultimate rate of 2.0% in 2067 and later years
- **Retirees' share of life benefit-related costs:** 25% of projected life insurance premiums for retirees

The discount rate was based on the twenty-year, tax-exempt general obligation municipal bond yield, as required by GASB Statement No. 75.

Mortality rates were based on the PUB 2010 Tables for Males or Females, as appropriate, projected generationally.

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 valuation were based on the results of the OSA 2013-2018 Demographic Experience Study.

OPEB Liability

As of December 31, 2024, the PUD's total OPEB liability for retiree healthcare was \$37.8 million, and \$4.3 million for retiree life benefits, recorded in other accrued and other liabilities. The annual payroll of active employees covered by the plan was \$68.7 million in 2024, compared to \$64.2 million in 2023.

The following census of membership was used in the actuarial valuation:

	Healthcare	Life
Retirees (and beneficiaries for healthcare)	692	191
Active employees	394	3
Total	1,086	194

The following table shows the changes in the PUD's net OPEB liability (in thousands):

	2024				2023
Healthcare	Electric	Generation	Water	Combined	Combined
Net OPEB liability – beginning of year	\$ 35,333	\$ 824	\$ 869	\$ 37,026	\$ 41,574
Changes for the year:					
Service Cost	630	18	19	667	1,016
Interest on total OPEB liability	1,276	36	40	1,352	851
Effect of economic/demographic gains/(losses)	–	–	–	–	2,470
Effect of assumptions changes or inputs	1,361	39	42	1,442	(6,371)
Expected benefit payments	(2,529)	(72)	(78)	(2,679)	(2,514)
Net Changes	738	21	23	782	(4,548)
Net OPEB liability – end of year	\$ 36,071	\$ 845	\$ 892	\$ 37,808	\$ 37,026

	2024				2023
Life	Electric	Generation	Water	Combined	Combined
Net OPEB liability – beginning of year	\$ 4,123	\$ 101	\$ 104	\$ 4,328	\$ 5,511
Changes for the year:					
Service Cost	2	–	–	2	4
Interest on total OPEB liability	146	4	5	155	110
Effect of economic/demographic gains/(losses)	–	–	–	–	(205)
Effect of assumptions changes or inputs	164	5	5	174	(742)
Expected benefit payments	(314)	(8)	(10)	(332)	(350)
Net Changes	(2)	1	–	(1)	(1,183)
Net OPEB liability – end of year	\$ 4,121	\$ 102	\$ 104	\$ 4,327	\$ 4,328

Changes of assumptions and other inputs reflect a change in the discount rate from 3.72% in 2023 to 3.26% in 2024. 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 3.26%, as well as what the PUD's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.26%) or one percentage point higher (4.26%) than the current rate (in thousands):

	2024		
	1% Decrease (2.26%)	Current Discount Rate (3.26%)	1% Increase (4.26%)
Healthcare	\$ 41,264	\$ 37,808	\$ 34,777
Life	\$ 4,749	\$ 4,327	\$ 3,965

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate

The following presents the total OPEB liability of the PUD, calculated using the current healthcare cost trend rates as well as what the PUD's total OPEB liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates (in thousands):

	2024		
	1% Decrease 5.80% Graded Down to 3.50%	Current Trend Rate 6.80% Graded Down to 4.50%	1% Increase 7.80% Graded Down to 5.50%
Healthcare	\$36,427	\$37,808	\$39,386

OPEB Financial Statement Balances

For the year ended December 31, 2024, and 2023, the PUD recognized an OPEB healthcare expense of \$1.4 million and expense reduction of \$0.1 million, respectively. For OPEB life insurance, the PUD recognized an OPEB expense of \$331 thousand and expense reduction of \$833 thousand for each of the years ended December 31, 2024 and 2023, respectively.

As of December 31, 2024, the PUD reported deferred outflows of resources and deferred inflows of resources related to OPEB healthcare from the following sources (in thousands):

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 876	\$ -
Changes of assumptions or other inputs	1,017	(2,261)
Total	\$ 1,893	\$ (2,261)

There were no deferred outflows or deferred inflows of resources related to the OPEB life plan.

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB credit (expense) as follows (in thousands):

Measurement Period Ending December 31:	
2025	\$ (754)
2026	339
2027	47
Thereafter	-
Total	\$ (368)

Post-Employment Healthcare Plan

The PUD offers a healthcare Retirement Health Savings (RHS) plan to employees.

Employees hired after June 30, 2009, are not eligible for the post-employment defined benefit healthcare plan but are instead eligible for a defined contribution healthcare plan. This plan is also known as a RHS plan. Under this plan, the PUD contributed \$57.30 per month into an employee's individual RHS account in January through June 2024. Effective July 2024, the PUD contribution increased to \$125 each month into the plan. These funds are available to the employee for qualified health

care costs upon separation from employment from the PUD.

Effective January 2023, the Commission approved adding a retention incentive for the CEO/General Manager in the form of a premium only RHS plan in the amount of \$125 thousand. The funds are held in a revokable trust, requiring the CEO/General Manager to remain employed with PUD through February 15, 2027. If employment terms are not met, the plan balance will be forfeited. The plan was funded in November 2023. These funds are available to the employee for qualified health care costs upon separation from employment from the PUD.

Post-Employment Defined Contribution Plans

The PUD offers several defined contribution plans to employees.

The PUD administers a non-PERS 401(a) plan and trust effective October 1, 1998. Participation in this profit-sharing plan is offered to eligible employees of the PUD as defined in the plan document. The plan provides certain employer contributions to participants equal to the employer contributions that would have been made to Plan 2 of PERS if participants in the plan had been eligible to participate in PERS. The PUD recorded as pension expense contributions to the 401(a) plan of \$5 thousand and \$4 thousand in 2024 and 2023, respectively. These funds are available to participants 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.

Effective January 2023, the Commission approved adding a retention incentive for the CEO/General Manager in the form of a 457(f) deferred compensation plan in the amount of \$600 thousand. The funds are not held in trust and requires the CEO/General Manager to remain employed with PUD through January 12, 2029. If employment terms are not met, the plan balance will be forfeited. The plan was funded in September 2023. The plan balance as of December 31, 2023 and 2024 was \$659 thousand and \$796 thousand, respectively.

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 pre-tax basis, up to the maximum Internal Revenue Service limit. In 2024 the PUD implemented requirements outlined in the Secure 2.0 Act of 2022, including the ability for employees to make voluntary salary deferral contributions on a post-tax basis. In 2024, the contribution limit for employees was \$23 thousand. The catch-up contribution limit for employees aged fifty and over was \$7,500. Employee contributions are fully vested. Employer contributions are vested after 3 years of employment. Effective January 2023, the PUD makes matching contributions in an amount equal to 100% of the first 3% of a participant's compensation, contributed as a salary deferral. The PUD recorded matching contributions to the plan of \$4.7 million and \$3.9 million in 2024 and 2023, respectively.

Service Pay Benefits

The PUD offers a service pay benefit under which eligible employees receive a one-time payment based on compensation and years of service at retirement. Employees hired on or after July 1, 2009, must have 120 consecutive service credit months (ten years) to be eligible. Eligible employees will receive one day of pay (eight hours) for every six months of continuous employment at the PUD, paid upon retirement. For the years ended December 31, 2024 and 2023, the PUD's total liability for service pay was \$12 million and \$11 million, respectively, reported within the OPEB liability and net pension and OPEB deferrals.

Note 9

Bonneville Power Administration (BPA) Power Purchase Agreement

The PUD is a preferred customer of the BPA, from which it acquired approximately 75% and 78% of its energy purchases in 2024 and 2023, 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.

In August 2024, the Commission signed a resolution authorizing the PUD to enter into negotiations with BPA to amend the existing contract, which will transition between power products from Block/Slice to Load Following. This change will supply approximately 95% of the PUD's power requirements. The future financial impact on the PUD remains uncertain currently.

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 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 10

Generation System Projects

The Generation System consists of the Jackson Project, four smaller hydroelectric projects and a biofuel generator. In 2024 and 2023, these projects supplied 4% of the PUD's energy needs.

Jackson Project

The Jackson Project is a multipurpose hydroelectric project with a capacity of 111.8 megawatts. The project is currently operating under a forty-five-year license issued by 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, U.S. Forest Service, and the Tulalip Tribes that call for funding commitments over the course of the forty-five-year license.

Small Hydroelectric Projects

The Generation System owns four small hydroelectric projects. Two of these, Youngs Creek Hydroelectric Project (Youngs Creek) and 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 and Hancock Creek Hydroelectric Project, 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 fifty-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.

The PUD has committed the Electric System to purchase the output of its Generation System projects at the cost of the power produced.

Note 11

Related Party Transactions

PUD Generation System

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 \$26 million of power in both 2024 and 2023, 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 \$25 million and \$28 million as of December 31, 2024 and 2023, respectively. The Generation System recorded interest expense on these loans of \$1.1 million in 2024 and \$1.2 million in 2023.

VEBA Trust

The PUD is a plan sponsor of a VEBA Trust. The VEBA Trust was founded in 1988 for the purpose of funding the health benefit and other plans on behalf of PUD retirees and employees. The PUD remits employer and employee contributions to the trust for the benefit of the trust beneficiaries. The plan had 1,193 active participants and 81 retired participants as of December 31, 2024, and 1,146 active participants and 91 retired participants as of December 31, 2023. The PUD made employee and employer contributions to the trust of \$31 million and \$27 million in 2024 and 2023, respectively.

City of Everett (the City)

The PUD operates the Jackson Project in cooperation with the City. This project includes the reservoir at Spada Lake, Culmback Dam, and other infrastructure along the Sultan River. The PUD manages most of the operations, maintenance, and capital improvement projects, with costs shared between the PUD and the City. These shared costs are typically billed quarterly and include both fixed maintenance and administrative costs, as well as agreed-upon shared projects, with a cost share ranging from 38.13% to 50%.

Every fifth year, the City's share of the fixed costs is adjusted to 38.13% of the normalized historical annual costs of shared maintenance and administrative actions for the previous five years. Additionally, these costs are adjusted annually for inflation based on the Handy-Whitman Index. The PUD also invoices the City annually for 26.5% of the insurance premium for Culmback Dam.

The PUD provides electricity to the City, which in turn, supplies water to the PUD. In 2024, the electric revenue was \$4.8 million, with water expenses totaling \$ 3.6 million. In 2023, the electric revenue was \$4.4 million, with water expenses totaling \$4.3 million. As of December 31, 2024, the PUD had accounts payable of \$1 thousand and accounts receivable of \$366 thousand with the City. Similarly, as of December 31, 2023, the PUD had accounts payable of \$5 thousand and accounts receivable of \$1.6 million with the City.

Note 12

Self-Insurance Fund

The PUD maintains a comprehensive insurance program that includes liability insurance coverage of \$50 million in excess of a \$2.0 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, 2024, the PUD's \$2.0 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 \$9.6 million as of December 31, 2024, and 2023, respectively.

Note 13

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 or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial

Required Supplementary Information (Unaudited)

Schedule of Proportionate Share of the Net Pension Liability As of June 30 (In thousands)

PERS 1	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.86%	0.89%	0.92%	0.92%	0.85%	0.88%	0.87%	0.87%	0.91%	0.89%
Employer's proportionate share of the net pension liability	\$ 15,226	\$ 20,330	\$ 25,670	\$ 11,285	\$ 29,903	\$ 33,889	\$ 38,769	\$ 41,111	\$ 48,809	\$ 46,613
Employer's covered employee payroll	\$ 396	\$ 373	\$ 482	\$ 773	\$ 649	\$ 642	\$ 608	\$ 768	\$ 1,059	\$ 1,481
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	3842.50%	5450.40%	5325.73%	1459.90%	4607.55%	5278.66%	6376.48%	5352.03%	4608.97%	3147.40%
Plan fiduciary net position as a percentage of the total pension liability	84.05%	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%
PERS 2/3	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	1.09%	1.14%	1.19%	1.17%	1.08%	1.12%	1.10%	1.10%	1.14%	1.11%
Employer's proportionate share of the net pension liability	\$ (35,956)	\$ (46,833)	\$ (44,112)	\$ (116,645)	\$ 13,864	\$ 10,915	\$ 18,707	\$ 38,094	\$ 57,276	\$ 39,776
Employer's covered employee payroll	\$ 168,825	\$ 157,959	\$ 147,593	\$ 140,052	\$ 126,542	\$ 122,155	\$ 114,293	\$ 107,494	\$ 106,886	\$ 98,786
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	(21.30%)	(29.65%)	(29.89%)	(83.29%)	10.96%	8.94%	16.37%	35.44%	53.59%	40.26%
Plan fiduciary net position as a percentage of the total pension liability	105.17%	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

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 UAAL.

Schedule of Employer Contributions – PERS As of December 31 (In thousands)

PERS 1	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 39	\$ 37	\$ 39	\$ 83	\$ 91	\$ 81	\$ 81	\$ 71	\$ 98	\$ 124
Contributions in relation to the contractually required contributions	(39)	(37)	(39)	(83)	(91)	(81)	(81)	(71)	(98)	(124)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employer payroll	417	370	380	696	705	632	632	594	879	1,221
Contributions as a percentage of covered employee payroll	9.35%	10.00%	10.26%	11.93%	12.91%	12.82%	12.82%	11.95%	11.15%	10.14%
PERS 2/3	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 17,815	\$ 15,733	\$ 15,928	\$ 16,892	\$ 17,458	\$ 15,640	\$ 15,239	\$ 13,267	\$ 11,925	\$ 10,581
Contributions in relation to the contractually required contributions	(17,815)	(15,733)	(15,928)	(16,892)	(17,458)	(15,640)	(15,239)	(13,267)	(11,925)	(10,581)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employer payroll	\$ 191,695	\$ 158,819	\$ 155,062	\$ 146,019	\$ 135,327	\$ 121,760	\$ 119,564	\$ 110,945	\$ 106,716	\$ 103,383
Contributions as a percentage of covered employee payroll	9.29%	9.91%	10.27%	11.57%	12.90%	12.84%	12.75%	11.96%	11.17%	10.23%

Schedule of Changes in Total OPEB Liability and Related Ratios As of December 31 (In thousands)

Total OPEB Liability

POST- EMPLOYMENT - HEALTH	2024	2023	2022	2021	2020	2019	2018	2017*	2016*	2015*
Components of Change in Total OPEB Liability										
Service cost	\$ 667	\$ 1,016	\$ 976	\$ 1,569	\$ 1,198	\$ 1,151	\$ 1,066			
Interest on total OPEB liability	1,352	851	883	1,274	1,704	1,565	1,673			
Effect of economic/demographic gains (losses)	-	2,470	-	(906)	-	794	-			
Effect of assumption changes or inputs	1,443	(6,371)	237	(3,602)	4,442	(4,629)	1,395			
Expected benefit payments	(2,680)	(2,514)	(2,421)	(2,739)	(2,775)	(2,954)	(3,007)			
Net change in total OPEB liability	\$ 782	\$ (4,548)	\$ (325)	\$ (4,404)	\$ 4,569	\$ (4,073)	\$ 1,127	\$ -	\$ -	\$ -
Total OPEB liability, beginning	37,026	41,574	41,899	46,302	41,733	45,806	44,679	45,800	57,400	57,100
Total OPEB liability, ending	\$ 37,808	\$ 37,026	\$ 41,574	\$ 41,898	\$ 46,302	\$ 41,733	\$ 45,806	\$ 45,800	\$ 57,400	\$ 57,100
Covered employee payroll	\$ 68,712	\$ 64,174	\$ 70,135	\$ 74,130	\$ 71,826	\$ 70,291	\$ 71,696	\$ 71,409	\$ 74,667	\$ 105,400
Total OPEB liability as a % of covered employee payroll	55.02%	57.70%	59.28%	56.52%	64.46%	59.37%	63.89%	64.14%	76.87%	54.17%

*Components of Change in Total OPEB Liability detailed data was unavailable in actuarial reports prior to 2018.

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POST- EMPLOYMENT - LIFE	2024	2023	2022	2021	2020	2019	2018	2017*	2016*	2015*
Components of Change in Total OPEB Liability										
Service cost	\$ 2	\$ 4	\$ 4	\$ 12	\$ 7	\$ 7	\$ 12			
Interest on total OPEB liability	155	110	117	132	175	163	177			
Effect of economic/demographic gains (losses)	-	(205)	-	884	-	(14)	-			
Effect of assumption changes or inputs	173	(743)	34	38	653	(312)	178			
Expected benefit payments	(331)	(350)	(350)	(301)	(298)	(321)	(305)			
Net change in total OPEB liability	\$ (1)	\$ (1,184)	\$ (195)	\$ 765	\$ 537	\$ (477)	\$ 62	\$ -	\$ -	\$ -
Total OPEB liability, beginning	4,328	5,512	5,707	4,942	4,405	4,882	4,820	5,000	5,300	8,100
Total OPEB liability, ending	\$ 4,327	\$ 4,328	\$ 5,512	\$ 5,707	\$ 4,942	\$ 4,405	\$ 4,882	\$ 5,000	\$ 5,300	\$ 8,100
Covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a % of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

*Components of Change in Total OPEB Liability detailed data was unavailable in actuarial reports prior to 2018.

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 2024: 3.26%, 2023: 3.72%, 2022: 2.06%.

The PUD has established a fund to address the unfunded portion of future post-employment benefits. The balance of this account was \$34 million and \$42 million as of December 31, 2024 and 2023, 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 UAAL 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,	As restated 2022	As restated 2023	2024
Operating Revenues:			
Sale of electric energy	\$ 722,260	\$ 743,396	\$ 833,039
Other operating revenues	36,161	64,031	42,664
Unbilled revenues	6,900	(5,400)	(3,600)
Total Operating Revenues	765,321	802,027	872,103
Operating Expenses:			
Purchased power	363,509	406,324	435,487
Operations and maintenance	240,278	250,817	309,707
Depreciation and amortization	62,797	65,651	66,971
Taxes	40,732	42,107	45,285
Total Operating Expenses	707,316	764,899	857,450
Net Operating Income (Loss)	58,005	37,128	14,653
Interest Charges	13,269	17,715	17,717
Other Income and Expense:			
Interest income	8,276	16,671	18,771
Net increase (decrease) in the fair value of investments	(11,390)	8,265	2,707
Other income and expense, net	3,587	6,538	3,651
Total Other Income and Expense	473	31,474	25,129
Capital Contributions:			
Cash contributions	24,317	19,533	23,615
Non-cash contributions	3,977	10,252	10,180
Total Capital Contributions	28,294	29,785	33,795
Net Income	73,503	80,672	55,860
Non-cash contributions	(3,977)	(10,252)	(10,180)
Interest charges	13,269	17,715	17,717
Depreciation and amortization	62,797	65,651	66,971
Pension & OPEB liability actuarial adjustments	(20,549)	(25,782)	(22,962)
Net increase (decrease) in the fair value of investments	11,390	(8,265)	(2,707)
Balance Available for Debt Coverage	136,433	119,739	104,699
Parity Debt Service Costs:			
Interest	18,488	19,969	19,773
Principal	11,510	11,985	12,815
Total Parity Debt Service Costs	\$ 29,998	\$ 31,954	\$ 32,588
Parity Debt Service Coverage	4.5x	3.7x	3.2x

Electric System

Revenue and Statistical Data (Unaudited)

Years Ended December 31,	2022	2023	2024	% change from 2023
Retail Customers (average):				
Residential	338,130	342,025	346,094	1.2%
Commercial	34,709	34,957	35,130	0.5%
Industrial	76	78	76	-2.6%
Other	211	209	211	1.0%
Retail Customers	373,126	377,269	381,511	1.1%
Megawatt-Hours Billed:				
Residential	3,917,803	3,922,390	3,933,257	0.3%
Commercial	2,345,764	2,391,503	2,407,322	0.7%
Industrial	469,471	457,802	440,364	-3.8%
Wholesale	1,847,108	1,473,414	2,031,807	37.9%
Other	28,381	28,159	30,112	6.9%
Megawatt-Hours Billed	8,608,527	8,273,268	8,842,862	6.9%
Revenues Billed (in thousands):				
Residential	\$ 403,146	\$ 419,675	\$ 452,789	7.9%
Commercial	208,569	213,133	226,541	6.3%
Industrial	33,188	32,778	33,545	2.3%
Wholesale	73,375	72,441	103,988	43.5%
Other	3,981	4,073	4,550	11.7%
Revenues Billed	\$ 722,259	\$ 742,100	\$ 821,413	10.7%
Average Retail Rate per kWh:				
Residential	\$ 0.103	\$ 0.107	\$ 0.115	7.5%
Commercial	\$ 0.089	\$ 0.089	\$ 0.094	5.6%
Industrial	\$ 0.071	\$ 0.072	\$ 0.076	5.6%
Number of Employees	1,047	1,079	1,106	2.5%
Electric Line Miles	6,652	6,697	6,721	0.4%
New Electric Service Connections	5,051	4,649	5,138	10.5%

Water System

Statements of Revenues, Expenses, Debt Service Coverage, and Statistical Data (Unaudited)

(In thousands)

Years Ended December 31,	2022	2023	2024
Operating Revenues:			
Sale of water	\$ 15,098	\$ 16,078	\$ 16,122
Other operating revenues	408	389	439
Total Operating Revenues	15,506	16,467	16,561
Operating Expenses:			
Purchased water	3,600	4,230	3,689
Operations and maintenance	6,641	7,586	9,093
Depreciation and amortization	3,497	3,583	3,831
Taxes	775	817	841
Total Operating Expenses	14,513	16,216	17,454
Net Operating Income	993	251	(893)
Interest Charges	(28)	546	929
Other Income and Expense:			
Interest income	367	1,088	1,996
Net increase (decrease) in the fair value of investments	(405)	454	96
Other income and expense, net	3,123	(54)	(17)
Total Other Income and Expense	3,085	1,488	2,075
Capital Contributions:			
Cash contributions	1,724	1,330	1,777
Non-cash contributions	3,210	1,601	2,248
Total Capital Contributions	4,934	2,931	4,025
Net Income	9,040	4,124	4,278
Non-cash contributions	(3,210)	(1,601)	(2,248)
Interest charges	(28)	546	929
Depreciation and amortization	3,496	3,583	3,831
Pension and OPEB liability actuarial adjustments	(538)	(762)	(711)
Net increase (decrease) in the fair value of investments	405	(454)	(96)
Balance Available for Debt Coverage	9,165	5,436	5,983
Parity Debt Service Costs:			
Interest	328	385	1,134
Principal	1,300	475	660
Total Parity Debt Service Costs	1,628	860	1,794
Less: Assessment payments received	(4)	(10)	(4)
Debt Service Paid from Revenues	\$ 1,624	\$ 850	\$ 1,790
Parity Debt Service Coverage	5.6x	6.4x	3.3x
Number of Water Customers (average)	23,156	23,475	23,724
Water Sales & Purchases (thousand cubic feet):			
Retail Cubic Feet Sold	218,913	233,223	219,759
Wholesale Cubic Feet Sold	33,677	40,831	30,917
Total Cubic Feet Sold	252,590	274,054	250,676
Average Retail Water Rates (thousand cubic feet):			
Residential	\$3.57	\$3.66	\$3.85
Commercial	\$3.37	\$3.53	\$3.77

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE GENERATION SYSTEM BOND RESOLUTION

The following summary is an outline of certain provisions of the Generation System Bond Resolution (the “Resolution”), is not to be considered a full statement thereof and is qualified by reference to the complete Resolution. Many of the capitalized words or phrases (other than those conventionally capitalized) used in this summary and elsewhere in this Official Statement are defined in the Resolution. Certain of those definitions are summarized below. For purposes of this Appendix, “Bonds” means Generation System Bonds and “Revenues” means Generation System Revenues.

Certain Definitions

“Annual Debt Service” for any Fiscal Year means the sum of the amounts required in such Fiscal Year to pay: (a) the interest due in such Fiscal Year on all Outstanding Bonds, excluding interest to be paid from the proceeds of sale of Bonds or other bonds; (b) the principal of all Outstanding Serial Bonds due in such Fiscal Year; (c) the sinking fund installment for Term Bonds, if any, for such Fiscal Year; and (d) any regularly scheduled District Payments adjusted by any regularly scheduled Reciprocal Payments during such Fiscal Year (See “Additional Indebtedness—Derivative Products” in this Appendix C). The Resolution specifies how debt service is calculated for Capital Appreciation Bonds, Deferred Income Bonds, Tender Option Bonds and Variable Interest Rate Bonds.

“Annual Debt Service of the Electric System” means “Annual Debt Service” as such term is defined in the Electric System Bond Resolution. (See “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Certain Definitions.”)

“Code” means the Internal Revenue Code of 1986, as amended, and applicable regulations.

“Debt Service Reserve Requirement” means, for the Bonds of all Series secured by the Reserve Account, the lesser of (i) ten percent (10%) of the principal amount of such Bonds, (ii) maximum Annual Debt Service on the Bonds in any Fiscal Year, and (iii) 125% of average Annual Debt Service on the Bonds in any Fiscal Year, in each case as determined from time to time. Any future Series of Bonds may be secured by the Reserve Account if specified in the Supplemental Resolution authorizing the issuance of such Series of Bonds. In the case of Variable Interest Rate Bonds, the interest rate thereon shall be calculated on the assumption that such Bonds will bear interest at a rate equal to a rate reported within the previous 30 days by “The Bond Buyer” as the Bond Buyer’s Municipal Bond or 40-Bond Index, or its successor index; provided that in no event shall such assumed Series of Variable Interest Rate exceed the Maximum Interest Rate for such series of Variable Interest Rate bonds. In the case of Capital Appreciation Bonds, the maximum amount of interest thereon shall be calculated to be the maximum annual accretion in value of such Capital Appreciation Bonds from the date of calculation until the final maturity thereof. In the case of Deferred Income Bonds, the maximum amount of interest thereon shall be calculated to be equal to the higher of (a) the maximum annual accretion in value of such Deferred Income Bonds from the date of calculation until the Interest Commencement Date, and (b) the maximum annual interest from the Interest Commencement Date to the final maturity thereof. In the case of a Derivative Product, the maximum amount of interest shall be calculated to include the amount of any regularly schedule District Payments adjusted by any regularly scheduled Reciprocal Payments.

“Generation System” means (i) the electric utility properties, rights and assets, real and personal, tangible and intangible, of the “Jackson Hydroelectric Project of Public Utility District No. 1 of

Snohomish County, Washington,” and additions, improvements, betterments and extensions thereof and thereto, and (ii) any facilities or resources for the generation, transmission or conservation of power and energy including any incidental properties to be constructed or acquired in connection therewith, which facilities or resources are designated by resolution of the Commission as a part of the Generation System, and addition, improvements, betterments and extensions thereof and thereto. The Generation System shall not include any properties or assets of the Electric System except as heretofore or hereafter transferred and sold to the Generation System by resolution of the Commission or of any generating, conservation, transmission or distribution facilities acquired by the District as a separate electric utility system, the revenues of which are pledged to the payment of notes, bonds or other obligations issued to purchase, construct or otherwise acquire such separate electric utility system. The District may, by resolution, consolidate the Electric System and Generation System into a single system. Prior to consolidating the Electric System and Generation System, the District must obtain confirmation from each rating agency then rating the Bonds that the consolidation will not adversely impact the then current rating(s) on the Bonds. In addition, the District must obtain an opinion of bond counsel that the consolidation will not adversely affect the tax-exempt status of any Outstanding Bonds.

“Generation System Power Costs” has the meaning set forth under “SECURITY FOR THE BONDS— Payment of Generation System Power Costs.”

“Investment Securities” means the following to the extent the same are legal, from time to time, for investments of funds of the District: (a) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States, including obligations of any of the federal agencies set forth in clause (b) below to the extent unconditionally guaranteed by the United States; (b) obligations of the Export-Import Bank of the United States, the Government National Mortgage Association, the Federal National Mortgage Association to the extent guaranteed by the Government National Mortgage Association, the Federal Financing Bank, the Farmers Home Administration, the Federal Housing Administration, the Private Export Funding Corporation, the Federal Home Loan Bank, and the Federal Home Loan Mortgage Bank, or any agency or instrumentality of the Federal Government which shall be established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefor; (c) new housing authority bonds issued by the public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States; (d) direct and general obligations of any State within the territorial United States, to the payment of the principal of and interest on which the full faith and credit of such State is pledged, provided, that at the time of their purchase, such obligations are rated in one of the two highest rating categories by Moody’s and S&P (in the event S&P rates such obligations); (e) certificates of deposit, whether negotiable or nonnegotiable, issued by any bank, savings and loan association, or trust company, provided that such certificates of deposit shall be (i) continuously and fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or (ii) issued by a recognized qualified public depository of the State of Washington under RCW Chapter 39.58, as amended, or (iii) continuously and fully secured by such securities as are described above in clauses (a) or (b), which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit or (iv) certificates of deposit with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s; (f) any written repurchase agreement with any bank, savings institution or trust company which is insured by the Federal Deposit Insurance Corporation, or with any brokerage dealer with retail customers which falls under Securities Investors Protection Corporation protection, provided that such repurchase agreements are fully secured by direct obligations of the United States of America, or any agency thereof and provided further that (i) such collateral is held by the District or its agent or

trustee during the term of such repurchase agreement, (ii) such collateral is not subject to liens or claims of third parties, (iii) such collateral has a market value (determined at least once weekly) at least equal to 100% of the amount invested in the repurchase agreement, (iv) the District or its agent or trustee has a perfected first security interest in the collateral, (v) the failure to maintain such collateral at the level required in (iii) above will require the District or its agent or trustee to liquidate the collateral; (g) Refunded Municipals rated Aaa by Moody's; (h) banker's acceptances with commercial banks that have a rating on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P or "P-1" by Moody's, or in the event each of such rating agencies rates such obligations, by each of them, and that mature no more than 360 days after the date of purchase; and (i) notwithstanding any of the foregoing provisions any investments permitted under the laws of the State of Washington as amended from time to time.

"Net Revenues of the Electric System" means "Net Revenues" as such term is defined in the Electric System Bond Resolution. (See "APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Certain Definitions.")

"Operating Expenses" means (i) all the District's expenses for operation and maintenance of the Generation System, and ordinary repairs, replacements and reconstruction of the Generation System not constituting a unit of property (as prescribed in the Uniform System of Accounts of FERC), including all costs of producing and delivering electric power and energy from the Generation System and payments (other than payments out of Bond proceeds) into reasonable reserves in the Revenue Fund for items of Operating Expenses and other costs without limiting the generality of the foregoing the payment of which is not immediately required, and shall include costs of transmission service, generating capacity reserve service and scheduled, emergency, economy or other interchange service, all other costs of purchased power (except costs under any purchased power contracts which secure the payment of debt issued to finance the facilities providing such power), rents, administrative and general expenses, engineering expenses, legal and financial advisory expenses, required payments to pension, retirement, health and hospitalization funds, insurance premiums and any taxes or payments in lieu of taxes, all to the extent properly allocable to the Generation System, (ii) any current expenses or obligations required to be paid by the District under the provisions of the Resolution or by law, all to the extent properly allocable to the Generation System, and (iii) the fees and expenses of the Trustee and Registrar. Operating Expenses shall not include District Payments (as hereinafter defined), any costs or expenses for new construction or any allowance for depreciation and there shall be included in Operating Expenses of the Generation System only that portion of the total administrative and general expenses of the District that are properly allocable to the Generation System.

"Outstanding" when used with respect to Bonds means, as of any date, Bonds theretofore or thereupon issued pursuant to the Resolution except (i) any Bonds canceled by the Registrar or paid at or prior to such date; (ii) Bonds in lieu of or in substitution for which Bonds have been delivered; and (iii) Bonds deemed to be no longer Outstanding under the Resolution.

"Parity Lien Obligations" means such term as it is defined in the Electric System Bond Resolution. (See "APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Certain Definitions.")

"Qualified Insurance" means any noncancelable municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies) which insurance company or companies, as of the time of issuance of such policy or surety bond, are currently rated in one of the two highest rating categories by Moody's Investors Service and Standard & Poor's Ratings Services or their comparably recognized business successors.

“Qualified Letter of Credit” means any irrevocable letter of credit issued by a financial institution for the account of the District on behalf of the owners of the Bonds, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit, is currently rated in one of the two highest rating categories by Moody’s Investors Service and Standard & Poor’s Ratings Services or their comparably recognized business successors.

“Resource Obligation” means such term as defined in the Electric System Bond Resolution. (See “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Certain Definitions.”)

“Revenues” means the income, revenues, and receipts derived by the District through the ownership and operation by it of the Generation System, but, except as provided in the Resolution, shall not include any income derived by the District through the ownership and operation by it of the Electric System or of any other generation, transmission and distribution facilities that may hereafter be purchased, constructed or otherwise acquired by the District as a separate electric utility system, or any Reciprocal Payments (as hereinafter defined). Federal and state grant moneys received by the District in any Fiscal Year to pay or reimburse all or a portion of periodic payments of principal of and/or interest or redemption premium on the Bonds shall constitute Revenues if designated as such by the District.

“Serial Bonds” means Bonds that are not Term Bonds.

“Series” or “Series of Bonds” or “Bonds of a Series” means all Bonds designated as being of the same series issued and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter delivered in lieu thereof or in substitution therefor pursuant to the Resolution.

“Term Bonds” means Bonds the retirement or the redemption of which shall be provided from money credited to the Term Bond Principal Account in the Bond Fund.

“Treasurer” means the Treasurer of the District as designated, from time to time, by resolution of the Commission.

“Value of Investment Securities” means the total market value of such Investment Securities (inclusive of any accrued interest not subject to rebate to the United States Treasury) except for securities that mature within six months from their date, which shall be valued at the par value thereof.

Authorization of Issuance of Bonds

The Resolution continues and confirms an issue of Bonds of the District to be issued in series and provides for the issuance of the initial Series of Bonds subsequent to the adoption of the Resolution. The Bonds of each Series issued under the Resolution are to be equally and ratably payable and secured under the Resolution without priority by reason of date of adoption of the Supplemental Resolution providing for their issuance or by reason of their series, number or date of sale, issuance, execution or delivery, and by the liens, pledges, charges, trusts, assignments and covenants made by the Resolution, except as otherwise expressly provided or permitted by the Resolution and except as to insurance which may be obtained by the District to insure the repayment of one or more Series or maturities within a Series.

Additional Indebtedness

Additional Bonds

The Resolution provides that additional Bonds (other than Refunding Bonds) may be issued in one or more Series to pay the Generation System Costs (as defined in the Resolution) or the costs of the reconstruction or replacement of the Generation System, or any portion thereof, to the extent any money received as a result of any transfer by operation of law or any insurance proceeds received as a result of any loss or damage thereto are insufficient for such purpose or for any other lawful purpose only if at the time of the delivery of each Series of Bonds:

(1) There shall have been adopted by the Commission a Supplemental Resolution authorizing the issuance of such Series of Bonds and providing for compliance with the requirements of the Resolution with respect to the Debt Service Reserve Account;

(2) There shall have occurred no default in the payment of debt service on any Bond nor shall the District be in default in performance of any covenants in the Resolution or if such default exists, an opinion of Bond Counsel shall be provided that any such default does not deprive any Bondowner of the security provided by the Resolution in any material respect; and

(3) There has been filed with the Secretary of the Commission either:

(a) a certificate of the Treasurer stating that Net Revenues of the Electric System in any 12 consecutive months out of the most recent 24 months preceding the delivery of the Bonds then proposed to be issued (the "Base Period"), after deducting therefrom amounts paid in the Base Period to satisfy all Parity Lien Obligations (including projected maximum Annual Debt Service on the Bonds then proposed to be issued), were not less than 125% of maximum Annual Debt Service of the Electric System in any future Fiscal Year on all Outstanding Electric System Bonds (provided that (i) in the event that any adjustment in the rates, fees and charges for the services of the Electric System shall be effective at any time on or prior to the date of delivery of the Bonds then proposed to be issued or within sixty days subsequent to the delivery of such Bonds, the Treasurer shall reflect in his or her certificate the Net Revenues of the Electric System he or she calculates would have been collected in the Base Period if such new rates, fees and charges had been in effect for the entire Base Period and (ii) with respect to any Variable Interest Rate Bonds of the Electric System or Generation System Outstanding on the date such certificate is delivered, the Treasurer shall estimate the debt service on such Bonds in accordance with the Resolution), or

(b) a certificate of a Professional Utility Consultant stating that

(i) (taking into consideration such adjustments as he or she deems appropriate) the issuance of the additional Bonds then proposed to be issued will not result in the District's inability to comply with its rate covenants in the Resolution; and

(ii) if such additional Bonds are being issued to pay Generation System Costs incurred or to be incurred for additions, improvements, betterments and extensions to the Generation System which will increase the total installed capacity thereof or the total energy output thereof, the plan for such additions, improvements, betterments and extensions is consistent with sound utility power supply planning and will not materially adversely interfere with operation of the Generation System.

The District may contract with the entity providing a Qualified Letter of Credit or Qualified Insurance or other equivalent credit enhancement device for the Reserve Account that the District's reimbursement obligation to such entity ranks on a parity of lien with the Bonds. In the event that the District elects additionally to secure any issue of Variable Interest Rate Bonds or Tender Option Bonds through the use of a letter of credit or other credit enhancement device, the District may contract with the entity providing such credit enhancement device that the District's reimbursement obligation, if any, to such entity ranks on a parity of lien with the Bonds; provided that the payments due under such reimbursement obligation are such that if such reimbursement obligation were a series of additional Bonds and assuming that such credit enhancement device were to be drawn upon for the full amount available, such Bonds could be issued in compliance with the provisions described above for issuing additional Bonds.

Obligations Payable From Electric System Revenues

The District may issue bonds or other evidences of indebtedness, other than bonds or other evidences of indebtedness issued in anticipation of permanent financing, for any lawful purpose of the District, payable from Electric System Revenues on a parity with the payment of Generation System Power Costs, if the District complies with the provisions summarized in paragraph number three in the preceding section entitled "Additional Bonds."

Refunding Bonds

The District may issue one or more Series of Bonds for the purpose of refunding any Bonds then outstanding if there is on file with the Secretary of the Commission either (1) a certificate of the chief financial officer of the District that immediately after the issuance of such Bonds the aggregate amount of principal and interest becoming due in any Fiscal Year with respect to all Series of Bonds Outstanding shall not be greater than that becoming due immediately prior to such issuance or (2) a certificate of the Professional Utility Consultant that the issuance of such Bonds will not result in a reduction of the Revenues and Electric System Revenues below the amount covenanted in the Resolution to be maintained by the District. In the event that simultaneously with the issuance of such Bonds, the District is also issuing Bonds for other purposes, the computations referred to immediately above are to be made without reference to such Bonds issued for other purposes.

Subordinate Lien Obligations Payable from Revenues

The District may incur indebtedness and issue bonds or other evidences of indebtedness for any corporate use or purpose of the District payable from Revenues subject and subordinate to the payments required to be made from the Revenue Fund for Operating Expenses and the deposits from the Revenue Fund into the Bond Fund and may secure such bonds or other evidences of indebtedness and the payment thereof by a lien and pledge on the Revenues junior and inferior to the lien and pledge on the Revenues created by the Resolution.

Subordinate Lien Obligations Payable from Electric System Revenues

The District may incur indebtedness and issue bonds or other evidences of indebtedness for any corporate use or purpose of the District payable from Electric System Revenues subject and subordinate to the deposits and payments required to be made from the Electric System Revenues into the Revenue Fund for the payment of Generation System Power Costs and may secure such bonds or other evidences of indebtedness and the payment thereof by a lien and pledge on Electric System Revenues junior and inferior to the lien and pledge on Electric System Revenues created by the Resolution.

Separate System Bonds

Nothing in the Resolution will prevent the District from issuing bonds or other evidences of indebtedness, other than Bonds, to acquire or construct facilities or resources for the generation of power and energy, or for the conservation, transformation or transmission of power and energy, which facilities shall be a separate system and which bonds or other evidences of indebtedness shall be payable solely from the revenues or other income derived from the ownership or operation of such separate utility system.

Derivative Products

To the extent permitted by state law the District may enter into Derivative Products on a parity with the Bonds subject to the conditions set forth in the Resolution and summarized below. The following terms have the following meanings:

(1) “Derivative Facility” means a letter of credit, an insurance policy, a surety bond or other credit enhancement device, given, issued or posted as security for the District’s obligations under one or more Derivative Products.

(2) “Derivative Payment Date” means any date specified in the Derivative Product on which a District Payment is due and payable under the Derivative Product.

(3) “Derivative Product” means a written contract or agreement between the District and a third party that has or whose obligations are unconditionally guaranteed by a party that has (as of the date of the Derivative Product) at least an investment grade rating from a rating agency (the “Reciprocal Payor”) (who, if the District’s Bonds are rated by Moody’s Investors Service, must have a rating as high as that of the District), which provides that the District’s obligations thereunder will be conditioned on the performance by the Reciprocal Payor of its obligations under the agreement, and

(a) under which the District is obligated to pay, on one or more scheduled and specified Derivative Payment Dates, the District Payments in exchange for the Reciprocal Payor’s obligation to pay or to cause to be paid to the District, on scheduled and specified Derivative Payment Dates, the Reciprocal Payments;

(b) for which the District’s obligations to make District Payments may be secured by a pledge of and lien on the Revenues on an equal and ratable basis with the Outstanding Bonds;

(c) under which Reciprocal Payments are to be made directly into the Bond Fund;

(d) for which the District Payments are either specified to be one or more fixed amounts or are determined as provided by the Derivative Product; and

(e) for which the Reciprocal Payments are either specified to be one or more fixed amounts or are determined as set forth in the Derivative Product.

(4) “District Payment” means any payment (designated as such by a Supplemental Resolution) required to be made by or on behalf of the District under a Derivative Product and which is determined according to a formula set forth in the Derivative Product.

(5) “Reciprocal Payment” means any payment (designated as such by a Supplemental Resolution) to be made to, or for the benefit of, the District under a Derivative Product by the Reciprocal Payor.

(6) “Reciprocal Payor” means a party to a Derivative Product that is obligated to make one or more Reciprocal Payments thereunder.

The following are conditions precedent to the use of any Derivative Product on a parity with any Bonds under the Resolution:

(1) General Parity Tests. The Derivative Product must satisfy the requirements for additional Bonds described in the Resolution, taking into consideration regularly scheduled District Payments and regularly scheduled Reciprocal Payments under the Derivative Product.

(2) Opinion of Bond Counsel. The District shall obtain an opinion of Bond Counsel on the due authorization and execution of such Derivative Product, the validity and enforceability thereof and opining that the action proposed to be taken is authorized or permitted by the Resolution or the applicable provisions of any Supplemental Resolution and will not adversely affect the excludability for federal income tax purposes of the interest on any Outstanding Bonds.

(3) Payments. Each Derivative Product shall set forth the manner in which the District Payments and Reciprocal Payments are to be calculated and a schedule of Derivative Payment Dates.

(4) Supplemental Resolutions to Govern Derivative Products. Prior to entering into a Derivative Product, the District shall adopt a Supplemental Resolution, which shall:

(a) establish general provisions for the rights of providers of Derivative Products or Derivative Facilities; and

(b) set forth such other matters as the District deems necessary or desirable in connection with the management of Derivative Products as are not clearly inconsistent with the provisions of the Resolution.

Application of Bond Proceeds

The proceeds derived from each Series of Bonds issued to pay Generation System Costs are required to be deposited:

(1) to the Interest Account in the Bond Fund in an amount equal to the accrued interest on such Series of Bonds paid by the initial purchasers thereof and such additional amount as the Commission determines in the Supplemental Resolution authorizing such Series of Bonds to be credited thereto to provide for the payment of interest on Bonds which is defined as a Generation System Cost;

(2) to the Debt Service Reserve Account in the Bond Fund, in an amount which, together with amounts insured by Qualified Insurance or guaranteed by a Qualified Letter of Credit, shall equal the Debt Service Reserve Requirement, as defined above;

(3) in the Revenue Fund such amount, if any, as the Commission determines in the Supplemental Resolution authorizing such Series of Bonds to be deposited thereto to provide a working capital reserve; and

(4) in the Construction Fund the balance of such Bond proceeds to be applied to the payment of Generation System Costs.

The District is authorized and directed to make disbursements from the Construction Fund to pay Generation System Costs. The District is required to prepare and keep in its files in respect of each disbursement from the Construction Fund a written requisition signed by the General Manager or by another Authorized Officer with respect to each payment made or to be made.

In the event a Series of Bonds is issued to pay the costs of additions, improvements, repairs, renewals and replacements to the Generation System which are not Operating Expenses, if the Construction Fund no longer exists, the District is required to create a new construction fund, to be held and administered by the District substantially in accordance with the Resolution.

Revenues and Flow of Funds

To secure the payment of the Bonds, the Resolution continues in existence the previously created Revenue Fund and Construction Fund to be held and administered by the District and creates the Bond Fund, which is comprised of the Interest Account, the Serial Bond Principal Account, the Term Bond Principal Account and the Debt Service Reserve Account, to be held and administered by the District.

Revenue Fund

The Resolution provides that the District will pay into the Revenue Fund all of the Revenues and other money required to be paid into the Revenue Fund (other than the Revenues and other amounts expressly required or permitted to be credited to, or deposited in, any other fund or account). The District shall make monthly payments into the Revenue Fund in an amount, together with amounts then on deposit in the Revenue Fund and available for such purpose, which is equal to Generation System Power Costs for that month then unpaid plus estimated Generation System Power Costs for the next month provided power or energy or other goods and services from the Generation System was made available to the Electric System during such month pursuant to the Resolution. In any month in which no power and energy or other goods or services of the Generation System were made available to the Electric System, the District shall pay into the Revenue Fund out of Electric System Revenues, after payment of operation and maintenance expenses of the Electric System, an amount sufficient to pay estimated Generation System Power Costs for the next succeeding month and to pay any deficiencies in the payment of Generation System Power Costs for the then current or any prior month. The District will apply money in the Revenue Fund first to the payment of Operating Expenses for such month and second to the deposit in the Bond Fund of the amounts required, if any, and, in the event that any Derivative Product exists on a parity of lien with the Bonds, to make regularly scheduled District Payments as adjusted by regularly scheduled Reciprocal Payments and to make payments required by a reimbursement agreement which is on a parity of lien with the Bonds. There will be retained in the Revenue Fund, after amounts are applied to Operating Expenses and the amounts required to be deposited in the Bond Fund have been so deposited, any balance of the Revenues. Such money may, in the discretion of the District, be used (1) to pay principal, premium, if any, and interest on the Bonds; (2) for transfer to any other fund or account created by the Resolution; (3) for the purchase or redemption of any Bonds; (4) to pay any subordinated indebtedness of the Generation System; or (5) for any lawful corporate purpose of the District.

Bond Fund

At the times provided below, after payment of Operating Expenses the District is required under the Resolution to withdraw from the Revenue Fund and transfer to the Bond Fund, amounts as follows and in the following order of priority:

(1) Interest Account. In the case of all Bonds other than Variable Interest Rate Bonds, not later than the day prior to the date on which an installment of interest falls due on the Bonds of a Series, the District shall transfer to the Interest Account an amount equal to the installment of interest then falling due on all Bonds of such Series. In the case of Variable Interest Rate Bonds, the District shall make transfers to the Interest Account at such times and in such amounts as shall be specified in the Supplemental Resolution authorizing the Series of Variable Interest Rate Bonds. Any amounts credited to the Interest Account representing accrued interest received on the sale of Bonds, interest capitalized from the proceeds of the Bonds of a Series and any other transfers and credits otherwise made or required to be made to the Interest Account shall be taken into consideration and allowance made with respect to the full amount of such transfers and credits.

(2) Serial Bond Principal Account and Term Bond Principal Account. Not later than the day prior to the date upon which an installment of principal on Serial Bonds or Term Bonds falls due, the District shall transfer to the Serial Bond Principal Account or the Term Bond Principal Account, as appropriate, an amount equal to such installment.

Not later than the day prior to the date upon which a sinking fund installment on Term Bonds falls due, the District is to transfer to the Term Bond Principal Account an amount equal to such installment.

The District is required to apply the money credited to the Term Bond Principal Account as sinking fund installments to the retirement of the Term Bonds of such Series by redemption in accordance with the Supplemental Resolution providing for the issuance of such series of Bonds (a) on each date upon which a sinking fund installment is due with respect to a particular series of Bonds, or (b) on the first day of any month prior to such date, in respective principal amounts credited to the Term Bond Principal Account on such dates for such Term Bonds, so that the aggregate amounts so applied will equal the respective principal amounts required to be credited to the Term Bond Principal Account on such sinking fund installment dates by the Supplemental Resolution providing for their issuance; provided that if the last sinking fund installment for such Term Bonds falls due on the stated maturity date thereof, the amount of such installment shall be applied to the payment thereof at such maturity date. The District shall apply the money credited to the Term Bond Principal Account as sinking fund installments for the retirement of the Term Bonds of a particular Series to the purchase of such Bonds, at a purchase price (including accrued interest and any brokerage or other charge) not to exceed the redemption price then applicable upon the redemption of such Bonds from sinking fund installments, plus accrued interest, in which event the principal amount of such Bonds required to be redeemed on the next sinking fund installment date shall be reduced by the principal amount of the Bonds so purchased; provided, however, that no Bonds of such Series shall be purchased during the interval between the date on which notice of redemption of such Bonds from sinking fund installments is given and the date of redemption set forth in such notice, unless the Bonds so purchased are Bonds called for redemption in such notice or are purchased from money other than that credited to the Term Bond Principal Account with respect to such sinking fund installments. Money in the Term Bond Principal Account, other than money credited thereto as sinking fund installments, may be applied to the purchase or redemption of a Series of Bonds. The price payable on any such purchase shall not exceed the highest redemption price applicable at the time or any time thereafter with respect to such Series of Bonds.

In the event of the purchase or redemption of Term Bonds of a particular Series, except from money credited to the Term Bond Principal Account as sinking fund installments, the principal amount of Term Bonds of such Series so purchased or redeemed are to be credited to future sinking fund installments for the Term Bonds of such Series in such manner as the District shall determine.

Any purchase of Bonds may be made with or without tenders of Bonds and at either public or private sale, as shall be determined by the District. The accrued interest to be paid on the purchase or redemption of such Bonds is to be paid from the Interest Account.

(3) Debt Service Reserve Account. The Resolution requires that, to the extent permitted under the Code, there shall be deposited from the proceeds of each Series of Bonds into the Bond Fund for credit to the Debt Service Reserve Account an amount so that there will be on deposit therein money and Value of Investment Securities equal to the Debt Service Reserve Requirement. If with respect to any Series of Bonds the amount of proceeds of such Series of Bonds permitted by the Code to be deposited into the Bond Fund for credit to the Debt Service Reserve Account is less than the Debt Service Reserve Requirement allocable to such Series of Bonds, the Supplemental Resolution providing for the issuance of such Series of Bonds shall provide for further and additional payments into the Bond Fund for credit to the Debt Service Reserve Account from money in the Revenue Fund in such amounts and at such times so that by no later than five years from the date of issuance of such additional Series of Bonds or by the final maturity thereof, whichever occurs first, there will be credited to the Debt Service Reserve Account an amount equal to the Debt Service Reserve Requirement. Notwithstanding the foregoing provisions, any Supplemental Resolution authorizing the issuance of Bonds may provide for the District to obtain Qualified Insurance or a Qualified Letter of Credit for specific amounts required by the Resolution to be paid out of the Debt Service Reserve Account. The face amount of any such Qualified Insurance or a Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Debt Service Reserve Account to the extent that such payments and credits to be made are insured by an insurance company, or guaranteed by a letter of credit from a financial institution. Such Qualified Letter of Credit or Qualified Insurance shall not be cancelable on less than three years notice. In the event of any cancellation, the Debt Service Reserve Account shall be funded in accordance with the provisions of the Resolution providing for payments to the Debt Service Reserve Account in the event of a deficiency therein, provided that the deficiency shall be funded in equal monthly installments over the period remaining until such cancellation becomes effective.

A determination as to the money and Value of Investment Securities in the Debt Service Reserve Account is to be made by the District as of January 1 and July 1 of each year and immediately following any withdrawal of amounts in the Debt Service Reserve Account as required by the Resolution. If the money and Value of Investment Securities in the Debt Service Reserve Account shall be less than the Debt Service Reserve Requirement as of the date of any valuation thereof, the District shall so notify any insurer of Bonds and shall then, beginning with last day of the month next succeeding such date, after paying Operating Expenses and making the transfers to the Bond Fund for credit to the Interest Account, the Serial Bond Principal Account and the Term Bond Principal Account, make monthly transfers from the Revenue Fund to the Bond Fund for credit to the Debt Service Reserve Account equal to one-sixth of the amount as originally determined by which the money and Value of Investment Securities in the Debt Service Reserve Account is less than the Debt Service Reserve Requirement, until there shall be on deposit in the Debt Service Reserve Account money and Value of Investment Securities equal to the Debt Service Reserve Requirement based upon the most recent valuation of that account; provided that if a Series of Bonds is issued during a period in which a deficiency exists in the Debt Service Reserve Account, to the extent permitted under the Code, the District shall deposit proceeds of such Series in the Bond Fund for credit to the Debt Service Reserve Account sufficient to make up any of the deficiency in the Debt Service Reserve Account at the time of such issuance, based upon the most recent valuation of that account.

If, as of the first business day of any Fiscal Year or as of a date upon which there is a withdrawal from the Debt Service Reserve Account (other than earnings on Investment Securities), the money and Value of Investment Securities as of the last date of calculation thereof, in the Debt Service Reserve Account shall exceed the Debt Service Reserve Requirement, the amount of such excess may be transferred as of such date to the Revenue Fund.

When a Series of Bonds is refunded in whole or in part, money may be withdrawn from the Debt Service Reserve Account to provide for the payment of refunded Bonds; provided that after such withdrawal there shall be on credit to the Debt Service Reserve Account money and Value of Investment Securities in an amount equal to the Debt Service Reserve Requirement.

The Resolution provides that in the event amounts in the Interest Account, the Serial Bond Principal Account or the Term Bond Principal Account shall be insufficient for the purposes of such payment, the District shall promptly make up such deficiency from the Debt Service Reserve Account by the withdrawal of cash therefrom and by the sale or redemption of Investment Securities held in the Debt Service Reserve Account, if necessary, in such amounts as will provide cash in the Debt Service Reserve Account sufficient to make up any such deficiency. If a deficiency still exists immediately prior to an interest payment date and after the withdrawal of cash, the District shall then draw from any Qualified Letter of Credit, Qualified Insurance, or other equivalent credit facility in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as the Resolution and the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide. Any deficiency created in the Debt Service Reserve Account by reason of any withdrawal therefrom for payment into the Interest Account, the Serial Bond Principal Account or the Term Bond Principal Account shall be made up from money in the Revenue Fund first available after providing for the required payments into such Interest, Serial Bond Principal and Term Bond Principal Accounts and after providing for payments under a reimbursement agreement entered into by the District pursuant to the Resolution.

The Resolution provides that whenever the amount in the Debt Service Reserve Account, together with the amount in the Interest Account, the Serial Bond Principal Account and the Term Bond Principal Account, is sufficient to pay in full all Outstanding Bonds in accordance with their terms, the funds on deposit in the Debt Service Reserve Account shall be transferred to the Interest Account, the Serial Bond Principal Account and the Term Bond Principal Account as appropriate, and that prior to the transfer, investments held in the Debt Service Reserve Account shall be liquidated to the extent necessary in order to provide for the timely payment of principal or redemption price of and interest on Bonds.

Anything in the Resolution to the contrary notwithstanding, references in this subsection to "Bonds" shall refer only to the Bonds of those Series secured by the Debt Service Reserve Account.

Notwithstanding any provision of the Resolution requiring the deposit of any earnings or other money in the Bond Fund, any such earnings that are subject to any rebate or other payment requirement pursuant to applicable provisions of the Code and applicable regulations thereunder may be withdrawn from the Bond Fund for deposit into a separate fund or account created for that purpose. Any amounts required at any time to be withdrawn from the Debt Service Reserve Account or other accounts in the Bond Fund in order to preserve the tax-exempt status of the Bonds are to be withdrawn and deposited in the Revenue Fund.

Investment of Money in Funds

Money on deposit in the Construction Fund and the Revenue Fund are required to be invested by the District, to the fullest extent reasonable and practicable, in Investment Securities (as defined in the Resolution) maturing in such amounts and at such times as is anticipated by the District that such money will be required to pay the Generation System Costs to be satisfied from the Construction Fund and to make the payments contemplated to be made from the Revenue Fund, as the case may be.

Money in the Bond Fund are required to be invested by the District to the fullest extent reasonable and practicable, in Investment Securities maturing in such amounts and at such times as the District determines so that payments required to be made from the Bond Fund may be made when due, provided that the money on credit to the Debt Service Reserve Account shall be invested in Investment Securities maturing no later than the final maturity date of all Bonds then Outstanding.

All earnings and income derived from investment of money in the funds, other than earnings and income required by the Resolution to be segregated to protect the federal tax exemption of interest in the Bonds, shall, at the option of the District, be deposited in the Construction Fund or the Revenue Fund, provided that all earnings and income derived from investment of money in the Debt Service Reserve Account shall be retained in such account to the extent necessary to satisfy the Debt Service Reserve Requirement.

Covenants To Purchase Electric Power and Energy of the Generation System

The District covenants that the Generation System will sell, and the Electric System will purchase, and by the terms of the Resolution the Generation System does thereby sell and the Electric System does thereby purchase, in each month all of the electric power and energy or other goods and services of the Generation System available in such month for use in the Electric System.

Additional Covenants

The District has covenanted as follows:

To Maintain the Generation System

The District will (1) at all times operate the properties of the Generation System and the business in connection therewith in an efficient manner and at reasonable cost, (2) maintain, preserve and keep the properties of the Generation System in good repair, working order and condition, and (3) make all necessary and proper repairs, renewals, replacements, additions, improvements and betterments thereto and extensions thereof, so that the business carried on in connection therewith shall be properly and advantageously conducted. The District will take all lawful measures required to issue and sell Bonds to the extent required to enable the District to pay Generation System Costs.

To Comply With Licenses

The District will use its best efforts to comply with the terms and conditions of any federal, state or local governmental permit or license for the Generation System and with any federal, state or local law or regulation applicable to the operation, maintenance and repair of the Generation System, including the FERC License for the Jackson Project; provided that the District may, in good faith, contest by appropriate proceedings, duly prosecuted, the applicability or validity of any such permit, license, law, regulation or approval, if and so long as such contest or proceeding does not impair the security for or the payment of the Bonds.

Not to Render Service Free of Charge; Enforcement of Accounts Owning

Except as required or expressly permitted by statute, so long as any Bonds are Outstanding, the District will not furnish or supply electric power or energy or any other commodity, service or facility furnished by or in connection with the Generation System free of charge to any other system of the District or to any person, firm or corporation, public or private, and the District will promptly enforce the payment of any and all accounts owing to the District by reason of the Generation System.

Disposition of All or Part of the Generation System

The District will not sell, mortgage, lease or otherwise dispose of or encumber all or any portion of the Generation System except that:

(1) The District may sell, lease or otherwise dispose of all or substantially all of the Generation System, provided that simultaneously with such sale, lease or other disposition, the District shall cause all of the Bonds to be, or deemed to be, no longer Outstanding.

(2) Except as provided below, the District will not dispose any part of the Generation System in excess of 5% of the value of the net utility plant of the District in service unless prior to such disposition

(a) there has been filed with the Secretary of the Commission a certificate of a Professional Utility Consultant stating that such disposition will not impair the ability of the District to comply with the rate covenants set forth in the Resolution; or

(b) provision is made for the payment, redemption or other retirement of a principal amount of Bonds equal to the greater of the following amounts:

(i) An amount which will be in the same proportion to the net principal amount of Bonds then Outstanding (defined as the total principal amount of Bonds then Outstanding less the amount of cash and investments in the Bond Fund) that the Revenues attributable to the part of the Generation System sold or disposed of for the 12 preceding months bears to the total Revenues for such period; or

(ii) An amount which will be in the same proportion to the net principal amount of Bonds then Outstanding that the book value of the part of the Generation System sold or disposed of bears to the book value of the entire Generation System immediately prior to such sale or disposition.

(3) The District may dispose of any portion of the Generation System that has become unserviceable, inadequate, obsolete, or unfit to be used or no longer necessary for the use in the operation of the Generation System.

(4) In the event that the ownership of the properties of the Generation System, or any part thereof, shall be transferred from the District through the operation of law, the District shall proceed to reconstruct or replace the portion of the Generation System so transferred and any money received by the District as a result of such transfer shall be applied to the payment of the costs of such reconstruction or replacement, unless the Commission shall determine by resolution that the same is not in the best interests of the District and the Bondowners. Pending the application of any money received by the District as a result of such transfer to the payment of the costs of such reconstruction or replacement, such money shall be held by the District in a special account and invested in Investment Securities

maturing no later than such times as is anticipated by the District that such money will be required to pay the costs of such reconstruction or replacement. The earnings on any money held in such special account shall be credited thereto. Any money received by the District as a result of such transfer or the balance in any such special account not required to be applied to reconstructing or replacing the portion of the Generation System so transferred shall be deposited in the Revenue Fund.

The above provisions with respect to the disposition of part or all of the Generation System shall also be applicable to any disposition of part or all of the Electric System.

Insurance

The District shall either self-insure in such manner and to such extent as the District shall determine to be necessary and appropriate or, as needed, and, to the extent available at reasonable cost, shall keep the Generation System and the operation thereof insured with responsible insurers with policies payable to the District against risks of direct physical loss, damage to or destruction of such properties, and against accidents, casualties or negligence, including liability and employer's liability insurance, at least to the extent that similar insurance is usually carried by electric utilities operating like properties. In the event of any loss or damage to the properties of the Generation System covered by such insurance, the District shall reconstruct or replace the portion of the Generation System suffering such loss or damage and any such insurance proceeds received by the District as a result of such loss or damage shall be applied to pay the costs of such reconstruction or replacement unless the Commission shall determine by resolution that such reconstruction or replacement is not in the best interests of the District and the Bondowners. Any insurance proceeds received as a result of such loss or damage not required to be applied to reconstructing or replacing the portion of the Generation System suffering such loss or damage shall be deposited in the Revenue Fund for use and application to the purchase or redemption of Bonds. In the case of loss, including the loss of revenue, caused by delay in completion of, or by suspension or interruption of generation or transmission of power and energy by the Generation System, the proceeds of any insurance covering such loss shall be paid into the Revenue Fund.

Books of Account; Annual Audit

The District will keep proper books of account, which will be audited annually by a Certified Public Accountant or by the Washington State Auditor's office. Any Bondowner may obtain at the office of the District copies of the District's balance sheet and statement of income and retained earnings showing in reasonable detail the financial condition of the Electric System as of the close of each Fiscal Year.

Professional Utility Consultant

The District shall retain, as Professional Utility Consultant, independent persons or firms (which may but need not be engineering firms) having a favorable reputation for skill and experience in analyzing the operations of electric utility systems, preparing rate analyses, forecasting the loads and revenues of electric utility systems, and the marketing of power and energy therefrom who shall be available to advise the District upon request and render opinions to the District upon request on matters relating to electric power generation, transmission, power supply, electric utility operations, rates and charges, electric utility economics and financing, and budgets, and to make such investigations and determinations as may be necessary under the Resolution.

To Make Economically Sound Improvements and Extensions

The District will not expend any Revenues or the proceeds of Bonds for any renewals, replacements, capital additions, improvements, betterments or extensions which are not economically sound or which will not properly and advantageously contribute to the conduct of the business of the Generation System in an efficient and economical manner unless required to do so by or pursuant to law so as to permit the continued operation of the Generation System.

To Pay Principal, Premium and Interest on Bonds

The District will duly and punctually pay, or cause to be paid, solely from the Revenues, Electric System Revenues and other moneys pledged in the Resolution to the payment thereof, the principal, premium, if any, and interest on each and every Bond on the date and at the places and in the manner provided in the Bonds, according to the true intent and meaning thereof, and will faithfully do and perform and fully observe and keep any and all covenants, undertakings, stipulations and provisions contained in the Bonds and in the Resolution.

Protection of Security

The District is duly authorized under all applicable laws to create and issue the Bonds and to adopt the Resolution and to pledge the Revenues, amounts of Electric System Revenues and other moneys, securities and funds purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. The Revenues, amounts of Electric System Revenues and other moneys, securities and funds so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, except as otherwise expressly provided therein, and all corporate action on the part of the District to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be valid and legally enforceable obligations of the District in accordance with their terms and the terms of the Resolution. The District shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues, amounts of Electric System Revenues and other moneys, securities and funds pledged under the Resolution and all the rights of the Bondowners under the Resolution against all claims and demands of all persons whomsoever.

Authority of District to Acquire and Construct the Generation System, to Provide for the Operation and Maintenance of the Generation System and to Fix and Collect Rates and Charges

The District has good, right and lawful power to acquire and construct the Generation System and to provide for the operation and maintenance of the Generation System and to fix, establish, maintain and collect rates and charges for the Generation System electric power and energy and other services, facilities and commodities sold, furnished or supplied through the facilities of the Generation System.

Payment of Taxes, Assessments and Other Governmental, Charges and Payments in Lieu Thereof; Payment of Claims

The District shall, from time to time, duly pay and discharge, or cause to be paid or discharged, all taxes, assessments or other governmental charges, or payments in lieu thereof, lawfully imposed upon the Generation System, or on the revenues, income, receipts, profits or other moneys derived by the District therefrom when the same shall become due, and all lawful claims for labor and materials and supplies that, if not paid, might become a lien or charge upon such properties, or any part thereof, or upon the Revenues and other moneys derived by the District directly or indirectly from the Generation System, or that might in any way impair the security of the obligations issued by the District payable from the Revenues and other

moneys, except those assessments, charges or claims that the District shall in good faith contest by proper legal proceedings.

Taking Any Further Action Necessary

The District shall, at any and all times, insofar as it may be authorized to do so by law, pass, adopt, make, do, execute, acknowledge, deliver, register, file and record all and every such further resolutions, acts, deeds, conveyances, assignments, recordings, filings, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, Revenues and other moneys pledged or assigned to the payment of Bonds or intended so to be.

Employees' Fidelity Bonds

The District shall require of agents of the District, and shall obtain for employees of the District collecting or handling money, fidelity bonds with a responsible surety company or companies as surety in reasonable amounts usually obtained by public agencies operating like properties, to protect the District from loss.

Non-Acceleration of Certain Obligations

The District shall not enter into any contract, obligation or evidence of indebtedness requiring the payment of money, described in the provisions of the Electric System Bond Resolution regarding "Separate System Bonds; Resource Obligations" or described in the provisions of the Resolution regarding "Additional Indebtedness—Separate System Bonds" pursuant to which the obligation of the District to make payments of money may be accelerated (upon occurrence of a default) from the regularly scheduled dates of such payments.

Compliance with Electric System Bond Resolution; Amendment Thereof

Until the obligations of the District under the Electric System Bond Resolution have been discharged in accordance with the terms thereof, the District shall comply with the provisions, covenants and agreements contained in the Electric System Bond Resolution. The District will not consent to or agree to any amendment or modification of the Electric System Bond Resolution which would impair the ability of the District to comply with the covenants set forth in the Resolution.

Amendments

The District, without the consent or concurrence of any owner of any Bond, may adopt a resolution amending or supplementing the Resolution (1) to provide for the issuance of Bonds; or (2) if the provisions of such Supplemental Resolution shall not adversely affect the rights of the owners of the Bonds then Outstanding, to make any changes or corrections in the Resolution as to which the District shall have been advised by its Counsel that the same are technical wording corrections or changes or are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error contained in the Resolution, or to insert provisions clarifying matters or questions arising under the Resolution as are necessary or desirable; to add additional covenants and agreements of the District to further secure the payment of the Bonds; to surrender any right, power or privilege reserved to or conferred upon the District by the terms of the Resolution; to confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge or charge, created or to be created by the Resolution; to grant to or confer upon the owners of the Bonds any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them, or to grant to or confer upon the Trustee for the benefit of the holders of the Bonds any additional rights, duties, remedies, power

or authority; and to modify any of the provisions of the Resolution in any other respects; provided that if such modification materially adversely affects the owners of any Bonds, such modification shall not be effective until after the Bonds Outstanding at the time such Supplemental Resolution is adopted shall cease to be Outstanding, in which case any Bonds issued subsequent to any such modification shall contain a specific reference to the modifications contained in such Supplemental Resolution, or until the owners of the Bonds Outstanding at the time such Supplemental Resolution is adopted shall consent thereto.

With the consent of the owners of not less than 60% in aggregate principal amount and Accreted Value, if any, of the Bonds then Outstanding, the District may adopt a resolution amending or supplementing the Resolution to add any provisions to, or change in any manner or eliminate any of the provisions of, the Resolution, or modify or amend the rights and obligations of the District and the Trustee thereunder, or modify in any manner the rights of the owners of the Bonds and coupons then Outstanding; provided that, without the specific consent of the owner of each such Bond which would be affected thereby, no such Supplemental Resolution shall: (1) change the fixed maturity date for the payment of the principal of any Bond or the date for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any Bond or the rate of interest thereon or the redemption price (or the redemption premium) payable upon the redemption or prepayment thereof, (2) reduce the aforesaid percentage of Bonds, the owners of which are required to consent to any Supplemental Resolution amending or supplementing the provisions of the Resolution; (3) give to any Bond or Bonds any preference over any other Bond or Bonds; (4) authorize the creation of any pledge of the Revenues and other money prior, superior or equal to the pledge of and lien and charge for the payment of the Bonds; or (5) deprive any owner of the Bonds of the security afforded by the Resolution.

Trustee

U.S. Bank Trust Company, National Association or its successor is appointed to act as Trustee (the "Trustee") for the owners of all Bonds. The Trustee may resign by notice in writing to be given to the District and mailed to each Bondowner by the Trustee or published once by the Trustee, in a daily newspaper of general circulation or a financial journal published in New York, New York, not less than 45 days before such resignation is to take effect. Such resignation shall take effect immediately upon the appointment of a new Trustee, if such new Trustee is appointed and accepts the trust before the time stated in such notice.

The Trustee may be discharged by the District at any time as long as an Event of Default has not occurred and is not continuing or at any time by the owners of a majority in aggregate principal amount of the Bonds then Outstanding.

If at any time the Trustee resigns, is discharged, or if the position of Trustee becomes vacant for any other reason, the District must appoint a Trustee to fill such vacancy. The District shall mail notice of any such appointment to each Bondowner or shall publish notice thereof once, in a daily newspaper of general circulation or a financial journal published in New York, New York, within 20 days after such appointment. At any time within one year after such appointment, the owners of a majority in aggregate principal amount of the Bonds then Outstanding may appoint a successor Trustee, which shall supersede any Trustee theretofore appointed by the District.

The Resolution provides that the recitals of fact contained in the Resolution and in the Bonds shall be taken as the statements of the District and the Trustee does not assume any responsibility for the correctness of the same. The Resolution provides further that the Trustee does not make any representations as to the validity or sufficiency of the Resolution or of any Bonds or in respect of the security afforded by the Resolution, and the Trustee shall not incur any liability in respect thereof, and

that the Trustee shall not be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof, except to the extent that proceeds are paid to the Trustee, or the application of any moneys paid to the District, or for any losses incurred upon the sale or redemption of any securities purchased for or held in any Fund or Account under the Resolution.

The Resolution provides that the Trustee may exercise any powers under the Resolution and perform any duties required of it through its attorneys, agents, officers or employees, and shall be entitled to advice of counsel (which may be Bond Counsel) concerning all questions under the Resolution. The Resolution provides further that the Trustee shall not be answerable for the exercise of any discretion or power under the Resolution nor for anything whatever in connection with the trust under the Resolution, except only its own willful misconduct or negligence, which shall include but not be limited to failure to make a debt service payment when due if the Trustee has sufficient funds on hand with which to make such payment.

The Resolution provides that the duties and obligations of the Trustee appointed by or pursuant to the provisions of the Resolution prior to the occurrence of an Event of Default, and subsequent to the waiving or curing of such Event of Default, shall be determined solely by the express provisions of the Resolution, and the Trustee shall not be liable except for the performance of its duties and obligations as specifically set forth in the Resolution and to act in good faith in the performance thereof, and no implied duties or obligations shall be incurred by the Trustee other than those specified in the Resolution, and the Trustee shall be protected and shall have no liability when acting or omitting to act in good faith upon the advice of counsel, who may be counsel to the District. The Resolution provides further that in case an Event of Default has occurred which has not been waived or cured, the Trustee shall exercise such of the rights and powers vested in it by the Resolution and use the same degree of care and skill in the exercise thereof as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The Resolution provides that none of the provisions contained in the Resolution shall require the Trustee to take any action or exercise any remedies, including but not limited to spending or risking its own funds or otherwise incurring individual financial responsibility in the performance of any of its duties or in the exercise of any of its rights or powers if in the Trustee's judgment there are reasonable grounds for believing that the prompt repayment thereof is not reasonably assured to it under the terms of the Resolution.

Events of Default and Remedies

Under the Resolution, each of the following constitutes an "Event of Default": (1) if payment of the principal and premium, if any, on any Bond is not made when due and payable, whether at maturity or by proceedings for redemption or otherwise; or (2) if payment of any installment of interest on any Bond is not made when due and payable; or (3) if the provisions of any Supplemental Resolution with respect to mandatory sinking fund installments or the retirement of Term Bonds is not complied with at the time and in the manner specified in such Supplemental Resolution; or (4) default under any agreement executed by the District with respect to a Qualified Letter of Credit or Qualified Insurance, or any letter of credit or other credit enhancement device providing additional security for any Variable Interest Rate Bonds which default results in the suspension, expiration or termination of the payment obligations of the issuer thereof, or (5) the occurrence of an Event of Default as defined in the Electric System Bond Resolution; or (6) if the District violates or fails to perform any of its other obligations under the Resolution or any Supplemental Resolution for 60 days after written notice of default is given to the District by the Trustee or by the owners of not less than 66% in aggregate principal amount and Accreted Value, if any, of the Bonds then Outstanding, provided the violation by the District of any provision of, or the failure of the District to perform any of its obligations (other than a failure constituting an Event of

Default described in clauses (1) through (3) above) under the Resolution or any Supplemental Resolution shall not constitute an Event of Default if, prior to or within such 60-day period, the District commences appropriate action in good faith to cure such violation or failure and diligently prosecutes such action to completion, notwithstanding that the period required to effect such cure shall extend beyond such 60-day period, or (7) if a court having jurisdiction enters a decree or order for relief adjudging the District a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of the District under any applicable bankruptcy, insolvency or other similar law, and such decree or order continues undischarged or unstayed for 40 days, or if a court having jurisdiction enters a decree or order appointing a receiver, liquidator, assignee, custodian, trustee or sequestrator of the District or any substantial part of its property, or ordering the winding-up or liquidation of the District, and such decree or order remains undischarged or unstayed for 60 days; or (8) if the District institutes voluntary proceedings to be adjudicated insolvent or bankrupt under any applicable bankruptcy, insolvency or other similar law or consents to the filing of a bankruptcy proceeding against it, or to the entry of an order for relief in an involuntary proceeding against it under any such law, or files a petition or answer or consent seeking reorganization or arrangement under any such law, or consents to the filing of any such petition, or consents to the appointment of a receiver, liquidator, trustee, assignee, custodian or sequestrator of the District or any substantial part of its property, or makes an assignment for the benefit of creditors, or admits in writing its insolvency or inability to pay its debts generally as they become due, or takes any action in furtherance of any of the foregoing.

If an Event of Default shall have happened and shall not have been remedied, the District upon demand of the Trustee shall pay over, and the District covenants that upon demand of the Trustee it shall pay over, to the Trustee only to the extent necessary to cure such Event of Default (i) forthwith, all moneys, securities and funds then held by the District and pledged under the Resolution, and (ii) as promptly as practicable after receipt thereof, all Revenues.

During the continuance of an Event of Default as defined under the Resolution or of any other Event of Default resulting in an Event of Default as defined in the Resolution, the Revenues received by the Trustee shall be applied by the Trustee, first, to the payment of all necessary and proper Operating Expenses and all other proper disbursements or liabilities made or incurred by the Trustee and, second, to the then due and overdue payments into the Bond Fund, including the making up of deficiencies therein.

In the event that at any time the funds held by the Trustee pursuant to the Resolution shall be insufficient for the payment of the principal (including any mandatory sinking fund installments), premium, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds) and all Revenues shall be applied as follows: first, to the payment of all necessary and proper Operating Expenses and all other proper disbursements or liabilities made or incurred by the Trustee; second, to the payment, pro rata, to the persons entitled thereto of all installments of interest then due (including any interest on overdue principal) or any District Payments; third, to the payment, pro rata, to the persons entitled thereto of the principal (including any mandatory sinking fund installments) and premium, if any, due and unpaid upon the Bonds at the time of such payment; fourth, to the payment pro rata, to the persons entitled thereto by reason of a pledge of Revenue subordinate to the lien of the Bonds, and fifth, for any other lawful purpose as provided in the Resolution concerning the application of any balance of the Revenues in the Revenue Fund.

If an Event of Default happens and is not remedied, the Trustee, either in its own name or as trustee of an express trust, or as attorney-in-fact for the owners of the Bonds is empowered to proceed forthwith to institute such suits, actions and proceedings at law or in equity for the collection of all sums due in connection with the Bonds and to protect and enforce its rights and the rights of the owners of the Bonds under the Resolution for the specific performance of any covenant contained in the Resolution, or in aid of the execution of any power granted in the Resolution, or for an accounting against the District

as trustee of any express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, deems most effectual to enforce any of its rights, or to perform any of its duties, under the Resolution. The owners of not less than 66% in aggregate principal amount and Accreted Value, if any, of the Bonds at the time Outstanding shall be authorized and empowered (1) to direct the time, method, and place of conducting any proceeding for any remedy available to the owners of the Bonds or to the Trustee therefor, or of exercising any trust or power conferred upon the Trustee under the Resolution or (2) on behalf of the owners of the Bonds then Outstanding, to consent to the waiver of any Event of Default except an Event of Default defined in clauses (1) through (3) of the definition of "Events of Default" above or its consequences, and the Trustee shall waive any Event of Default and its consequences upon the written request of the owners of such 66%; provided that the Trustee shall be provided with adequate security and indemnity. No waiver shall extend to any subsequent or other default, or impair any right consequent thereon. The Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondowners not party to such direction.

No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the owners of the Bonds is intended to be exclusive of any other remedy given thereunder to the Trustee or to the owners of the Bonds or now or thereafter existing at law or in equity or by statute.

Defeasance; Discharge of Liens and Pledges

The Resolution provides that obligations of the District and the liens, pledges, charges, trusts, assignments, covenants and agreements of the District made or provided for in the Resolution shall be fully discharged and satisfied as to any Bond and such Bond shall be deemed to be no longer Outstanding under the Resolution: (1) when such Bond shall have been cancelled, or shall have been surrendered for cancellation or is subject to cancellation or; (2) when payment of the principal of and premium, if any, on such Bond, plus interest on such principal to the due date thereof (whether such due date be by reason of maturity or upon redemption through the application of mandatory sinking fund installments or optional redemption or prepayment or otherwise), either (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided by depositing with the Escrow Trustee, in a special trust account, and appropriating and setting aside exclusively for such payment, either (i) money sufficient to make such payment or (ii) Governmental Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient money to make such payment, or (iii) a combination of both such money and such Governmental Obligations, whichever the District deems to be in its best interest.

At such time as a Bond shall be deemed to be no longer Outstanding, such Bond, except for the purpose of any such payment from such money or Governmental Obligations, shall no longer be secured by or entitled to the benefits of the Resolution. In the case of a Bond which is to be redeemed or otherwise prepaid prior to its stated maturity, no deposit described under clause (2)(b) above shall constitute such payment, discharge and satisfaction as aforesaid until such Bond shall have been irrevocably designated for redemption or prepayment. If money or Governmental Obligations have been deposited with the Escrow Trustee for the payment of a specific Bond and such Bond shall be deemed to have been paid and be no longer Outstanding, but such Bond shall not have in fact been actually paid in full, no amendment to the provisions summarized above shall be made without the consent of the owner of each Bond affected thereby.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION

The following summary is an outline of certain provisions of the Electric System Bond Resolution, is not to be considered a full statement thereof and is qualified by reference to the complete Electric System Bond Resolution. All capitalized words or phrases (other than those conventionally capitalized) used in this summary are defined in the Electric System Bond Resolution. Certain of those definitions are summarized below. For purposes of this Appendix, “Bonds” means Electric System Bonds and “Revenues” means Electric System Revenues.

Certain Definitions

“Annual Debt Service” for any Fiscal Year means the sum of the amounts required to be paid in such Fiscal Year to pay: (a) the interest due in such Fiscal Year on all Outstanding Bonds, excluding interest to be paid from the proceeds of sale of Bonds or other bonds; and (b) the principal of all Outstanding Serial Bonds due in such Fiscal Year; and (c) the Sinking Fund Requirement, if any, for such Fiscal Year. The Electric System Bond Resolution specifies how debt service is calculated for Capital Appreciation Bonds, Deferred Income Bonds, Tender Option Bonds and Variable Interest Rate Bonds.

“Code” means the Internal Revenue Code of 1986 as amended, and applicable regulations.

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

The District may, by resolution, combine the Generation System and the Electric System into a single system. Upon consolidation of the Electric System and Generation System, the Bonds shall have a lien on revenues of the consolidated System equal to the lien thereon of any then outstanding senior lien revenue bonds of the Generation System and subject to the lien thereon of the costs of operation and maintenance of the consolidated System. Prior to consolidating the Electric System and the Generation System, the District must obtain confirmation from each rating agency then rating the Bonds that the consolidation will not adversely impact the then current rating(s) on the Bonds. In addition, the District must obtain an opinion of bond counsel that the consolidation will not adversely affect the tax-exempt status of any Outstanding Bonds.

“Electric System Costs” means costs of additions, betterments, extensions, renewals, repairs, replacements and extraordinary operating expenses of the Electric System and all costs incident thereto, including but not limited to engineering, financing, or legal costs.

“Net Revenues” means, for any period, the excess of Revenues over Operating Expenses for such period excluding from the computation of Operating Expenses any expenses paid from insurance proceeds and excluding from the computation of Revenues (a) any profit or loss derived from the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets of the Electric System, or resulting from the early extinguishment of debt; and (b) any other extraordinary, nonrecurring income or donation other than the proceeds of insurance intended to replace Revenues.

“Operating Expenses” means all the District’s expenses for operation and maintenance of the Electric System, including all operation and maintenance expenses as defined by generally accepted accounting principles and shall include, without limiting the generality of the foregoing, (a) all amounts required to be paid to the United States with respect to the Bonds pursuant to Section 148 of the Code; (b) Resource Obligations for any month in which any power and energy or other goods and services from such Resource Obligation were made available to the Electric System during such month (regardless of whether or not the Electric System actually scheduled or received energy from the Resource Obligation during such month); and (c) so long as any Generation System Bond is Outstanding, the amounts covenanted in the Generation System Resolution to be paid into the Generation System Revenue Fund with respect to Generation System Power Costs on or prior to the last day of any month during which any power and energy or other goods and services from the Generation System were made available to the Electric System during such month (regardless of whether or not the Electric System actually scheduled or received energy from the Generation System during such month). Operating Expenses shall not include any extraordinary, nonrecurring expenses of the Electric System, any judgments or amounts to be paid in settlement of claims against the Electric System, any costs or expenses for new construction for the Electric System, interest on bonds or other obligations of the Electric System, amortization or any allowance for depreciation.

“Outstanding” when used with respect to Bonds means, as of any date, Bonds theretofore or thereupon issued pursuant to the Electric System Bond Resolution except: (i) any Bonds cancelled by the Registrar or paid at or prior to such date; (ii) Bonds for which other Bonds have been substituted; and (iii) Bonds that have been defeased.

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

“Permitted Investments” means the following to the extent the same are legal for investments of funds of the District: (a) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States, including obligations of any of the federal agencies set forth in clause (b) below to the extent unconditionally guaranteed by the United States; (b) obligations of the Export-Import Bank of the United States, the Government National Mortgage Association, the Federal National Mortgage Association to the extent guaranteed by the Government National Mortgage Association, the Federal Financing Bank, the Farmers Home Administration, the Federal Housing Administration, the Private Export Funding Corporation, the Federal Home Loan Bank, and the Federal Home Loan Mortgage Bank, or any agency or instrumentality of the Federal Government which shall be established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefor; (c) new housing authority bonds issued by the public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement

with the United States; (d) direct and general obligations of any State within the territorial United States, to the payment of the principal of and interest on which the full faith and credit of such State is pledged, provided, that at the time of their purchase, such obligations are rated in one of the two highest rating categories by either Moody's Investors Service ("Moody's") or Standard & Poor's Ratings Services ("S&P") or in the event each of such rating agencies rates such obligations, by each of them; (e) certificates of deposit, whether negotiable or nonnegotiable, issued by any bank, savings and loan association, or trust company, provided that such certificates of deposit shall be (i) continuously and fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or (ii) issued by a recognized qualified public depository of the State of Washington under RCW Chapter 39.58, as amended, or (iii) continuously and fully secured by such securities as are described above in clauses (a) or (b), which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit or (iv) certificates of deposit with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's; (f) any written repurchase agreement with any bank, savings institution or trust company which is insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or with any brokerage dealer with retail customers which falls under Securities Investors Protection Corporation protection, provided that such repurchase agreements are fully secured by direct obligations of the United States of America, and provided further that (i) such collateral is held by the District or its agent or trustee during the term of such repurchase agreement, (ii) such collateral is not subject to liens or claims of third parties, (iii) such collateral has a market value (determined at least once weekly) at least equal to 100% of the amount invested in the repurchase agreement, (iv) the District or its agent or trustee has a perfected first security interest in the collateral, (v) the agreement shall be for a term not longer than 270 days and (vi) the failure to maintain such collateral at the level required in (iii) above will require the District or its agent or trustee to liquidate the collateral; (g) Refunded Municipals; (h) banker's acceptances with commercial banks that have a rating on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1 +" by S&P or "P-1" by Moody's, or in the event each of such rating agencies rates such obligations, by each of them, and that mature no more than 360 days after the date of purchase; and (i) any investments or investment agreements permitted under the laws of the State of Washington as amended from time to time.

"Qualified Insurance" means any municipal bond insurance policy or surety bond issued by a licensed insurance company that at the time of issuance of the policy or surety bond is rated in one of the two highest rating categories by Moody's Investors Service or Standard & Poor's Ratings Services, or if rated by both, by each of them.

"Reserve Account Requirement" means (a) with respect to a series of Bonds, the lesser of (i) 10% of the proceeds of such series of Bonds and recalculated as of the date of issuance of any obligation of the District issued to refund any Bonds or (ii) the maximum amount of interest due in any Fiscal Year on such series of Bonds, calculated as of their date of issuance and (b) with respect to all Bonds, the sum of the Reserve Account Requirements for all series of Bonds. A Supplemental Resolution may establish a separate reserve account for Bonds or provide that Bonds be secured by a common reserve account other than the Reserve Account, in either of which case such Bonds shall not be secured by the Reserve Account created under the Electric System Bond Resolution. If the District establishes a separate reserve account for a series of Bonds, "Reserve Account Requirement" means with respect to a series of Bonds, an amount set forth in the Supplemental Resolution authorizing such Bonds. The Electric System Bond Resolution specifies how interest is calculated for Variable Interest Rate Bonds.

"Resource Obligation" has the meaning set forth in the provisions of the Electric System Bond Resolution summarized in "Additional Indebtedness—Separate System Bonds; Resource Obligation."

“Revenues” means all income, revenues, receipts and profits derived by the District through the ownership and operation of the Electric System together with the proceeds received by the District directly or indirectly from the sale, lease or other disposition of any of the properties, rights or facilities of the Electric System and together with the investment income earned on money held in any fund or account of the District, including any bond redemption funds and the accounts therein, in connection with the ownership and operation of the Electric System, exclusive of insurance proceeds compensating the District for the loss of a capital asset and income derived from investments irrevocably pledged to the payment of any Bonds defeased or other bonds defeased, or the payment of which is provided for, under any similar provision of any other bond resolution of the District, and exclusive of investment income earned on money in any fund or account created for the purpose of complying with the rebate provision of Section 148 of the Code.

“Serial Bonds” means Bonds falling due by their terms in specified years, for which no Sinking Fund Requirements are mandated.

“Sinking Fund Requirement” means, for any Fiscal Year, the principal amount and premium, if any, of Term Bonds required to be purchased, redeemed or paid at maturity or paid into any sinking fund account for such Fiscal Year as established by the Supplemental Resolution authorizing the issuance of such Term Bonds.

“Term Bonds” means Bonds of any principal maturity that are subject to mandatory redemption or for which Sinking Fund Requirements are mandated.

Funds and Accounts

Revenue Fund

The District has pledged to pay all Revenues into the Revenue Fund except as specifically provided in the Electric System Bond Resolution. The Revenue Fund consists of the General Account and the Rate Stabilization Account. All Electric System Revenues paid into the Electric System Revenue Fund are first to be credited to the General Account and applied as follows:

First, to pay Operating Expenses of the Electric System;

Second, to pay amounts as follows equally and without priority: (i) to deposit in the interest account, principal account and reserve account in the bond fund for the Electric System the amounts required by the Electric System Bond Resolution in the order of priority established by the Electric System Bond Resolution; (ii) to pay all Parity Lien Obligations (as defined in the Electric System Bond Resolution) including, so long as any Generation System Bond is outstanding, the obligation to deposit in the Revenue Fund the amounts required by the Generation System Resolution to be paid on or prior to the last day of each month with respect to Generation System Power Costs; and (iii) in the event the District has entered into a reimbursement agreement pursuant to the Electric System Bond Resolution that ranks on a parity of lien with the Bonds, to make all payments required to be made pursuant to such reimbursement agreement in connection with a qualified letter of credit, qualified insurance, or other credit facility, provided that if there is not sufficient money to make all payments under more than one reimbursement agreement, the payments shall be made on a pro rata basis;

Third, to make all payments required to be made into any junior lien fund or account in the order of priority, if any, set forth in the resolution of the Commission creating such junior lien fund or account; and

Fourth, to make additions, betterments, extensions, renewals, replacements and other capital improvements to the Electric System.

To the extent that Electric System Revenues remain after the payments required to be made out of the General Account in the Electric System Revenue Fund, the District may credit the full amount of such surplus to the Rate Stabilization Account in the Electric System Revenue Fund to be applied as set forth in the Electric System Bond Resolution.

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

Bond Fund

The District has covenanted, as long as any Bonds are Outstanding, to make payments as follows:

(1) Into the Interest Account, not later than the day prior to the day on which any installment of interest falls due, an amount sufficient to pay such installment of interest falling due.

(2) Into the Principal Account, not later than the day prior to the day on which any installment of principal on Serial Bonds or any Sinking Requirement on Term Bonds falls due, an amount sufficient to pay such installment of principal or such Sinking Fund Requirement.

(3) Into the Reserve Account from money received upon the delivery of each series of Bonds (but not to exceed the amount permitted by the Code), the amount that together with other money meets the Reserve Account Requirement. The District has reserved the rights to substitute Qualified Insurance or a Qualified Letter of Credit (as defined in the Electric System Bond Resolution) to satisfy the Reserve Account Requirement for any Bonds provided that the letter of credit or insurance is not cancelable on less than five years notice. If the amount in the Reserve Account is less than the Reserve Account Requirement, the District shall have 12 months to restore the Reserve Account to the Reserve Account Requirement. Money in the Reserve Account is to be applied to make up a deficiency in the Interest Account or the Principal Account.

Money in the Bond Fund shall be invested in Permitted Investments (as defined in the Electric System Bond Resolution).

Construction Fund

The proceeds from the sale of the Bonds (other than any accrued interest received and amounts deposited into the Reserve Account) issued to pay Electric System Costs or to repay advances for Electric System Costs are to be deposited in the Construction Fund.

Additional Indebtedness

Additional Bonds

The Electric System Bond Resolution provides that additional series of Bonds may be issued for a lawful corporate purpose of the District only if at the time of the delivery of each series of Bonds to the initial purchasers:

(1) There is no deficiency in the Bond Fund or in any of the accounts therein, provision has been made to meet the Reserve Account Requirement with respect to such series of Bonds and no Event of Default has occurred and is continuing; and

(2) One of the two following certificates has been filed with the Secretary of the Commission;

(a) a certificate of the Treasurer stating that Net Revenues in any 12 consecutive months out of the most recent 24 months preceding the delivery of the Bonds then proposed to be issued (the "Base Period"), after deducting amounts paid in the Base Period to satisfy all Parity Lien Obligations and, for so long as the Reserve Policy is in effect, to pay all Policy Costs, were not less than 125% of maximum Annual Debt Service in any future Fiscal Year on all Outstanding Bonds and the Bonds then proposed to be issued (provided that (i) in the event that any adjustment in the rates, fees and charges for the services of the Electric System will be effective at any time on or prior to the date of delivery of the Bonds then proposed to be issued or within 60 days subsequent to the delivery, the Treasurer shall reflect in his or her certificate the Net Revenues he or she calculates would have been collected in the Base Period if such new rates, fees and charges had been in effect for the entire Base Period and (ii) with respect to any Variable Interest Rate Bonds Outstanding on the date such certificate is delivered, the Treasurer must estimate the debt service on such Bonds in accordance with the Electric System Bond Resolution); or

(b) a certificate of the Professional Utility Consultant setting forth:

(i) the amount of the Adjusted Net Revenues computed as provided in the Electric System Bond Resolution, after deducting amounts paid from Revenues in the Base Period to satisfy all Parity Lien Obligations; and

(ii) the amount of maximum Annual Debt Service in any Fiscal Year thereafter on account of all Bonds to be Outstanding in such Fiscal Year, including the Bonds proposed to be issued, and stating that the amount shown in (i) above is not less than 125% of the amount shown in this paragraph (ii).

The District may contract with the entity providing a Qualified Letter of Credit or Qualified Insurance for the Reserve Account that the District's reimbursement obligation to such entity ranks on a parity of lien with the Bonds. In the event that the District elects additionally to secure any issue of Variable Interest Rate Bonds or Tender Option Bonds through the use of a letter of credit or other credit enhancement device, the District may contract with the entity providing such credit enhancement device that the District's reimbursement obligation, if any, to such entity ranks on a parity of lien with the Bonds; provided that the payments due under such reimbursement obligation are such that if such reimbursement obligation were a series of additional Bonds and assuming that such credit enhancement device were to be drawn upon for the full amount available, such Bonds could be issued in compliance with the provisions described above for issuing additional Bonds.

Refunding Bonds

The District may issue Refunding Bonds if it complies with the requirements set forth in paragraph (2) above or if there is on file a certificate of the Treasurer of the District stating that immediately after the issuance of such Refunding Bonds the Annual Debt Service in any Fiscal Year that Bonds (other than such Refunding Bonds) are then Outstanding shall not be increased by more than \$5,000 by the issuance of such Refunding Bonds.

Junior Lien Bonds

The District may issue bonds, notes, certificates or other evidences of indebtedness for any corporate use or purpose of the District payable from Revenues subordinate to the payments required to be made from the Revenue Fund into the Bond Fund for the Bonds.

Generation System Bonds

The District may issue Generation System Bonds in accordance with the requirements of the Generation System Resolution. See “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE GENERATION SYSTEM BOND RESOLUTION—Additional Indebtedness.”

Separate System Bonds; Resource Obligations

The Electric System Bond Resolution provides, that upon compliance with the conditions of the Electric System Bond Resolution summarized below, the District by resolution may declare that the following constitute a “Resource Obligation” of the Electric System:

- (1) costs for the purchase of energy, capacity, capability, or reserves pursuant to a contract; or
- (2) costs for a facility or facilities for the generation of power and energy acquired or constructed by the District as a separate system of the District, which such costs shall include but are not limited to costs of operation and maintenance, renewals and replacements, additions and betterments and debt service on bonds or other evidences of indebtedness payable from the revenues of such separate system issued or incurred by the District, but shall exclude costs paid or to be paid from the proceeds of such bonds or other evidences of indebtedness.

The Electric System Bond Resolution provides that the District may declare such costs to be a Resource Obligation of the Electric System provided that the requirements summarized below have been met at the time of such declaration:

- (i) No Event of Default has occurred and is continuing.
- (ii) There shall have been filed with the Secretary of the Commission a certificate of the Professional Utility Consultant to the effect that the acquisition of the power and energy from such Resource Obligation is consistent with prudent utility practice.
- (iii) There shall have been filed with the Secretary of the Commission a report of the Professional Utility Consultant to the effect that estimated annual Net Revenues for the second full Fiscal Year after the date of commercial operation of such facilities, or after the date of first delivery of energy, capacity, capability or reserves pursuant to such contract, as the case may be, shall be at least equal to 125% of maximum Annual Debt Service in any future Fiscal Year. The Professional Utility Consultant shall base such estimate on factors the Professional Utility Consultant deems to be reasonable; provided, that the Professional Utility Consultant shall for purposes of such estimate include all Generation System Power Costs and Resource Obligations in Operating Expenses.
- (iv) In the event that the Resource Obligation is a contract to purchase energy, capacity, capability or reserves, there shall have been filed with the Secretary of the Commission opinions of counsel to the District and each other party to the contract, respectively, to the effect that such party has all requisite

right, power and authority to execute and deliver the contract and to perform its obligations thereunder and that such contract constitutes a legally valid and binding obligation of such party thereto.

Except as permitted by the provisions of the Electric System Bond Resolution summarized under this subsection, the District is not permitted to enter into a contract or other similar arrangement with a third party for the purchase of energy, capacity, capability or reserves from a new or existing generating facility, payments under which contract or arrangement are payable as Operating Expenses of the Electric System, if: (a) such payments are pledged directly to secure the payment of bonds or other indebtedness issued or incurred to finance such facility, and (b) such payments are due regardless of whether the District takes delivery of any power or such facility or resource is producing or is capable of producing any power.

Defeasance of Bonds

The District may refund or defease all or a portion of the then Outstanding Bonds by setting aside in a special fund money, Government Obligations and/or Refunded Municipals sufficient, together with known earned income, to accomplish the refunding or defeasance. In that case all rights of the owners of the defeased or refunded Bonds in the benefit or security of the Electric System Bond Resolution will cease, except that such owners will have the right to receive payment of the principal of, premium, if any, and interest on their Bonds.

Certain Covenants

Rate Covenants

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

Debt Service Coverage. The District has also covenanted to establish, maintain and collect rates and charges that shall be adequate to provide in each Fiscal Year Net Revenues (after deducting therefrom amounts paid in such Fiscal Year to satisfy all Parity Lien Obligations and amounts transferred to the Rate Stabilization Account from the General Account and adding thereto amounts transferred to the General Account from the Rate Stabilization Account during such Fiscal Year) in an amount equal to at least 1.25 times the Annual Debt Service on the then Outstanding Bonds in such Fiscal Year.

Maintenance and Repair of Electric System

The District has covenanted in the Electric System Bond Resolution to operate the properties and business of the Electric System in an efficient manner and at reasonable cost; to

maintain, preserve, and keep the properties of the Electric System in good repair, working order and condition; and to make all necessary and proper repairs, renewals, replacements, additions, improvements, betterments and extensions of and to the Electric System.

No Free Service; Enforcement of Accounts Owing

Except as permitted by statute, the District will not supply electric power or energy free of charge to any other system of the District or to any person or entity and the District will promptly enforce the payment of all accounts owing to the District by reason of the Electric System.

Disposition of All or Part of the Electric System

The District will not, nor will it permit others to, sell, mortgage, lease or otherwise dispose of or encumber all or any portion of the Electric System except:

(1) The District may dispose of all or substantially all of the Electric System, provided that simultaneously the District shall cause all of the Bonds to be, or deemed to be, no longer Outstanding.

(2) Except as provided below, the District will not dispose of any part of the Electric System in excess of 5% of the value of the net utility plant of the District in service unless prior to such disposition

(a) there has been filed with the Secretary of the Commission a certificate of the Professional Utility Consultant stating that such disposition will not impair the ability of the District to comply with the rate covenants previously set forth under this heading; or

(b) provision is made for the payment, redemption or other retirement of a principal amount of Bonds equal to the greater of the following amounts:

(i) An amount which will be in the same proportion to the net principal amount of Bonds then Outstanding (defined as the total principal amount of Bonds then Outstanding less the amount of cash and investments in the Bond Fund) that the Revenues attributable to the part of the Electric System sold or disposed of for the 12 preceding months bears to the total Revenues for such period; or

(ii) An amount which will be in the same proportion to the net principal amount of Bonds then Outstanding that the book value of the part of the Electric System sold or disposed of bears to the book value of the entire Electric System immediately prior to such sale or disposition.

(3) The District may dispose of any portion of the Electric System that has become unserviceable, inadequate, obsolete, or unfit to be used or no longer necessary for use in the operation of the Electric System.

(4) If the ownership of all or part of the Electric System is transferred from the District through the operation of law, the District shall reconstruct or replace the portion using any proceeds of the transfer unless the Commission determines that such reconstruction or replacement is not in the best interests of the District and the Bondowners, in which case any proceeds shall be used to retire Bonds prior to maturity.

Insurance

The District will either insure or self-insure the Electric System against risks, accidents or casualties, at least to the extent that insurance is usually carried by municipal corporations operating like properties; provided, however, that the District may, if deemed advisable by the Commission, institute or continue a self-insurance program with respect to any or all of the aforementioned risks.

Books of Account

The District will keep proper books of account, which will be audited annually by a Certified Public Accountant or by the Washington State Auditor's office. Any Bondowner may obtain at the office of the District copies of the District's balance sheet and statement of income and retained earnings showing in reasonable detail the financial condition of the Electric System as of the close of each Fiscal Year.

To Make Economically Sound Improvements and Extensions

The District will not expend any of the revenues derived by it from the operation of the Electric System or the proceeds of Bonds for any renewals, replacement, capital additions, improvements, betterments or extensions that are not economically sound or that will not properly and advantageously contribute to the conduct of the business of the Electric System in an efficient and economical manner unless required to do so by or pursuant to law so as to permit the continued operation of the Electric System. Nothing in this section shall prohibit or be construed to prohibit the District from transferring revenues of the Electric System to any fund or account created by the Generation System Resolution or by any resolution creating any other separate system of the District in accordance with the provisions thereof.

To Pay Principal, Premium and Interest on Bonds

The District will duly and punctually pay, or cause to be paid, solely from the Revenues and other moneys pledged in the Electric System Bond Resolution to the payment thereof, the principal, premium, if any, and interest on each and every Bond on the date and at the places and in the manner provided in the Bonds, according to the true intent and meaning thereof, and will faithfully do and perform and fully observe and keep any and all covenants, undertakings, stipulations and provisions contained in the Bonds and in the Electric System Bond Resolution.

Protection of Security

The Revenues and other moneys, securities and funds pledged by the Electric System Bond Resolution are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Electric System Bond Resolution, except as otherwise expressly provided in the Electric System Bond Resolution, and all corporate action on the part of the District to that end has been duly and validly taken. The Bonds and the provisions of the Electric System Bond Resolution are and will be valid and legally enforceable obligations of the District in accordance with their terms and the terms of the Electric System Bond Resolution. The District shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues, other moneys, securities and funds pledged under the Electric System Bond Resolution and all the rights of the Bondowners under the Electric System Bond Resolution against all claims and demands of all persons whomsoever.

Authority of District to Provide for the Operation and Maintenance of the Electric System and to Fix and Collect Rates and Charges

The District has good, right and lawful power to provide for the operation and maintenance of the Electric System and to fix, establish, maintain and collect rates and charges for the power and energy and other services, facilities and commodities sold, furnished or supplied through the facilities of the Electric System.

Payment of Taxes, Assessments and Other Governmental Charges and Payments in Lieu Thereof; Payment of Claims

The District shall, from time to time, duly pay and discharge, or cause to be paid or discharged, all taxes, assessments or other governmental charges, or payments in lieu thereof, lawfully imposed upon the Electric System, or on the revenues, income, receipts, profits or other moneys derived by the District therefrom when the same shall become due, and all lawful claims for labor and materials and supplies that, if not paid, might become a lien or charge upon such properties, or any part thereof, or upon the Revenues and other moneys derived by the District directly or indirectly from the Electric System, or that might in any way impair the security of the obligations issued by the District payable from the Revenues and other moneys, except those assessments, charges or claims that the District shall in good faith contest by proper legal proceedings.

Merger, Consolidation or Dissolution

The District shall use its best efforts to avoid dissolution, termination of its existence, or consolidation with another entity without paying or providing for the payment of all Outstanding Bonds.

Trustee

U.S. Bank Trust Company, National Association is appointed to act as Trustee for the owners of all Bonds for the purposes set forth in the Electric System Bond Resolution. The Trustee may resign upon 45 days' notice mailed to each bondowner or published once. Such resignation shall take effect upon the appointment of a new Trustee. The Trustee may be discharged by the District as long as an Event of Default has not occurred and is continuing or by the owners of a majority of the Outstanding Bonds. If the Trustee resigns or is discharged the District shall appoint a new Trustee. At any time within one year after such appointment, the owners of a majority in principal amount of the Bonds then Outstanding may appoint a successor Trustee, which shall supersede any Trustee appointed by the District.

The Electric System Bond Resolution provides that recitals of fact contained in the Electric System Bond Resolution and in the Bonds shall be taken as the statements of the District and the Trustee assumes no responsibility for the correctness of the same and that the Trustee makes no representations as to the validity or sufficiency of the Electric System Bond Resolution or of any Bonds or in respect of the security afforded by the Electric System Bond Resolution, and the Trustee shall not incur any liability in respect thereof. The Electric System Bond Resolution provides further that the Trustee shall not be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof, except to the extent that proceeds are paid to the Trustee, or the application of any moneys paid to the District, or for any losses incurred upon the sale or redemption of any securities purchased for or held in any Fund or Account under the Electric System Bond Resolution.

The Electric System Bond Resolution provides that the Trustee may exercise any powers under the Electric System Bond Resolution and perform any duties required of it through its attorneys, agents, officers or employees, and shall be entitled to advice of counsel (which may be Bond Counsel) concerning all questions under the Electric System Bond Resolution. The Electric System Bond Resolution provides further that the Trustee shall not be answerable for the exercise of any discretion or power under the Electric System Bond Resolution nor for anything whatever in connection with the trust under the Electric System Bond Resolution, except only its own willful misconduct or gross negligence, including but not be limited to failure to make a debt service payment when due if the Trustee has sufficient funds on hand with which to make such payment.

The Electric System Bond Resolution provides that the duties and obligations of the Trustee appointed by or pursuant to the provisions of the Electric System Bond Resolution prior to the occurrence of an Event of Default, and subsequent to the waiving or curing of such Event of Default, shall be determined solely by the express provisions of the Electric System Bond Resolution, and the Trustee shall not be liable except for the performance of its duties and obligations as specifically set forth in the Electric System Bond Resolution and to act in good faith in the performance thereof, and no implied duties or obligations shall be incurred by the Trustee other than those specified in the Electric System Bond Resolution, and the Trustee shall be protected and shall have no liability when acting or omitting to act in good faith upon the advice of counsel, who may be counsel to the District. The Electric System Bond Resolution provides further that in case an Event of Default has occurred which has not been waived or cured, the Trustee shall exercise such of the rights and powers vested in it by the Electric System Bond Resolution and use the same degree of care and skill in the exercise thereof as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Subject to the provisions of the Electric System Bond Resolution, the Trustee may conclusively rely, as to the correctness of the statements, conclusions and opinions expressed therein, upon any certificate, report, opinion or other document furnished to the Trustee pursuant to any provision of the Electric System Bond Resolution. Except as otherwise expressly provided in the Electric System Bond Resolution, any request, consent, certificate, demand, notice, order, appointment or other direction made or given by the District to the Trustee are to be deemed to have been sufficiently made or given by the proper party or parties if executed on behalf of the District by an Authorized Officer.

None of the provisions contained in the Electric System Bond Resolution shall require the Trustee appointed by or pursuant to the provisions of the Electric System Bond Resolution to take any action or exercise any remedies, including but not limited to spending or risking its own funds or otherwise incurring individual financial responsibility in the performance of any of its duties or in the exercise of any of its rights or powers if in the Trustee's judgment there are reasonable grounds for believing that the prompt repayment thereof is not reasonably assured to it under the terms of the Electric System Bond Resolution.

Events of Default and Remedies

Events of Default

The following constitute "Events of Default" under the Electric System Bond Resolution:

- (1) Default in the due and punctual payment of the principal of any of the Bonds within five days when the same becomes due;

(2) Default in the due and punctual payment of interest on any of the Bonds within five days when the same becomes due;

(3) Failure to provide for any required Sinking Fund Requirements within five days when the same becomes due;

(4) Default under any agreement with respect to a Qualified Letter of Credit or Qualified Insurance or other credit enhancement device providing security for the Bonds, which results in suspension, expiration or termination of the payment obligation of the issuer of the device and the District within ten days of such suspension, expiration or termination of payment obligations fails to obtain a substitute credit enhancement device or take other measures to remedy such default;

(5) Default in the observance of any other of the covenants, conditions and agreements in the Electric System Bond Resolution and such default continues for 90 days after the District receives from the Trustee or from the owners of not less than 66% in principal amount of any series of Bonds Outstanding a written notice specifying and demanding the cure of such default; or

(6) If the District shall admit in writing its inability to pay its debts as they become due, file a petition in bankruptcy, make an assignment for the benefit of its creditors, or consent to the appointment of a receiver for the Electric System.

Payment of Funds to Trustee

If an Event of Default is not remedied, the District, upon demand of the Trustee, shall pay to the Trustee only to the extent necessary to cure the Event of Default all funds held by the District and pledged under the Electric System Bond Resolution and Revenues upon receipt. The Trustee shall apply the funds in accordance with the Electric System Bond Resolution.

Application of Funds by Trustee

During the continuance of an Event of Default the Revenues received by the Trustee pursuant to the Payment of Funds to Trustee provisions above shall be applied by the Trustee, first, to the payment of the reasonable and proper charges, expenses and liabilities paid or incurred by the Trustee (including the cost of securing the services of any engineer or firm of engineers selected for the purpose of rendering advice with respect to the operation, maintenance, repair and replacement of the necessary to prevent any loss of Revenues, and with respect to the sufficiency of the rates and charges for power and energy sold, furnished or supplied by the Electric System), and second, in accordance with the provisions of this section concerning Application of Funds by Trustee.

In the event that at any time the funds held by the Trustee and the Paying Agent for the Bonds shall be insufficient for the payment of the principal of, premium, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and all Revenues and other moneys received or collected for the benefit or for the account of owners of the Bonds by the Trustee shall be applied as follows: First, to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, earliest maturities first, and, if the amount available shall not be sufficient to pay in full any installment or installments or interest maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and Second, to the payment to the persons entitled thereto of the unpaid principal

and premium, if any, of any Bonds that shall have become due, whether at maturity or by call for redemption, in the order of their due dates, earliest maturities first, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal and premium, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

Remedies

The Trustee may, if an Event of Default is not remedied, take such steps and institute such proceedings as it deems appropriate to collect all sums owing and to protect the rights of bondowners. The owners of the Bonds shall be deemed to irrevocably appoint the Trustee as the lawful trustee of the bondowners. The owners of at least 66% of the Outstanding Bonds may, in certain circumstances, direct the time, method and place of conducting any proceedings for any remedy available to the Trustee or exercising any power conferred upon the Trustee.

No bondowner may institute any proceeding for the enforcement of the Electric System Bond Resolution unless an Event of Default is continuing and the owners of not less than 66% of the Outstanding Bonds have given the District and the Trustee written notice to institute such proceeding and the Trustee has refused to comply.

Supplemental Resolutions

Supplemental Resolutions Without Consent of Bondowners

The District may adopt a supplemental resolution authorizing the issuance of additional Bonds or a resolution amending or supplementing the Electric System Bond Resolution (1) to add to the covenants and agreements of the District in the Electric System Bond Resolution which will not adversely affect the interest of the bondowners or (2) to cure any ambiguities or correct any defective provisions in the Electric System Bond Resolution or any supplemental resolution which shall not adversely affect the bondowners' interest.

Supplemental Resolutions With Consent of Bondowners

With the consent of the owners of not less than 66% of the Outstanding Bonds, the District may adopt a resolution amending or supplementing the Electric System Bond Resolution; provided, that, without the specific consent of the owner of each Bond that would be affected, no such supplemental resolution shall: (1) change the fixed maturity date for the payment of the principal of any Bond or the date for the payment of interest or the terms of the redemption thereof, or reduce the principal amount of any Bond or the rate of interest thereon or the redemption price (or the redemption premium) payable upon the redemption or prepayment thereof; (2) reduce the percentage of Bonds the owners of which are required to consent to any Supplemental Resolution; (3) give to any Bond any preference over any other Bond; (4) create any pledge of the Revenues superior or equal to the pledge of and lien and charge for the payment of the Bonds; or (5) deprive any owner of the Bonds of the security afforded by the Electric System Bond Resolution.

Rights of Insurer

Upon an Event of Default, the insurer for any series of Bonds shall be considered a Bondowner of all outstanding Bonds that it insures for purposes of the amendment provisions and remedies provisions of the Electric System Bond Resolution so long as the bond insurance policy is in effect and the Insurer is not in default.

APPENDIX D-1

PROPOSED FORM OF OPINION OF BOND COUNSEL REGARDING 2025A BONDS

July __, 2025

Public Utility District No. 1 of
Snohomish County, Washington
Everett, Washington

\$ _____
Public Utility District No. 1 of Snohomish County, Washington
Generation System Revenue Refunding Bonds, Series 2025A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Public Utility District No. 1 of Snohomish County, Washington (the "District") in connection with issuance of \$ _____ aggregate principal amount of Public Utility District No. 1 of Snohomish County, Washington Generation System Revenue Refunding Bonds, Series 2025A (the "2025A Bonds"). The 2025A Bonds are being issued pursuant to Resolution No. 2994, adopted by the Commission of the District (the "Commission") on September 26, 1986, as amended, as revised and restated by Resolution No. 3902, adopted by the Commission on January 28, 1993 (the "Master Generation System Resolution"), as supplemented and amended, including as supplemented by Resolution No. __, adopted by the Commission on July 1, 2025 (the "Eleventh Supplemental Resolution"). The Master Generation System Resolution, as amended and supplemented, including as supplemented by the Eleventh Supplemental Resolution is referred to herein as the "Resolution." The District has appointed U.S. Bank Trust Company, National Association, to serve as trustee, registrar and paying agent (the "Trustee") for the 2025A 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 2025A Bonds, dated the date hereof (the "Tax Certificate"), an opinion of counsel to the District, certificates of the District, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the 2025A Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the 2025A 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 of each such document by each party thereto other than the District and that each such document constitutes a valid and binding agreement of such party. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution, the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2025A 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 2025A 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 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 2025A Bonds and express no 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 2025A 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 2025A 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 2025A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the 2025A Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the 2025A Bonds included 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 2025A Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX D-2

PROPOSED FORM OF OPINION OF BOND COUNSEL REGARDING 2025B BONDS

September __, 2025

Public Utility District No. 1 of
Snohomish County, Washington
Everett, Washington

\$ _____
Public Utility District No. 1 of Snohomish County, Washington
Generation System Revenue Refunding Bonds, Series 2025B
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Public Utility District No. 1 of Snohomish County, Washington (the "District") in connection with issuance of \$_____ aggregate principal amount of Public Utility District No. 1 of Snohomish County, Washington Generation System Revenue Refunding Bonds, Series 2025B (the "2025B Bonds"). The 2025B Bonds are being issued pursuant to Resolution No. 2994, adopted by the Commission of the District (the "Commission") on September 26, 1986, as amended, as revised and restated by Resolution No. 3902, adopted by the Commission on January 28, 1993 (the "Master Generation System Resolution"), as supplemented and amended, including as supplemented by Resolution No. __, adopted by the Commission on July 1, 2025 (the "Eleventh Supplemental Resolution"). The Master Generation System Resolution, as amended and supplemented, including as supplemented by the Eleventh Supplemental Resolution is referred to herein as the "Resolution." The District has appointed U.S. Bank Trust Company, National Association, to serve as trustee, registrar and paying agent (the "Trustee") for the 2025B 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 2025B Bonds, dated the date hereof (the "Tax Certificate"), an opinion of counsel to the District, certificates of the District, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the 2025B Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the 2025B 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 of each such document by each party thereto other than the District and that each such document constitutes a valid and binding agreement of such party. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution, the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2025B 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 2025B 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 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 2025B Bonds and express no 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 2025B 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 2025B 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 2025B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the 2025B Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the 2025B Bonds included 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 2025B Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX E

BOOK-ENTRY SYSTEM

The following information (except for the final paragraph) has been provided by The Depository Trust Company, New York, New York ("DTC"). The District makes no representation regarding the accuracy or completeness thereof. Beneficial Owners (as hereinafter defined) should therefore confirm the following with DTC or the Participants (as hereinafter defined).

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The 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 maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each 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 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 Bonds, except in the event that use of the book entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all 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 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents relating to the Bonds. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 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 Bonds within a maturity 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 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 District 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments represented by the 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 District or the Trustee, 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 Trustee, or the District, 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 District or the Trustee, 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 Bonds at any time by giving reasonable notice to the District or the Trustee. 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 District 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 District believes to be reliable, but the District takes no responsibility for the accuracy thereof. Neither the District nor the Trustee 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 Bonds.

So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references herein to the holders or registered owners of the Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 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 District or the Trustee shall send them to DTC only.

For every transfer and exchange of the Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered as of _____, 2025, by Public Utility District No. 1 of Snohomish County, Washington (the “District”) for the benefit of the Owners and Beneficial Owners of the Bonds (each as defined below), in connection with the issuance of \$_____ aggregate principal amount of Generation System Revenue Refunding Bonds, Series 2025A (Tax-Exempt) (the “2025A Bonds”) and \$_____ aggregate principal amount of Generation System Revenue Refunding Bonds, Series 2025B (Tax-Exempt) (the “2025B Bonds” and together with the 2025A Bonds, the “Bonds”).

WITNESSETH:

WHEREAS, pursuant to Resolution No. 3902, adopted by the Commission of the District (the “Commission”) on January 28, 1993 (the “Master Resolution”), as amended and supplemented, including as supplemented by Resolution No. [____], adopted by the Commission on July 1, 2025 (the “Eleventh Supplemental Resolution” and together with the Master Resolution, the “Resolution”), the District has provided for the issuance of the Bonds;

WHEREAS, the underwriters with respect to the Bonds (the “Underwriters”) are required to comply with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “SEC”) pursuant to the Securities Exchange Act of 1934, as amended (the “1934 Act”);

NOW THEREFORE, the District covenants and agrees for the benefit of the Owners and Beneficial Owners of the Bonds as follows:

SECTION 1. Definitions. The following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person that (a) has or shares the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, or otherwise make investment decisions concerning ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Bond Register” shall have the meaning provided in the Resolution.

“Business Day” shall mean a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State of Washington or the State of New York are closed.

“Dissemination Agent” shall mean the District, or any successor Dissemination Agent designated in writing by the District and that has filed with the District a written acceptance of such designation.

“Financial Obligation” shall mean, for purposes of the Listed Events set out in Section 5(a)(10) and Section (5)(b)(8), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii)

guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 5(a) or Section 5(b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the Official Statement with respect to the Bonds dated _____, 2025.

“Owner,” whenever used herein with respect to a Bond, shall mean the Person in whose name the ownership of such Bond is registered on the Bond Register.

“Person” shall mean an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

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

“State” shall mean the State of Washington.

“Trustee” shall have the meaning provided in the Resolution.

SECTION 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Owners and the Beneficial Owners, and in order to assist the Underwriters in complying with the Rule.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of each fiscal year of the District, commencing with the fiscal year of the District ending December 31, 2025, provide to the MSRB copies of an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, the District shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than fifteen (15) Business Days prior to the date specified in Section 3(a) for providing the Annual Report to the MSRB, the District shall provide the Annual Report to the Dissemination Agent (if the Dissemination Agent is other than the District). If by 15 Business Days prior to such date, the Dissemination Agent (if the Dissemination Agent is other than the District) has not received

a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with Section 3(a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in Section 3(a), the Dissemination Agent shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent (if the Dissemination Agent is other than the District) shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

- (a)
 - (i) The audited financial statements of the Electric System and the Generation System prepared in accordance with generally accepted accounting principles applicable to government entities, with regulations prescribed by FERC and substantially in accordance with the system prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute); provided, that if the audited financial statements of the Electric System and Generation System are not yet available by the time the Annual Report is required to be provided to the Repository pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be provided to the Repository in the same manner as the Annual Report when they become available;
 - (ii) The outstanding indebtedness of the Electric System, the Generation System and any other system of the District that provides power or capacity to either of these systems, to the extent not already included in the audited financial statements;
 - (iii) Electric System retail customers, energy sales, peak demand and revenues substantially in the form of the table "Electric System Customers, Energy Sales, and Peak Demand" (excluding partial year statistics), to the extent not already included in the audited financial statements;
 - (iv) Electric System income statements, operating results and debt service coverage on the outstanding Electric System Bonds substantially in the form of the table "Electric System Operating Results" (excluding partial year statistics), to the extent not already included in the audited financial statements;
 - (v) Electric System energy requirements, resources and purchased power costs substantially in the form of the tables "Electric System Purchased Power Costs" (excluding partial year statistics) and "Electric System Energy Resources" (excluding partial year statistics), to the extent not already included in the audited financial statements;

(vi) The aggregate amount and percentage of total energy sold and of retail revenues provided by the Electric System's ten largest customers, to the extent not already included in the audited financial statements; and

(vii) Generation System annual production and costs substantially in the form of the table under the caption "Generation System Annual Costs", to the extent not already included in the audited financial statements.

(b) Any or all of the items listed in Section 4(a) may be set forth in one or a set of documents or may be incorporated by specific reference from other documents, including official statements of debt issues of the District, that have been submitted to the MSRB or the SEC and made available to the public on the MSRB's website. The District shall clearly identify each such other document so incorporated by reference.

The contents, presentation and format of the Annual Report may be modified from time to time as determined in the judgment of the District to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the District or to reflect changes in the business, structure, operations, legal form of the District or any mergers, consolidations, acquisitions or dispositions made by or affecting the District; provided, that any such modifications shall comply with the requirements of the Rule; provided further, that if the respective Annual Report is modified to conform to changes in accounting or disclosure principles, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting or disclosure principles and those prepared on the basis of the former accounting or disclosure principles.

SECTION 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

(i) Principal and interest payment delinquencies.

(ii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iii) Unscheduled draws on credit enhancements reflecting financial difficulties.

(iv) Substitution of credit or liquidity providers, or their failure to perform.

(v) Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB).

(vi) Tender offers.

(vii) Defeasances.

(viii) Rating changes.

(ix) Bankruptcy, insolvency, receivership or similar event of the District.

(x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

(i) Non-payment related defaults.

(ii) Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds.

(iii) Modifications to rights of Bond holders.

(iv) Bond calls.

(v) Release, substitution, or sale of property securing repayment of the Bonds.

(vi) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(vii) Appointment of a successor or additional trustee or the change of name of a trustee.

(viii) Incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders.

(c) The Dissemination Agent (if other than the District) shall, promptly upon obtaining actual knowledge at the address listed in Section 13 of this Disclosure Certificate of the occurrence of any of the Listed Events, contact the District, inform the District of the event and request that the District promptly notify the Dissemination Agent in writing whether or not to report the event (if such event is described in Section 5(b)) pursuant to subsection (g).

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in subsection (b), whether because of a notice from the Dissemination Agent pursuant to subsection (c) or otherwise, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(e) If the District obtains knowledge of the occurrence of a Listed Event described in Section 5(a), or if the District determines that knowledge of the occurrence of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the District shall promptly notify the Dissemination Agent (if other than the District) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (g).

(f) If in response to a request under subsection (c), the District determines that the Listed Event described in Section 5(b) would not be material under applicable federal securities laws, the District shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to Section 5(g).

(g) If the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the occurrence of a Listed Event described in Section 5(a)(7) and 5(b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Resolution, and notice of any other Listed Event is required only following the actual occurrence of the Listed Event.

(h) The Dissemination Agent may conclusively rely on an opinion of counsel that the District's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Format for Filings with the MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The District's and the Dissemination Agent's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(g).

SECTION 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent. Upon such discharge, however, a new Dissemination Agent must be appointed within 60 days. The Dissemination Agent may resign by providing 60 days' written notice to the District. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the District shall be the Dissemination Agent. The initial Dissemination Agent shall be the District.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the District with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Owners (other than amendments requiring the consent of every Owner affected), or (ii) does not, in the opinion of the Dissemination Agent or nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice in addition to that which is expressly required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

SECTION 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, the Dissemination Agent may (and, at the request of the Underwriters or the Owners of at least 25% of aggregate principal amount of the Bonds then Outstanding, shall), or any Owner or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in a Washington State Court sitting in Snohomish County or in U.S. District Court for the Western District of Washington. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance, and no Person shall be entitled to recover monetary damages under this Disclosure Certificate.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are expressly set forth in this Disclosure Certificate, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, or the employees and agents of the Dissemination Agent, harmless against any loss, expense and liabilities which the Dissemination Agent or such employees or agents may incur arising out of or in the exercise or performance of the Dissemination Agent's powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the

Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Certificate may be given as follows:

To the District:

Public Utility District No. 1 of Snohomish County, Washington
ATTN: Treasurer
2320 California Street
Everett, Washington 98201

To the initial Dissemination Agent:

Public Utility District No. 1 of Snohomish County, Washington
ATTN: Treasurer
2320 California Street
Everett, Washington 98201

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriters and the Owners and Beneficial Owners from time to time, and shall create no rights in any other person or entity.

SECTION 15. Governing Law. This Disclosure Certificate shall be governed by the laws of the State of Washington determined without regard to the principles of conflict of law.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the District has caused this Disclosure Certificate to be executed by its proper officer thereunto duly authorized, as of the day and year first above written.

PUBLIC UTILITY DISTRICT NO. 1
OF SNOHOMISH COUNTY, WASHINGTON

By: _____
Authorized Representative

EXHIBIT A

NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Public Utility District No. 1 of Snohomish County, Washington

Name of Bond Issue: Generation System Revenue Refunding Bonds, Series 2025A (Tax-Exempt)
Dated _____, 2025.

Generation System Revenue Refunding Bonds, Series 2025B (Tax-Exempt)
Dated _____, 2025.

Notice is hereby given that Public Utility District No. 1 of Snohomish County, Washington (the "District") has not provided an Annual Report with respect to the above-referenced bonds (the "Bonds") as required by Section 3 of the Continuing Disclosure Certificate, dated _____, 2025, entered into by the District for the benefit of the Owners and Beneficial Owners of the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

TREASURER OF PUBLIC UTILITY DISTRICT NO. 1
OF SNOHOMISH COUNTY, WASHINGTON,
as Dissemination Agent

By _____

cc: Public Utility District No. 1 of Snohomish County, Washington

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

**\$[_____]
GENERATION SYSTEM REVENUE REFUNDING BONDS, SERIES 2025A
(TAX-EXEMPT)**

PURCHASE CONTRACT

July 24, 2025

PUBLIC UTILITY DISTRICT NO. 1
OF SNOHOMISH COUNTY, WASHINGTON
2320 California Street
Everett, Washington 98201

Ladies and Gentlemen:

Raymond James & Associates, Inc. (the “Representative”), acting on behalf of itself and as representative of Goldman Sachs & Co., LLC (together with the Representative, the “Underwriters”), offers to enter into this Purchase Contract (the “Purchase Contract”) with Public Utility District No. 1 of Snohomish County, Washington (the “District”). The offer made hereby is subject to acceptance by the District by execution and delivery of this Purchase Contract to the Representative at or prior to 6:00 p.m., Pacific Daylight Time, on the date first above written. If not so accepted, the offer made hereby will be subject to withdrawal by the Underwriters upon notice delivered to the District by the Representative at any time prior to the acceptance hereof by the District. Upon acceptance of this offer by the District in accordance with the terms hereof, this Purchase Contract will be binding upon the District and upon the Underwriters. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Preliminary Official Statement or the Resolution (each as defined herein).

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties, covenants, and agreements hereinafter set forth, the Underwriters hereby agree, jointly and severally, to purchase from the District, and the District hereby agrees to sell to the Underwriters, all (but not less than all) of the \$[_____] aggregate principal amount of the District’s Generation System Revenue Refunding Bonds, Series 2025A (Tax-Exempt) (the “2025A Bonds”). The 2025A Bonds shall be dated their date of delivery to the Underwriters, shall bear interest payable December 1, 2025, and thereafter semiannually on each June 1 and December 1, until maturity or prior redemption, at the rates and shall mature on December 1 in the years and principal amounts and be subject to redemption, all as set forth in Exhibit A. The purchase price of the 2025A Bonds shall be \$[_____] representing the aggregate principal amount of the 2025A Bonds, plus/less a [net] original issue premium/discount of \$[_____] less an underwriters’ discount of \$[_____]. The District acknowledges and agrees that: (a) the purchase and sale of the 2025A Bonds pursuant to this Purchase Contract is an arm’s-length commercial transaction between the District and the Underwriters; (b) in connection with the

purchase and sale of the 2025A Bonds pursuant to this Purchase Contract, each of the Underwriters is acting solely as a principal and not as an agent or fiduciary of the District or as a municipal advisor (within the meaning of Section 15B of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)); (c) none of the Underwriters has assumed a fiduciary responsibility in favor of the District with respect to the offering of the 2025A Bonds or the process leading thereto (whether or not any of Underwriters, or any affiliate of any of the Underwriters, has advised or is currently advising the District on other matters) nor has any of the Underwriters assumed any other obligation to the District except the obligations expressly set forth in this Purchase Contract; (d) each of the Underwriters has financial and other interests that differ from those of the District; and (e) the District has consulted with its own legal, accounting, tax, financial, and other advisors, as applicable, to the extent it has deemed appropriate in connection with the offering of the 2025A Bonds.

2. The 2025A Bonds. The 2025A Bonds shall be issued in accordance with Chapter 1 of the Laws of Washington, 1931, as amended and supplemented, constituting Title 54 of the Revised Code of Washington, and Chapter 167 of the Laws of Washington, 1983, as amended and supplemented, constituting Chapter 39.46 of the Revised Code of Washington (together, the “Act”), and pursuant to and in accordance with Resolution No. 2994, adopted by the Commission of the District (the “Commission”) on September 26, 1986, as amended, as revised and restated by Resolution No. 3902 adopted by the Commission on January 28, 1993 (the “Master Generation System Resolution”), as supplemented and amended, including as supplemented by Resolution No. [____], adopted by the Commission on July 1, 2025 (the “Eleventh Supplemental Resolution”). The Master Electric System Bond Resolution, as amended and supplemented, including as supplemented by the Eleventh Supplemental Resolution, is referred to as the “Resolution.” The proceeds of the 2025A Bonds will be used to: (a) refund [all of] the District’s outstanding Generation System Revenue Bonds, Series 2010B Taxable Build America Bonds (Direct Pay) [maturing in the years ____ through ____]; and (b) pay costs of issuance of the 2025A Bonds. The 2025A Bonds shall otherwise be as described in the Preliminary Official Statement of the District relating to the 2025A Bonds dated July 16, 2025 (together with the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto accepted by the Representative, the “Preliminary Official Statement”).

3. Official Statement. The District hereby ratifies, approves, and confirms the distribution of the Preliminary Official Statement in connection with the public offering and sale of the 2025A Bonds by the Underwriters prior to the availability of the Official Statement (defined herein). The District represents and warrants that the Preliminary Official Statement was deemed final by the District as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission (“Rule 15c2-12”), except for the omission of offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, ratings, and other terms of the 2025A Bonds depending on such matters. Within seven business days after the date of this Purchase Contract and in any event prior to the delivery of the 2025A Bonds, the District shall deliver or cause to be delivered to the Representative:

- (a) A reasonable number of copies of the Official Statement, as requested by the Representative, executed on behalf of the District by its Treasurer or other Authorized Officer; and

(b) A copy of the Resolution (authorizing the execution and delivery of this Purchase Contract and the Official Statement), including the proceedings of the Commission with respect thereto, certified by an Authorized Officer of the District to have been duly adopted and to be in full force and effect, in the form previously provided to the Representative, with only such changes thereto as have been accepted by the Representative.

The Official Statement shall be dated the date of this Purchase Contract, and shall be in the form of the Preliminary Official Statement, with the addition only of offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, ratings, and other terms of the 2025A Bonds depending on such matters, the number and date of the Eleventh Supplemental Resolution, and any amendments or supplements thereto accepted by the Representative (together with the appendices thereto and any documents incorporated therein by reference, the "Official Statement"). The District hereby authorizes and approves the distribution by the Underwriters of the Official Statement in connection with the public offering and sale of the 2025A Bonds.

4. Representations, Covenants, and Agreements. The District represents, covenants, and agrees to and with the Underwriters that, as of the date hereof:

(a) The District is duly organized and validly existing as a municipal corporation of the State of Washington (the "State") and under the Constitution and laws of the State has the legal right, power, and authority to acquire, construct, own, operate, maintain, improve, and finance the Generation System and the Electric System.

(b) The District has the legal right, power, and authority to enter into this Purchase Contract, to execute the Continuing Disclosure Certificate substantially in the form attached to the Preliminary Official Statement as Appendix F (the "Continuing Disclosure Certificate"), to adopt the Resolution and Resolution No. 3602 adopted by the Commission on May 16, 1991, as supplemented and amended (the "Electric System Resolution"), to observe, perform, and consummate the covenants, agreements, and transactions contemplated by this Purchase Contract, the Continuing Disclosure Certificate, and the Resolution and to execute, issue, sell, and deliver the 2025A Bonds to the Underwriters as provided herein; by all necessary official action of the District prior to or concurrently with the acceptance hereof, the District has duly adopted the Resolution and the Electric System Resolution in accordance with the Act and authorized and approved the Preliminary Official Statement and the Official Statement and the distribution thereof by the Underwriters; the Resolution and the Electric System Resolution are in full force and effect and have not been amended, modified, or rescinded (except as set forth in Section 2); and the District has duly authorized and approved the execution and delivery by the District of the 2025A Bonds, this Purchase Contract, and the Continuing Disclosure Certificate; the District has duly authorized and approved the observance and performance by the District of its covenants, agreements, and obligations contained in the Resolution, the Electric System Resolution, and the Continuing Disclosure Certificate and the consummation by it of all other transactions contemplated by this Purchase Contract to have been performed or consummated at or prior to the date of the Closing (defined herein); and at the Closing, the District will be in compliance in

all material respects with the obligations in connection with the issuance of the 2025A Bonds on its part contained in the Resolution, the Electric System Resolution, the 2025A Bonds, and this Purchase Contract and will not be in violation of any provision of the Act, which violation would have a material adverse effect on the business, operations, or financial condition of the Generation System or the Electric System.

(c) As of the date thereof, the Preliminary Official Statement (except for information regarding The Depository Trust Company (“DTC”) and its book-entry only system and information under the heading “ELECTRIC SYSTEM POWER SUPPLY – Bonneville Power Administration” with respect to Bonneville and not the District (the “Bonneville Information”) and information under the heading “THE DISTRICT – Pension and Other Post-Employment Benefits” with respect to the State Department of Retirement Systems and not the District (the “State Pension Information”), as to which no representation is made in this sentence) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The District obtained the Bonneville Information and the State Pension Information from sources it believes to be reliable, and as of the date of the Preliminary Official Statement, the District did not believe the Bonneville Information or the State Pension Information was inaccurate or incomplete in any material respect for the purposes for which it is provided.

(d) As of the date thereof and at all times subsequent thereto up to and including 25 days after the end of the underwriting period (as such term is defined in Rule 15c2-12), the Official Statement (except for information regarding DTC and its book-entry only system, the Bonneville Information, and the State Pension Information, as to which no representation is made in this sentence), as supplemented and amended, does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of the date hereof, the District does not believe the Bonneville Information or the State Pension Information is inaccurate or incomplete in any material respect for the purposes for which it is provided. For purposes of this Purchase Contract, the end of the underwriting period shall be deemed to be the date of the Closing, unless the Representative shall notify the District in writing to the contrary on or prior to such date, in which event the end of the underwriting period shall be deemed to be the date the Representative delivers written notice of such to the District.

(e) If the Official Statement is supplemented or amended pursuant to Section 4(f), at the time of each supplement or amendment thereto and at all times subsequent thereto up to and including the end of the underwriting period, the Official Statement (except for information regarding DTC and its book-entry only system, the Bonneville Information, and the State Pension Information, as to which no representation is made in this sentence) as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If the Bonneville Information or the State Pension

Information is supplemented or amended pursuant to Section 4(f), the District shall obtain each supplement or amendment to the Bonneville Information or the State Pension Information, as applicable, from sources it believes to be reliable, and at the time of each supplement or amendment thereto and at all times subsequent thereto up to and including the end of the underwriting period, the District shall not believe the Bonneville Information or the State Pension Information, as so supplemented or amended, is inaccurate or incomplete in any material respect for the purposes for which it is provided.

(f) If between the date of this Purchase Contract and 25 days after the end of the underwriting period (i) any event shall occur or any fact or condition shall become known to the District which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the District shall notify the Representative thereof, and (ii) in the reasonable opinion of the Representative such event, fact, or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the District will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Representative.

(g) The District is not in material violation of or in material breach of or in material default under any applicable Constitutional provision, law, or administrative order, rule, or regulation of the State or the United States of America or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, or other agreement or instrument to which the District is a party or to which the District or any of its properties is otherwise subject, which violation, breach, or default would have a material adverse effect on the business, operations, or financial condition of the Generation System or the Electric System, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a material default or event of default under any such agreement or instrument; and the adoption of the Resolution and the Electric System Resolution, the execution and delivery of the 2025A Bonds, this Purchase Contract, and the Continuing Disclosure Certificate, and the compliance with the provisions of the Resolution, the Electric System Resolution, the 2025A Bonds, this Purchase Contract, and the Continuing Disclosure Certificate will not conflict with or constitute a material violation or breach of or material default under any Constitutional provision, law, administrative order, rule, or regulation, or any judgment, decree, license, permit, loan agreement, indenture, bond, note, resolution, agreement, or other instrument with respect to the Generation System or the Electric System to which the District is subject, or by which it or any of its properties is bound, which violation, breach, or default would have a material adverse effect on the business, operations, or financial condition of the Generation System or the Electric System, nor will any such execution, delivery, adoption, or compliance result in the creation or imposition of any lien, charge, or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation, or instrument, except as provided by the 2025A Bonds and the Resolution.

(h) Except as disclosed in the Preliminary Official Statement or otherwise in writing to the Representative, there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, government agency, public board, or body, pending or, to the knowledge of the District, threatened (i) in any way questioning the corporate existence of the District or the titles of the officers of the District to their respective offices; (ii) in any way affecting, contesting, or seeking to prohibit, restrain, or enjoin the issuance or delivery of any of the 2025A Bonds, or the payment, collection, or application of Revenues pledged or to be pledged to pay the principal of and interest on the 2025A Bonds or Electric System Revenues or of any amounts to be deposited into the Revenue Fund or the Bond Fund pursuant to the Resolution, or the application of the proceeds of the 2025A Bonds, or in any way contesting or affecting the validity of the pledge of or lien on the Revenues or funds and accounts pursuant to the Resolution or the Electric System Resolution or the validity of the 2025A Bonds, the Resolution, the Electric System Resolution, this Purchase Contract, or the Continuing Disclosure Certificate, or to the knowledge of the District, the Act, or contesting the exclusion of interest on the 2025A Bonds from gross income subject to federal income taxation, or contesting the powers of the District or its authority to issue the 2025A Bonds, or the adoption of the Resolution or the Electric System Resolution, or the execution and delivery by the District of this Purchase Contract and the Continuing Disclosure Certificate; (iii) in any way contesting or affecting the power and authority of the District to establish, maintain, and collect rates and charges for electric power and energy and other services, facilities, and commodities sold, furnished, or supplied through the facilities of the Generation System or the Electric System; (iv) which likely would result in any material adverse change relating to the business, operations, or financial condition of the Generation System or the Electric System or the ability of the District to pay the 2025A Bonds; or (v) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and to the best knowledge of the District there is no reasonable basis for any action, suit, proceeding, inquiry, or investigation of the nature described in clauses (i) through (v) of this sentence.

(i) The District will furnish such information, execute such instruments, and take such other action not inconsistent with law in cooperation with the Representative as the Representative may request (i) to qualify the 2025A Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as the Representative may designate, and (ii) to determine the eligibility of the 2025A Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the 2025A Bonds; provided, that the District shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(j) The 2025A Bonds, when executed, issued, and delivered in accordance with the Resolution and sold to the Underwriters as provided herein and the Continuing Disclosure Certificate will be, and the Resolution, the Electric System Resolution, and this Purchase Contract are, legal, valid, and binding obligations of the District, enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws or equitable principles relating to or limiting creditors' rights generally, and the holders of the 2025A Bonds will be entitled to the benefits of the Resolution; and upon execution, issuance, and delivery of the 2025A Bonds, the Resolution will provide, for the benefit of the holders from time to time of the 2025A Bonds, a legal, valid, and binding pledge of and lien on the funds and accounts pledged to the 2025A Bonds under the Resolution and the revenues pledged to such funds and accounts under the Resolution, as provided and contemplated therein.

(k) Except as described in the Preliminary Official Statement, all material authorizations, approvals, licenses, permits, consents, and orders of or filings with any governmental authority, legislative body, court, board, agency, or commission having jurisdiction over the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially and adversely affect the due performance by the District of its respective obligations under the Resolution, the Electric System Resolution, the 2025A Bonds, this Purchase Contract, or the Continuing Disclosure Certificate, or which are necessary to permit the District to operate and maintain the Generation System or the Electric System, have been duly obtained or made, or where required for future performance are expected to be obtained, except as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the 2025A Bonds.

(l) Between the date hereof and the Closing, except as described in the Preliminary Official Statement, as then supplemented or amended, the District will not without the prior written consent of the Representative (which consent shall not be unreasonably withheld) offer or issue any bonds, notes, or other obligations for borrowed money payable from revenues of the Generation System or the Electric System, or enter into any material transaction with respect to the Generation System or the Electric System other than in the ordinary course of business, and there shall not have been any

material adverse change in the condition, physical or financial, of the Generation System or the Electric System.

(m) The financial statements of the District with respect to the Generation System and the Electric System set forth as Appendix A to the Preliminary Official Statement fairly present the financial position of the Generation System and the Electric System as of the dates indicated and the results of the District's operations, the sources and uses of its cash, and the changes in its fund balances for the periods therein specified to the extent included therein, and are in conformity with generally accepted accounting principles applicable to government entities applied on a consistent basis, and, except as expressly set forth in the Preliminary Official Statement, there has been no material adverse change in the financial condition or results of operations of the Generation System or the Electric System since the date of such financial statements.

(n) Any certificate signed by any Authorized Officer of the District and delivered to the Representative in connection with the issuance of the 2025A Bonds and identified as issued in connection with the 2025A Bonds shall be deemed to be a representation by the District to the Underwriters as to the statements made therein as if set forth herein.

(o) The District has not defaulted in the payment of principal of or interest on any of its publicly-offered obligations.

(p) The District will undertake, pursuant to the Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events, if material, pursuant to paragraph (b)(5) of Rule 15c2-12. An accurate description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement. The District covenants and agrees to observe and perform its obligations and undertakings set forth in the Continuing Disclosure Certificate. Except as otherwise described in the Preliminary Official Statement and the Official Statement, the District has not failed during the previous five years to comply in all material respects with any previous undertakings in a written continuing disclosure contract or agreement.

5. Offering. It shall be a condition to the District's obligation to sell and to deliver the 2025A Bonds to the Underwriters that the entire \$[_____] principal amount of the 2025A Bonds shall be purchased, accepted, and paid for by the Underwriters at the Closing, and it shall be a condition to the Underwriters' obligation to purchase, accept, and pay for the 2025A Bonds that the entire \$[_____] principal amount of the 2025A Bonds shall be sold and delivered to the Underwriters by the District. The Underwriters will provide, consistent with the requirements of MSRB Rule G-32, for the delivery of a copy of the Official Statement to each customer who purchases a 2025A Bond prior to 25 days after the end of the underwriting period. The Underwriters further agree that they will comply with applicable laws and regulations, including without limitation Rule 15c2-12, in connection with the offering and sale of the 2025A Bonds.

6. Establishment of Issue Price.

(a) The Representative, on behalf of the Underwriters, agrees to assist the District in establishing the issue price of the 2025A Bonds and shall execute and deliver to the District on the date of the Closing an issue price certificate substantially in the form attached hereto as Exhibit B, together (if applicable) with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the District, and Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the 2025A Bonds. All actions to be taken by the District under this Section to establish the issue price of the 2025A Bonds may be taken on behalf of the District by the District’s municipal advisor and any notice or report to be provided to the District may be provided to the District’s municipal advisor.

(b) Except as otherwise set forth in Exhibit A, the District will treat the first price at which 10% of each maturity of the 2025A Bonds (the “10% test”) is sold to the public as the issue price of that maturity. Exhibit A sets forth the price or prices at which the Underwriters have sold to the public each maturity of the 2025A Bonds. For purposes of this Section, if 2025A 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 2025A Bonds.

(c) The Representative confirms that the Underwriters have offered the 2025A Bonds to the public on or before the date of this Purchase Contract at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Exhibit A, except as otherwise set forth therein. Exhibit A also sets forth, as of the date of this Purchase Contract, the maturities, if any, of the 2025A Bonds for which the 10% test has not been satisfied and for which the District and the Representative, on behalf of the Underwriters, agree that (i) the Representative will retain the unsold 2025A Bonds of each maturity for which the 10% test has not been satisfied and not allocate any such 2025A Bonds to any other Underwriter and (ii) the restrictions set forth in the next sentence shall apply, which will allow the District to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the 2025A Bonds, the Representative will neither offer nor sell unsold 2025A Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following: (i) the close of the fifth business day after the sale date; or (ii) the date on which the Underwriters have sold at least 10% of that maturity of the 2025A Bonds to the public at a price that is no higher than the initial offering price to the public. The Representative will advise the District promptly after the close of the fifth business day after the sale date whether the Underwriters have sold 10% of that maturity of the 2025A Bonds to the public at a price that is no higher than the initial offering price to the public.

(d) The Representative confirms that:

(1) any agreement among underwriters, any selling group agreement, and each third-party distribution agreement (to which the Representative is a party) relating to the initial sale of the 2025A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable: (A) (I) to report the prices at which it sells to the public the unsold 2025A Bonds of each maturity allocated to it, whether or not the date of the Closing has occurred, until either all 2025A Bonds of that maturity allocated to it have been sold or it is notified by the Representative that the 10% test has been satisfied as to the 2025A Bonds of that maturity, provided that, the reporting obligation after the date of the Closing may be at reasonable periodic intervals or otherwise upon request of the Representative; and (II) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative and as set forth in the related pricing wires; (B) to promptly notify the Representative of any sales of 2025A 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 2025A Bonds to the public (each as defined herein); and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer, or broker-dealer, the Representative shall assume that each order submitted by the underwriter, dealer, or broker-dealer is a sale to the public; and

(2) any agreement among underwriters or selling group agreement relating to the initial sale of the 2025A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the 2025A 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 2025A Bonds of each maturity allocated to it, whether or not the date of the Closing has occurred, until either all 2025A Bonds of that maturity allocated to it have been sold or it is notified by the Representative or such underwriter or dealer that the 10% test has been satisfied as to the 2025A Bonds of that maturity; provided, that the reporting obligation after the date of the Closing may be at reasonable periodic intervals or otherwise upon request of the Representative or such underwriter or dealer; and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative or such underwriter or dealer and as set forth in the related pricing wires.

(e) The District acknowledges that, in making the representations set forth in this Section, the Representative will rely on: (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the 2025A Bonds, including its agreement to comply with the hold-the-offering price rule, if applicable to the 2025A Bonds, as set forth in an agreement among underwriters and the related pricing wires; (ii) in the event a selling group has been created in connection with the initial sale of the 2025A 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 2025A Bonds,

including its agreement to comply with the hold-the-offering-price rule, if applicable to the 2025A Bonds, as set forth in a selling group agreement and the related pricing wires; and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the 2025A Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the 2025A Bonds, including its agreement to comply with the hold-the-offering-price rule, if applicable to the 2025A Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the 2025A Bonds, including its agreement to comply with the hold-the-offering price rule, if applicable to the 2025A Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the 2025A Bonds, including its agreement to comply with the hold-the-offering-price rule, if applicable to the 2025A Bonds.

(f) The Underwriters acknowledge that sales of any 2025A Bonds to any person that is a related party to an underwriter participating in the initial sale of the 2025A Bonds to the public shall not constitute sales to the public for purposes of this Section. For purposes of this Section:

(1) “public” means any person other than an underwriter or a related party;

(2) “underwriter” means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the 2025A 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 2025A 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 2025A Bonds to the public);

(3) a purchaser of any of the 2025A Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

(4) “sale date” means the date of execution of this Purchase Contract by all parties.

(g) Subject to the foregoing provisions of this Section, the Underwriters reserve the right to change the initial public offering prices or yields as the Underwriters deem necessary or desirable, in their discretion, in connection with the marketing of the 2025A Bonds, and may offer and sell the 2025A Bonds to certain dealers, unit investment trusts, and money market funds, certain of which may be sponsored or managed by the Underwriters, at prices lower than the public offering prices or with yields greater than the yields set forth herein.

7. Closing. At 8:30 a.m., Pacific Daylight Time, on July 29, 2025, or at such other date and/or time as shall have been mutually agreed upon by the District and the Representative, the District will deliver or cause to be delivered through the facilities of DTC, for the account of the Representative, the 2025A Bonds in definitive form duly executed by the District, together with the other documents hereinafter mentioned; and the Underwriters will accept such delivery and pay the purchase price of the 2025A Bonds as set forth in Section 1 by delivering to the District immediately available funds on the date of the Closing in an amount equal to such purchase price.

Payment for the 2025A Bonds and delivery of the documents hereinafter mentioned shall be made at the offices of Bond Counsel in Seattle, Washington, or at such other place as shall have been mutually agreed upon by the District and the Representative. Delivery of the 2025A Bonds shall be to or to the order of DTC in New York, New York, or at such other place as shall have been mutually agreed upon by the District and the Representative. Such payment and delivery is called the “Closing.” The Representative shall order CUSIP identification numbers and the District shall cause such CUSIP identification numbers to be printed on the 2025A Bonds, but neither the failure to print such number on any 2025A Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriters to accept delivery of and pay for the 2025A Bonds in accordance with the terms of this Purchase Contract. The 2025A Bonds will be delivered as a single fully-registered 2025A Bond for each maturity, registered in the name of Cede & Co., as nominee of DTC, and will be made available to the Representative for inspection not less than 48 hours prior to the Closing at such place as may be agreed to by the Representative and the District.

8. Closing Conditions. The obligations of the Underwriters hereunder shall be subject to the performance by the District of its obligations hereunder at or prior to the Closing and are also subject to the following additional conditions:

(a) The representations of the District contained herein shall be true, complete, and correct on the date hereof and on and as of the date of the Closing as if made on the date of the Closing.

(b) At the time of the Closing, (i) the Resolution and the Electric System Resolution shall have been duly adopted by the Commission, and neither the Resolution nor the Electric System Resolution shall have been amended, modified, or supplemented since the date hereof, except as shall have been agreed to in writing by the

Representative; (ii) the District shall perform or have performed its obligations required under this Purchase Contract, the Resolution, and the Electric System Resolution to be performed at or prior to the Closing; and (iii) the Official Statement shall not have been supplemented or amended, except pursuant to Section 4(f) or as otherwise may have been accepted by the Representative.

(c) Fitch Ratings, Moody's Ratings, and S&P Global Ratings shall have given and the 2025A Bonds shall have ratings of "[____]," "[____]," and "[____]," respectively, and such ratings shall be in effect at the time of the Closing.

(d) At or prior to the Closing, the Representative shall receive the following documents, in each case reasonably satisfactory in form and substance to the Representative and to Foster Garvey PC ("Underwriters' Counsel"):

(1) The Official Statement and each supplement or amendment thereto, if any, executed on behalf of the District by its Treasurer or other Authorized Officer;

(2) A copy of the Resolution and the Electric System Resolution, each certified by an Authorized Officer of the District as having been duly adopted by the District and as being in full force and effect, in the form previously provided to the Representative, with such changes or amendments as may have been agreed to by the Representative, and the Delivery Certificate authorized by an Authorized Officer;

(3) A Certificate of the District, dated the date of the Closing, executed by the Treasurer and General Counsel, in substantially the form attached hereto as Exhibit C;

(4) The opinion of Bond Counsel, dated the date of the Closing and addressed to the District, substantially in the form attached to the Preliminary Official Statement as Appendix D;

(5) The opinion of Bond Counsel, dated the date of the Closing and addressed to the Underwriters, substantially in the form attached hereto as Exhibit D;

(6) An opinion of Underwriters' Counsel, dated the date of the Closing and addressed to the Underwriters, to the effect that (i) the offer and sale of the 2025A Bonds by the Underwriters are exempt from the registration requirements of the Securities Act of 1933, as amended; (ii) the Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended; (iii) the Continuing Disclosure Certificate and this Purchase Contract together provide a suitable basis for the Underwriters to reasonably determine, pursuant to paragraph (b)(5)(i) of Rule 15c2-12, that the District has undertaken, in a written agreement or contract for the benefit of the holders of the 2025A Bonds, to provide the annual financial information and notices required by paragraph (b)(5)(i) of Rule 15c2-12; and without undertaking to determine

independently or assuming any responsibility for the accuracy, completeness, or fairness of the statements contained in the Preliminary Official Statement or the Official Statement, a statement to the effect that no information came to the attention of the attorneys in that firm rendering legal services in connection with the issuance of the 2025A Bonds that caused those attorneys to believe that the Preliminary Official Statement (except for information permitted to be excluded therefrom under Rule 15c2-12), as of its date, or the Official Statement, as of its date and as of the date of the Closing (except in either case any financial, economic, or statistical data contained therein, any information contained therein regarding DTC or how interest on the 2025A Bonds is treated for federal income tax purposes, and the information contained in Appendices A, D, and E thereto, as to all of which no opinion or belief need be expressed), contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading;

(7) A copy of the duly executed tax certificate of the District in form satisfactory to Bond Counsel;

(8) A DTC Letter of Representations, executed by the District and accepted by DTC;

(9) The Continuing Disclosure Certificate signed by an Authorized Officer; and

(10) Such additional legal opinions, certificates, resolutions, instruments, and other documents as the Representative may reasonably deem necessary to evidence the truth and accuracy as of the time of the Closing of the District's representations contained in Section 4 of this Purchase Contract and the due performance or satisfaction by the District at or prior to such time of all covenants and agreements then to be performed and all conditions then to be satisfied by the District pursuant to this Purchase Contract.

The District shall provide the Underwriters with a transcript of all proceedings relating to the authorization and issuance of the 2025A Bonds certified by an Authorized Officer of the District promptly following the Closing.

If the District shall be unable to satisfy the conditions to the obligations of the Underwriters contained in this Purchase Contract to purchase, to accept delivery of, and to pay for the 2025A Bonds or if the obligations of the Underwriters to purchase, to accept delivery of, and to pay for the 2025A Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate, and neither the Underwriters nor the District shall be under any further obligation hereunder.

9. Termination. The Underwriters may terminate this Purchase Contract, without liability therefor, by notification to the District by the Representative if at any time subsequent to the date of this Purchase Contract and at or prior to the Closing any of the following shall have

occurred and be continuing as of the date of termination and, in the reasonable judgment of the Representative, the same would materially and adversely affect the marketability or market price of the 2025A Bonds or the ability of the Underwriters to enforce contracts for the sale of the 2025A Bonds at the contemplated offering prices set forth in the Official Statement:

(a) Legislation is (i) enacted by the Congress of the United States of America or the legislature of the State or introduced by amendment or otherwise or passed by either House of the Congress, (ii) recommended to the Congress for passage or presented for consideration by the President of the United States of America or by the Treasury Department of the United States of America, the Internal Revenue Service, or the staff of the Joint Committee on Taxation of the Congress, or (iii) proposed by any member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or favorably reported for passage to either House of the Congress by any Committee of such House to which such legislation has been referred for consideration, or any decision of any court of the United States of America or the State or any order, ruling, regulation (final, temporary, or proposed), or official statement by or on behalf of the Treasury Department of the United States of America, the Internal Revenue Service, or any other authority of the United States of America or the State, is announced, in any such case affecting the federal tax status or state tax consequences of the interest on the 2025A Bonds or securities of the general character of the 2025A Bonds;

(b) Legislation shall be enacted, or a decision of a court of the United States of America shall be rendered, or any action shall be taken by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction over the subject matter, which, in the opinion of Underwriters' Counsel, has the effect of requiring the contemplated distribution of the 2025A Bonds to be registered under the Securities Act of 1933, as amended, or the Exchange Act, or the Resolution to be qualified under the Trust Indenture Act of 1939, as amended;

(c) The New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose, as to the 2025A Bonds, or obligations of the general character of the 2025A Bonds, any material restrictions not now in force or being enforced, or increase materially those now in force, with respect to the extension of credit by, or the charges to the net capital requirements of, underwriters;

(d) A general suspension of trading or other restrictions not in force as of the date hereof are placed in force on the New York Stock Exchange or other national securities exchange;

(e) The declaration of a general banking moratorium by any authority of the United States of America or the State of New York or the State;

(f) A general disruption in securities settlement, payment or clearing services;

(g) A declaration of war by the United States of America, any new outbreak of hostilities or any escalation in existing hostilities, or any new or escalation in any other existing national or international calamity or crisis;

(h) There shall have occurred or any notice shall have been given of any intended downgrading, suspension, withdrawal, or negative change in credit watch status by any national rating service to any bonds of the Generation System or the Electric System (including without limitation the 2025A Bonds); or

(i) Any event, fact, or condition described in Section 4(f).

10. Expenses. The Underwriters shall be under no obligation to pay, and the District shall pay or cause to be paid, the expenses incident to the performance of the District's obligations hereunder, including but not limited to (a) the cost of printing the definitive 2025A Bonds, and the cost of the registration of ownership thereof in accordance with Section 7, (b) the fees and disbursements of PFM Financial Advisors LLC, Bond Counsel, and any other experts or consultants retained by the District; (c) the cost of preparation and printing of the Preliminary Official Statement and the Official Statement and any supplements or amendments thereto; and (d) charges of rating agencies for rating the 2025A Bonds. The District shall pay for reasonable and necessary expenses (included in the expense component of the Underwriters' discount) incurred on behalf of District employees solely for business purposes and which are incidental to implementing this Purchase Contract, including without limitation meals, transportation, and lodging. The Underwriters shall pay (from the expense component of the Underwriters' discount) and the District shall be under no obligation to pay (1) any costs with respect to the Blue Sky and legal investment memoranda to be used by them, including without limitation any filing fees, legal fees, or other expenses of the Underwriters in connection therewith, (2) any advertising expenses incurred by them in connection with the public offering of the 2025A Bonds, (3) the fees of any continuing disclosure undertaking compliance review, and (4) any other expenses incurred by them in connection with their public offering and distribution of the 2025A Bonds, including the fees and disbursements of Underwriters' Counsel.

11. Notices. Any notice or other communication to be given to the District under this Purchase Contract may be given by delivering the same in writing to the Treasurer, Public Utility District No. 1 of Snohomish County, 2320 California Street, Everett, Washington 98201; any notice or other communication to be given to the Underwriters under this Purchase Contract may be given by delivering the same in writing to Raymond James & Associates, Inc., 1201 Third Avenue, Suite 5350, Seattle, Washington 98101, Attention: Ben Selberg.

12. Governing Law. This Purchase Contract shall be governed by the laws of the State.

13. Parties in Interest. This Purchase Contract when accepted by the District in writing as heretofore specified shall constitute the entire agreement between the District and the Underwriters and their respective successors and is solely for the benefit of the District and the Underwriters and their respective successors. No other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties, and agreements of the District in this Purchase Contract shall remain operative and in full force and effect, regardless of (a) any

investigation made by or on behalf of the Underwriters, (b) delivery of and payment for the 2025A Bonds hereunder, and (c) any termination of this Purchase Contract.

14. Effectiveness. This Purchase Contract shall become effective upon the execution of the acceptance hereof by the Treasurer of the District, and shall be valid and enforceable at the time of such acceptance.

15. Headings. The headings of the Sections of this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

[Signature page follows]

16. Execution in Counterparts. This Purchase Contract may be simultaneously executed in any number of counterparts, each of which when so executed shall be deemed to be an original, and all of which together shall constitute one and the same agreement.

RAYMOND JAMES & ASSOCIATES, INC.,
as Representative of the Underwriters

By: _____
Managing Director

PUBLIC UTILITY DISTRICT NO. 1 OF
SNOHOMISH COUNTY, WASHINGTON

By _____
Treasurer

EXHIBIT A

PRINCIPAL AMOUNTS, MATURITY DATES, INTEREST RATES, YIELDS, PRICES, AND REDEMPTION PROVISIONS

<u>Maturity Date (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
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-
- (1) 10% test satisfied.
 - (2) Hold-the-offering-price maturity.
 - (3) Priced to the par call date of [_____].
 - (4) Term bonds.

Optional Redemption. The 2025A Bonds maturing on or after December 1, [_____] are subject to redemption prior to their stated maturity dates at the option of the District, in whole or in part, in authorized denominations, at any time on or after [_____] at a redemption price equal to 100% of the principal amount thereof, plus accrued but unpaid interest thereon, if any, to the date fixed for redemption.

Mandatory Redemption. The 2025A Bonds stated to mature on December 1, [_____] are term bonds subject to mandatory sinking fund redemption, in part, at a redemption price equal to 100 percent of the principal amount to be redeemed, plus accrued interest, if any, to the date fixed for redemption, on December 1 in the years and in the amounts as set forth below:

<u>Year (December 1)</u>	<u>Sinking Fund Redemption</u>
------------------------------	------------------------------------

*

* Maturity.

EXHIBIT B
FORM OF ISSUE PRICE CERTIFICATE

Public Utility District No. 1 of Snohomish County, Washington
\$[] Generation System Revenue Refunding Bonds, Series 2025A
(Tax-Exempt)

The undersigned, on behalf of Raymond James & Associates, Inc. (the “Representative”), acting on behalf of itself and as representative of Goldman Sachs & Co., LLC (together, the “Underwriting Group”), hereby certifies, based upon the information available to the Representative, as set forth below with respect to the sale and issuance of the above-captioned obligations (the “2025A Bonds”).

1. *Sale of the General Rule Maturities.* As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

[2. *Initial Offering Price of the Hold-the-Offering-Price Maturities.*

(a) The Underwriting Group offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the 2025A Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Purchase Contract, the members of the Underwriting Group have each agreed in writing that: (1) the Representative would retain the unsold 2025A Bonds of each Hold-the-Offering-Price Maturity and not allocate any such 2025A Bonds to any other Underwriter; (2) for each Maturity of the Hold-the-Offering-Price Maturities, the Representative would neither offer nor sell any of the unsold 2025A Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”); and (3) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, the Representative has not offered or sold unsold 2025A Bonds of any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity during the Holding Period for that Maturity.] *[If needed, renumber the following paragraphs.]*

2. *Defined Terms.*

(a) *District* means Public Utility District No. 1 of Snohomish County, Washington.

(b) *General Rule Maturities* means the Maturities of the 2025A Bonds listed in Schedule A as the “General Rule Maturities.”

[(c) *Hold-the-Offering-Price Maturities* means the Maturities of the 2025A Bonds listed in Schedule A as the “Hold-the-Offering-Price-Maturities.”

(d) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (July 31, 2025), or (ii) the date on which the Underwriters have sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for that Hold-the-Offering-Price Maturity.] [If needed, renumber the following subparagraphs.]

(e) *Maturity* means 2025A Bonds with the same credit and payment terms. 2025A Bonds with different maturity dates, or 2025A Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.

(g) *Related Party* means an entity that shares with another entity (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(h) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the 2025A Bonds. The Sale Date of the 2025A Bonds is July 24, 2025.

(i) *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 2025A 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 2025A 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 2025A Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the interpretation by the Representative of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The District may rely on the statements made herein in connection with making the representations set forth in the District’s tax certificate to which this certificate is attached and in its efforts to comply with the conditions imposed by the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. Orrick,

Herrington & Sutcliffe LLP may also rely on this certificate for purposes of its opinion regarding the treatment of interest on the 2025A Bonds as excludable from gross income for federal income tax purposes. Except as expressly set forth above, the certifications set forth herein may not be relied upon or used by any third party or for any other purpose. Notwithstanding anything set forth herein, the Representative is not engaged in the practice of law. Accordingly, the Representative makes no representation as to the legal sufficiency of the factual matters set forth herein.

Dated: [Date of the Closing].

RAYMOND JAMES & ASSOCIATES, INC.

By: _____

Title: _____

Schedule A

Sale Prices of the General Rule Maturities
[and Initial Offering Prices of the Hold-the-Offering-Price Maturities]

(Attached)

Schedule B
Pricing Wire or Equivalent Communication
(Attached)

EXHIBIT C

CERTIFICATE OF DISTRICT

We, Angela Johnson, Treasurer of Public Utility District No. 1 of Snohomish County, Washington (the “District”), and F. Colin Willenbrock, Chief Legal Officer of the District, hereby certify as follows:

1. Capitalized terms used but not otherwise defined in this Certificate shall have the meanings given thereto in the Purchase Contract, dated July 24, 2025, relating to the \$[] aggregate principal amount of the District’s Generation System Revenue Refunding Bonds, Series 2025A (Tax-Exempt) (the “2025A Bonds”), between the District and Raymond James & Associates, Inc., acting on behalf of itself and as representative of Goldman Sachs & Co., LLC.

2. The representations of the District contained in the Purchase Contract were and are true and correct in all material respects, and the District has complied with all agreements and covenants and satisfied (or the Underwriter has waived) all conditions contemplated by the Purchase Contract, the 2025A Bonds, and the Resolution on its part to be performed or satisfied at or prior to the date of the Closing.

3. Insofar as the District and its affairs, including its financial affairs, are concerned, the Official Statement (except for information regarding DTC and its book-entry only system, information under the heading “ELECTRIC SYSTEM POWER SUPPLY – Bonneville Power Administration” with respect to Bonneville and not the District, and information under the heading “THE DISTRICT – Pension and Other Post-Employment Benefits” with respect to the State Department of Retirement Systems and not the District, as to which no representation is made in this paragraph) did not and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

4. Insofar as the descriptions, statements, and data, including financial data, of or pertaining to entities other than the District and their activities contained in the Official Statement are concerned, including information under the heading “ELECTRIC SYSTEM POWER SUPPLY – Bonneville Power Administration” with respect to Bonneville and not the District and under the heading “THE DISTRICT – Pension and Other Post-Employment Benefits” with respect to the State Department of Retirement Systems and not the District, the District has obtained such descriptions, statements, and data from sources that the District believes to be reliable, and the District has no reason to believe that they contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Dated: [Date of the Closing].

Treasurer

Chief Legal Officer

EXHIBIT D

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[Date of the Closing]

Raymond James & Associates, Inc.
Seattle, Washington

Goldman Sachs & Co., LLC
New York, New York

\$[_____]

Public Utility District No. 1 of Snohomish County, Washington
Generation System Revenue Refunding Bonds, Series 2025A (Tax-Exempt)
(Supplemental Opinion)

Ladies and Gentlemen:

This letter is addressed to you, as Underwriter pursuant to Section 8(d)(5) of the Purchase Contract, dated July 24, 2025 (the “Purchase Contract”), between Raymond James & Associates, Inc. (the “Representative”), acting on behalf of itself and as representative of Goldman Sachs & Co., LLC (together with the Representative, the “Underwriters”), and Public Utility District No. 1 of Snohomish County, Washington (the “District”), providing for the purchase of \$[_____] principal amount of Public Utility District No. 1 of Snohomish County, Washington Generation System Revenue Refunding Bonds, Series 2025A (Tax-Exempt) (the “2025A Bonds”). The 2025A Bonds are being issued pursuant to Resolution No. 2994, adopted by the Commission of the District (the “Commission”) on September 26, 1986, as amended, as revised and restated by Resolution No. 3902 adopted by the Commission on January 28, 1993 (the “Master Generation System Resolution”), as supplemented and amended, including as supplemented by Resolution No. [_____], adopted by the Commission on July 1, 2025 (the “Eleventh Supplemental Resolution”). The Master Generation System Resolution, as amended and supplemented, including as supplemented by the Eleventh Supplemental Resolution, is referred to herein as the “Resolution.” Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution, or, if not defined in the Resolution, in the Purchase Contract.

We have delivered our final legal opinion (the “Bond Opinion”) as bond counsel to the District concerning the validity of the 2025A 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, the Electric System

Resolution, the Delivery Certificate, dated July 29, 2025, setting forth certain terms of the 2025A Bonds, the Preliminary Official Statement, posted and dated July 16, 2025, with respect to the 2025A Bonds (the “Preliminary Official Statement”), the Official Statement, posted and dated July 24, 2025, with respect to the 2025A Bonds (the “Official Statement”), opinions of counsel to the District and the Trustee, certificates of the District, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions and conclusions set forth herein.

The opinions and conclusions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions or conclusions may be affected by actions taken or omitted or events occurring after the original delivery of the 2025A 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 2025A Bonds on the date hereof. 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 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 2025A Bonds, the Resolution, the Tax Certificate and the Purchase Contract and their enforceability may be subject to bankruptcy, insolvency, reorganization, receivership, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public utility districts in the State of Washington. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or 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 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 and conclusions:

1. The 2025A 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 2025A BONDS,” “SECURITY FOR THE 2025A BONDS,” “TAX MATTERS,” “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE

GENERATION SYSTEM BOND RESOLUTION,” “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION” and “APPENDIX D—PROPOSED FORM OF OPINION OF BOND COUNSEL,” excluding any material that may be treated as included under such captions by cross-reference or reference to other documents or sources, insofar as such statements expressly summarize certain provisions of the 2025A Bonds, the Resolution, the Electric System Resolution, the Continuing Disclosure Certificate, or set out the form and content of our Bond Opinion, are accurate in all material respects.

We are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or (except as explicitly stated in paragraph 3 above) in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. In our capacity as bond counsel and disclosure counsel to the District in connection with issuance of the 2025A Bonds, we participated in conferences with your representatives, your counsel, representatives of the District, its counsel, municipal advisors and others, during which the contents of the Preliminary Official Statement or the Official Statement and related matters were discussed. Based on our participation in the above-referenced conferences (which, with respect to the Preliminary Official Statement, did not extend beyond the date of the Purchase Contract, and with respect to the Official Statement did not extend beyond its date), and in reliance thereon, on oral and written statements and representations of the District and others and on the records, documents, certificates, opinions and matters herein mentioned, subject to the limitations on our role as bond counsel and disclosure counsel to the District, we advise you as a matter of fact and not opinion that (a) no facts had come to the attention of the attorneys in our firm rendering legal services with respect to the Preliminary Official Statement which caused us to believe as of the date of the Purchase Contract, based on the documents, drafts and facts in existence and reviewed 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 (except any information marked as preliminary or subject to change, any information permitted to be omitted by Securities and Exchange Commission Rule 15c2-12 or otherwise left blank and any other differences with the information in the Official Statement), and (b) no facts had come to the attention of the attorneys in our firm rendering legal service with respect to the Official Statement which caused us to believe as of the date of the Official Statement and as of the date hereof that the Official Statement contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, we expressly exclude from the scope of this paragraph and express no opinion or conclusion, with respect to both the Preliminary Official Statement and the Official Statement, about any CUSIP numbers, financial, accounting, statistical or economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any information about litigation pending by or against the District, any management discussion and analysis, any statements about compliance with prior continuing disclosure undertakings, any information about book-entry, DTC, Cede & Co., the Bonneville Information, ratings, rating agencies, the Underwriters, the information under the headings “UNDERWRITING” or “MUNICIPAL ADVISOR” and the information contained in Appendices A and E, included or referred to therein or omitted therefrom. No responsibility is

undertaken or conclusion 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 2025A Bonds or by virtue of this letter. We disclaim any obligation to update this letter. This letter is delivered to you as Underwriters of the 2025A Bonds, is solely for your benefit as such Underwriters in connection with the original delivery of the 2025A 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 the 2025A Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP



BUSINESS OF THE COMMISSION

Meeting Date: July 1, 2025

Agenda Item: 6C

TITLE

Consideration of a Resolution Amending the District's Customer Service Regulations for Electric Service

SUBMITTED FOR: Items for Individual Consideration

Customer Service	Ryen Newby	1891
Department	Contact	Extension
Date of Previous Briefing:	June 17, 2025	
Estimated Expenditure:	N/A	Presentation Planned <input type="checkbox"/>

ACTION REQUIRED:

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

SUMMARY STATEMENT:

Identify the relevant Board policies and impacts:

Governance Process, Board Job Description GP-3(4)(C)(1), a non-delegable, statutorily assigned Board duty: adopting and amending Customer Service Regulations for Electric Service.

Pursuant to its statutory authority under RCW 54.16.040, the Commission of Public Utility District No. 1 has established Customer Service Regulations for Electric Service ("Regulations") and amended them from time to time. The most recent amendments were adopted in 2023.

In order to improve the District's business practices, staff recommends that the Board pass the resolution and adopt the proposed changes to the Customer Service Regulations. The proposed changes to the Regulations include, but are not limited to, application for service, defective customer facilities, update of various links, disconnection of service, and security deposits and other forms of security.

List Attachments:

Resolution
Exhibit A - Red-lined

RESOLUTION NO. _____

A RESOLUTION Amending the District's Customer Service Regulations for Electric Service

WHEREAS, the Commission of Public Utility District No. 1 of Snohomish County (the "District") has established Customer Service Regulations for Electric Service ("Regulations") and amended them from time to time; and

WHEREAS, District staff recommends that these Regulations be amended to reflect the District's current costs of providing services and to improve the District's business practices; and

WHEREAS, the proposed changes and additions to the Regulations include, but are not limited to, application for service, defective customer facilities, update of various links, disconnection of service, and security deposits and other forms of security; and

WHEREAS, having considered the information provided and the recommendation of staff, the Commission finds that the Customer Service Regulations for Electric Service should be amended.

NOW, THEREFORE, BE IT RESOLVED by the Commission of Public Utility District No.1 of Snohomish County that the Customer Service Regulations for Electric Service are hereby amended as set forth in the attached Exhibit "A" with an effective date of July 1, 2025.

Resolution No. _____

- 2 -

PASSED AND APPROVED this 1st day of July, 2025.

President

Vice-President

Secretary

CUSTOMER SERVICE REGULATIONS FOR ELECTRIC SERVICE

(Effective June 1, 2023)

1. INITIATING SERVICE

1.1 APPLICATION.

- (a) Each prospective customer requesting a new account or changes to an existing account for electric service shall furnish the District all requested information, which may include but is not limited to: customer's name and contact information, business name and corporate or partnership information (if applicable); proof of identity; social security number; service address; mailing address; proof of right to occupy the premises (deed, lease, ownership agreement, or other documentation that provides a reasonable basis to establish a new service in the customer's name, including photo identification that includes the service address); credit information; load, voltage phase, and the manner in which the power will be utilized. ~~desiring electrical service must make application, furnish proof of identity as required by federal regulation within a reasonable time; and may be required to sign an application form or contract prior to service connection.~~
- (b) By submitting an application for electrical service, the customer authorizes the District to verify the true identity of the customer to the District's satisfaction and to perform a credit assessment related to the customer as provided by third-party credit reporting agencies.
- (c) A customer applying for service who has an ~~no~~ outstanding balance from an inactive account with the District (which has not already been assigned a collection agency) are required to, at the discretion of the District, either pay the outstanding balance in full to or make other payment arrangements regarding the outstanding balance with the District before the application for new service or change in service may be approved. If the payment arrangement is not honored, or if the current account becomes past due, the full balance of the outstanding balance from the inactive account will be due immediately. If the inactive account is assigned to a collection agency, the customer must demonstrate to the satisfaction of the District that the outstanding balance has been paid in full before the application for new service or change in service may be approved.
- (a) (d) A security deposit or other form of security may be required. Whether a security deposit or other form of security is required and the amount thereof shall be determined in accordance with Section 3.10 of the Customer Service Regulations.
- (b) The District may in some circumstances accept an application for service from a second party, with the understanding the first party has signed an application that is kept on file by the second party (owner or property manager).
- (c) All new customers are to be informed, at the time of application, of connection fees and of additional charge for connection of services after regular service hours. (See 7.1 and 7.5).
- ~~(d) Applications for service will not be accepted from entities with whom the district cannot verify credit worthiness of or have ownership person(s) who refuse to provide a personal guaranty of payment for the account. This includes but is not limited to Trust and Living Trust accounts.~~

1.2 AGREEMENT.

- (a) Acceptance of service by a customer, with or without a written application, creates a contract obligating the customer to pay current rates, comply with service requirements and regulations, and that is conditioned upon the District's verification of the customer's identity.
- (b) Owner/Agent Agreement: A contract may be entered into by any owner of rental property for the provision of uninterrupted service to the premises between tenancies. The owner agrees to pay for electric service charges during this period and until a tenant assumes responsibility.

1.3 SERVICE.

Service will be energized when the District has approved the application and customer has met all District requirements and conditions for service, and submitted:

- ~~Proper application~~
- ~~Valid service and mailing address(es)~~
- ~~Payments as required on outstanding accounts~~

1.4 LINE EXTENSION. New Service, conversion or upgrade installation will be in accord with the Line Extension Regulations ~~[ADD LINK].all service requirements and regulations. (See Line Extension Regulations)~~

2. REQUIREMENTS

2.1 Standards. Service entrance equipment and installation to all new customers or existing customers altering their electrical service must comply with the District's Electrical Service Requirements Manual (ESR), which is available ~~on~~ the Internet at www.snopud.com/esr.

2.2 NOTIFICATIONS.

- (a) The District will send notification for bills, notices, and related information by email and/or via first-class mail to the respective email address and/or postal address provided by the customer ~~and/or will send email or email notification to customers who have made their e-mail addresses available to the District in connection with the use of the District's electronic bill pay and presentment services (e.g., MySnopud). If customers do not provide proper mailing addresses and/or email addresses as a means of receiving mail, their service will be subject to disconnection (See 3.7).~~
- (b) If the customer has provided a phone number, including a wireless phone number, to the District, the customer is consenting to receiving autodialed and/or prerecorded voice or SMS messages at that number, to the extent such messages are ~~closely~~ related to the service purchased by the customer or to amounts owed by the customer. Such messages may include, but are not limited to, outage notifications, billing notifications, discount eligibility, and energy efficiency opportunities. A customer may opt out of these notifications by responding to the message or by contacting the District; (visit snopud.com/contact for contact information).

2.3 ACCESS TO PREMISES.

- (a) The customer shall provide District representatives with safe, clear access and entry to customer premises for service related work. The District's facilities and equipment must remain unobstructed and accessible at all reasonable times so the District may install, inspect, maintain, remove, read, connect or disconnect equipment, wiring, metering devices, etc. Per the District's Electrical Service Requirements(ESR), customers must provide a minimum of 3' clearance in front of and around the meter. Examples of items obstructing access include but are not limited to the following: trees, vegetation, structures, material from projects, yard tools, cars/boats, garbage cans, etc.
- (b) If necessary for access, the customer will provide and pay for relocation of obstructed District facilities to a location acceptable to the District.
- (c) Where the District's meters are located in a designated electrical or meter room, all customers must comply with the District's Electrical Service Requirements Manual (ESR), which requires the installation and maintenance of a BEST Access locking system as defined in Section 5 of the ESR ~~Section 5~~ for the life of services to the premises. The ESR is available at <https://www.snopud.com/doing-business/construction-remodel/guides-requirements/>.
- (d) Where an individual meter or other District equipment is currently located within a locked door(s), the customer shall either provide the District with an access key or code or choose to install a BEST Access locking system as defined in Section 5 of the ESR ~~Section 5~~.
- (e) Customers who have installed or are installing gates with padlocks must allow the installation of a District furnished

locking device to adjoin the customer's lock. Customers installing electronic access gate(s) shall install a BEST Access keyed switch locking system keyed to the District's "P" key for access.

- (f) Access fees may be imposed and/or service disconnected for failure to:
- Provide District representatives with safe unobstructed access;
 - Install and maintain a BEST Access locking system where required- (Please note that an access fee may be charged for each room that is noncompliant in a building or building complex);
 - Provide District representatives with an access key or code;
 - Allow installation of a District furnished locking device to adjoin a customer's lock on a gate; ~~or-~~
 - Install on an electronic access gate a BEST Access keyed switch locking system keyed to the District's "P" key for access
- (g) The customer shall provide space and protection for District property on his premises, including meters, instrument transformers, wires and other facilities installed by and belonging to the District.
- (h) Although the customer is responsible at all times for maintaining customer-owned wiring and equipment, the District may inspect customer wiring or equipment before or after service connection.

2.4 CUSTOMER FACILITIES.

- (a) Wiring and Equipment: The customer is to install, own, and maintain all wiring and equipment beyond the delivery point (See 2.7), excepting meters and special facilities installed or furnished by the District. The customer's wiring is to conform to:
- District's service requirements and regulations;
 - Municipal, county, and state requirements;
 - Accepted modern standards as exemplified by the National Electrical Code; and
 - The National Electric Safety Code.

The customer will provide evidence of wiring approval from the appropriate governing body before service will be energized. (See also 1.2).

Identification of all meter circuits is the responsibility of the premises' owner.

- (b) Three-phase Motors: Installation is to comply with Electric Service Requirements, Three-Phase Service Section, and is to include appropriate protective devices as outlined in the National Electrical Code.
- (c) After-hour service calls will be charged to the customer, including instances in which the District responds to a customer request but does not work because the problem is with customer equipment. (See 7.5, 7.11, 7.16).

Customers calling for service will be advised to check fuses, plugs, breakers and other common problem sources.

- (d) Notice of Change: The District requires 30 days' notice before a customer modifies their electrical system. Failing this, a customer is liable for costs of any resulting damage to District equipment.
- (e) Power Factor Adjustment: Installation of power factor corrective equipment requires previous District approval. Power factor may be determined by permanently installed instruments or by tests at reasonable intervals. Should the customer cause the power factor to drop below .75, the District has the right to curtail service until corrections are made. (See 3.7).
- (f) Multiple-unit Numbering: The builder or owner of a multiple-unit complex is required to permanently and accurately number meter bases or panel covers and corresponding building units. The account(s) will remain in the builder/owner's name until the District has verified correct numbering. Tenants then may be signed for service. (See 2.8).

Written notice to the District is required preceding any subsequent change in unit numbers or altering wiring between units behind meters. Failing this, the owner may be responsible for costs of resulting incorrect billings.

- (g) Meter Installation: The customer is required to supply, install and maintain meter-mounting equipment in accordance with service requirements and regulations. (See 2.8).
- (h) Meter Relocation: A customer is responsible for meter base relocation when ~~they~~ ~~have~~ made alterations to ~~their~~ ~~his~~ property which leaves meter access unacceptable to the District. The District may disconnect service when the meter base is not satisfactorily relocated. (See 2.8).
- ~~(h)(i) Defective Customer Facilities: Upon discovery of defective customer facilities, the District may: immediately disconnect the electrical service, notify the customer of the repairs needed, require the customer to hire a licensed electrician at their expense to perform the repairs, require the customer to get all necessary electrical permits and inspections, and schedule District personnel to return to install the advanced meter, equipment, and/or other facilities.~~

2.5 MAINTENANCE.

- (a) The District is responsible for maintaining its facilities and equipment to the point of delivery. The customer owns and maintains equipment beyond the point of delivery. (See 2.7).
- (b) The customer can help maintain quality service by prompt notification to the District of any problem affecting or which may affect the supply of service.
- (c) Continuity of Service: It is the District's intent to provide adequate continuous service with minimum interruption. However, because electric service is inherently subject to disruption, (including interruption, suspension, curtailment and fluctuation), the District does not guarantee against occasional power curtailment or failure.

The District shall not be liable for any disruption in service or for any loss, injury or damage caused thereby if such disruption is attributable to the causes, work or actions from any of the following:

- An event that is reasonably beyond the District's control. Such events include, but are not limited to, winds, fire, flood, acts of the elements, court orders, insurrection or riots, generation failures, breakdowns or damage to facilities of the District or third parties, insufficient generation capacity, acts of God or public enemy, strikes or other labor disputes, civil, military or governmental authority, electrical disturbances originating on or transmitted through electrical systems with which the District is interconnected and acts or omissions of third parties.
 - Repairs, maintenance, improvement or changes in its equipment and facilities which are, in the District's sole judgment, necessary or prudent,
 - Actions which are, in the District's sole judgment, necessary or prudent to protect the performance, integrity, reliability or stability of the District's electrical system or any electrical system with which it is interconnected,
 - Voluntary cooperation, as approved by the Commission, in any program or method of operation recommended or requested by civil or military authorities, or
 - Actions taken, as approved by the Commission, to conserve energy at times deficiencies of resources within the region are anticipated, including involuntary curtailments.
- (d) Repairs or Improvements: Repairs or improvements to facilities requiring temporary service interruption occur occasionally. They will be expedited and timed to minimize customer inconvenience, provided that, when practicable, such disruption shall occur during working hours regularly maintained by the District. When possible, a preceding notice will be provided to the customer.
- (e) Hat Island: The District will respond to outages any day, including weekends and holidays, only during daylight hours and when weather permits. (See 7.15).
- (f) When the District responds to a customer call after service hours, and the problem is found to be with customer equipment, the District will make no repairs. The customer will be charged a set fee. (See 7.5 and 7.11).
- (g) A set fee will be charged when the District is called out to repair an area light after hours. (See 7.10).

2.6 TYPES OF SERVICE.

- (a) The District provides a comprehensive range of electrical services, via overhead or underground lines, in accordance with current rate schedules, as published in the Rate Schedules Manual and available on the Internet at www.snopud.com/rates.
- (b) Area lights are available on private property when:
- The Customer is the property owner,
 - The Customer executes a five-year contract,
 - The District deems installation compatible with surroundings,
 - The location is accessible to equipment for installation and maintenance, and
 - There is either a clear unrestricted public access to the area to be lighted or there is an existing District distribution pole upon which the area light will be placed.
- (c) Services are offered by the District to assist customers in energy conservation.

2.7 DELIVERY POINTS.

- (a) Delivery points vary depending on types of service, as follows:
- Residential and commercial secondary overhead services - - the weather head.
 - Residential secondary underground services - - the line side of the meter base, or the line side of the current transformer, or current transformer mounting device.
 - Commercial secondary underground services - - the secondary lugs of the serving transformer or pedestal.
 - Provisions in rate schedules or special contracts supersede the above.
- (b) Customer Request for Delivery Point Relocation: The customer will be charged actual cost for relocation of overhead service drop.

The customer is responsible for other related costs, including:

- Relocation of any underground facilities;
 - Material and labor for additional equipment or poles; and
 - Required increase in capacity of above or underground distribution facilities or additional line, equipment and poles.
- (c) Requests to Move Facilities for Improvement to Premises: The District will relocate facilities upon request if feasible. The customer shall pay all costs in advance.

2.8 METERS.

- (a) Multiple Meters: When a customer's service requires application of more than one rate schedule, one meter will be installed for each applied schedule. Each meter will be billed separately, unless otherwise specified in a special contract.
- (b) Master metering installations will not be permitted for residential customers unless the intent of the Public Utilities Regulatory Policies Act can be satisfied in another manner as determined by the District.
- (c) The customer will be responsible for purchasing and installing any additional meters desired for his purposes, and for placing such meters on the customer side of the District meter.
- (d) When one meter serves more than one customer, the premises' owner will be responsible for the entire billing, unless one tenant agrees to assume liability for the entire bill.
- (e) Meter Testing:

- Meter accuracy testing and equipment inspections are required to maintain accurate metering and will generally

be made at District expense.

A customer may request a meter test free of charge during a twelve month period; provided, however, that a test fee may be charged if the meter tests with +/- 2% accuracy and the customer has requested the meter tested within the last three years. (See 7.9).

- If a meter is found to be outside of +/- 2% accuracy, a second meter test shall be performed at that time.
- Bills may be adjusted to correct any error based on a known or estimated period for up to six months.

(f) Periodic graphic electrical tests are made at District expense to maintain a high standard of accuracy. Additional tests requested by customers may result in a charge to the customer based on a cost estimate.

(g) A fee will be charged for routine meter resealing (see 7.6) and non-routine meter resealing (see 7.16).

2.9 SAFEGUARD OF DISTRICT FACILITIES.

~~(a)~~ (a) The District may refuse or disconnect service to customers when conditions are hazardous or out of compliance with codes, regulations or requirements. The District is not liable for loss or damage to persons or property resulting from: its refusal or disconnection of service for the aforementioned reasons; ~~nor from~~ defectives, improperly installed, and/or failed equipment, wiring, and/or facilities beyond the point of delivery. or negligence:

- ~~By the customer beyond the point of delivery, or~~
- ~~In the customer's installation or equipment.~~

~~(b)~~ (b) When an individual's action (e.g., tree falling or blasting) might endanger District property or interrupt power, prearrangements can be made for a crew or serviceman to stand by. Cost for this service may be charged to the responsible party.

Should loss or damage occur to District property, the responsible party may be charged for repair or replacement cost, administrative time and expense and estimated unmetered energy. However, if a District employee is at the site and approves the method and work, the above-mentioned charge may be waived.

~~(e)~~ (c) System Interference: Installation of certain equipment (e.g., welders, motors, electric fences) may interfere with electrical, radio or television reception on neighboring premises. The responsible customer is required to take necessary steps to correct all such interference. Non-compliance within five days after notice can lead to service disconnection.

2.10 RESALE.

Customers may resell electrical energy only with written District permission. Rates charged may not exceed rates the District charges for similar service.

2.11 CONSUMER ALERTS, UNUSUAL OR SUSPICIOUS ACCOUNT ACTIVITY.

The District may take appropriate steps as outlined in its Identity Theft Prevention Program in response to consumer alerts, indications of fraudulent activity and other irregular account activity, up to and including termination of service.

3. FINANCES

3.1 RATE SCHEDULES.

- (a) The District has rate schedules for particular types of service required by customers. For specific detail, refer to the Electric Rate Schedules, available at <https://www.snopud.com/account/about-my-bill/rates/electric/> ~~www.snopud.com.~~
- (b) In case of conflict between the provisions of any rate schedule or special contract and these service regulations, the provisions of the rate schedule or special contract shall apply.
- (c) Combined Residences and General Service: Where combined residential and general services are on the same meter, the appropriate rate schedule will be determined by the category of service using the estimated greater annual kWh

consumption. The customer may rewire to separate the services.

3.2 BILLING.

- (a) The customer's obligation to pay a bill accrues on the date the bill is issued. Payment is due by the due date on the bill. Failure to receive a bill will not release the customer from their obligation to pay promptly. Bills and/or notifications will be sent to the mailing address and/or email address furnished by the customer. Customers are responsible for providing current mailing and/or email addresses and notifying the District when there are changes.
- (b) Bills will be issued monthly. Customers consuming electric power within a suburban street lighting service area will be billed for street lighting in conjunction with billings for electric service. Bills may be estimated when:
- Meter is not accessible to meter reader;
 - Meter or Metering System malfunctions;
 - Changes occur in the meter reading schedule; or
 - Other circumstances beyond District control interfere with meter reading.
- (c) Multiple meters will be billed separately to a customer unless otherwise specified in a special contract.
- (d) Account Service Charge: This charge (See 7.1) is billed during processing of each service application, except for:
- Services or meters added to an existing account by new service application;
 - Owner/agent agreement with owner/agent assumption of responsibility for service between tenants;
 - Reconnection of service after disconnection for non-payment at the same premise on an existing account: (See 7.3, 7.4, 7.5); or
 - Other circumstances deemed appropriate by the District as documented in Customer Service processes.
- (e) Variation in charges: The following will result in a variation in charges:
- Separate applications for service when billed on different account numbers at the same address - one charge for each account, unless separate accounts are established for District convenience.
 - Electric and water service on one account - one charge.
 - Multi-service account - one charge for each additional meter reconnection after the initial application.
 - Multi-metered complex (e.g., apartment house)
 - One charge per account for general use areas
 - If no general use account, one charge per building to initiate service for one or more non-rented units.
- (f) The customer may be billed a records research charge at cost for documentation requested on their account. (See 7.17).
- (g) Tax Apportionment: City taxes, by action of the Commission, are apportioned to accounts within the province of the taxing agent. Such amounts appear as a separate item on the bill. Other taxes levied against the District are apportioned to customers within the rate structure.
- (h) Minimum Charge: When a customer is unable to operate electrical equipment and is shut down, and has given timely notice of the shutdown to the District, the District may waive the minimum charge during the period of the shutdown due to any of the following reasons:
- Strike;
 - Other labor disputes;
 - Acts of public officers;
 - Acts of government; or
 - Other conditions beyond customer control, except market conditions.

To complete necessary meter reading, the District requires written notice, including statement of cause, within 24 hours after any such shutdown.

- (i) Meter Reading: Meters will be read monthly and routinely at regular intervals.
- (j) Opening or closing readings may be prorated or interpolated.
- (k) Special meters may be installed on any account for correct rate schedule application and/or customer improvement of their facility's power factor when the nature of the customer's equipment and operation so indicates.
- (l) Reconnection of 500 kW: When delivery points of 500 kW, or greater, are disconnected and then reconnected, the Minimum Charge that would have been made if that delivery point had not been disconnected will be billed when a reconnection request is processed if:
 - The disconnection was directed by the customer requesting reconnection, and
 - The delivery point has been disconnected for less than twelve months, and
 - The delivery point had an actual Billing Demand (as defined by the applicable Rate Schedule) greater than 500 kW at least once during the twelve consecutive months prior to disconnection.

3.3 LATE PAYMENT CHARGES

A late payment fee may be assessed on bills that have an unpaid balance after the due date. (See 7.23).

3.4 COLLECTION

- (a) Methods: While considering individual customer needs, the District is obligated to make prudent efforts to collect unpaid accounts. Reasonable collection methods will be used, including disconnection of service, collection agency assignment and/or lawsuit. In the event an unpaid account is assigned to a collection agency and as authorized by RCW 19.16.500, the collection agency will add an additional fee and interest to the unpaid account amount. ~~The district may deny an application of service to an applicant who has an unpaid PUD balance with a collection agency.~~
- (b) Undercharges/Overcharges: The District will, within one year after it becomes aware of undercharges/overcharges that are a result of its error, take action to collect/credit all amounts that were undercharged/overcharged during the three years prior to the date upon which the District became aware of the error, or back to the date of responsibility change, whichever is more recent. If the District fails to act during that one-year period, no collection action will be taken. No action shall be taken to collect/credit any undercharges/overcharges resulting from a District error, for electric utility services that the District delivered more than three years before it became aware of that error.
- (c) Payment for Undercharges: A customer may pay amounts undercharged as a result of District error, without interest, in installments of approximately equal amounts during a period that is no longer than the period for which the customer charged for undercharged services. If a customer does not agree to pay for undercharged electric utility services or, if having agreed fails to make payment, normal District collection practices will be followed.

3.5 DISCONNECT NOTICES

- (a) Disconnect notices will be mailed no sooner than 31 days after the billing date of the oldest unpaid bill and may include any additional past due balances from subsequent bills. These notices will be for balances due in arrears only.
- (b) Medical Facilities. A disconnect notice will be provided to the customer and to the Secretaries of the Washington State Departments of Health and Social and Health Services when service is known by the District to be provided to:
 - A hospital, medical clinic, ambulatory surgery center, renal dialysis facility, chemical dependency residential treatment facility or other medical care facility licensed or certified by the Washington State Department of Health; or
 - A nursing home, boarding home, adult family home, group care facility, intermediate care facility, intensive tenant support property, chemical dependency residential treatment facility, crisis residential center for children or other group home or residential care facility certified by the Washington State Department of Social and Health Services.

- (c) Any customer may designate a third party to receive a disconnection notice or notice of other matters affecting the customer's service by providing to the District in writing the name and current mailing address of the third party via email or U.S. mail. If the District believes that a customer is not able to understand the effect of the disconnection, the District may consider a social service agency to be the third party.
- (d) A brochure explaining credit, disconnect policies and customers' rights and remedies, will accompany each disconnect notice on all accounts.
- (e) A fee may be charged when an Urgent Notice is delivered or other field visit is performed and no disconnection of service occurs. (See 7.2).
- (f) Disconnection will occur following the due date on the disconnect notice unless:
 - The delinquent payment has been received at a District office by the due date.
 - A deferred payment agreement has been reached.
 - The customer has appealed the action in accordance with the District's Dispute Resolution Procedures.
- (g) Exceptions: In certain instances, where health, safety or essential services would be otherwise jeopardized, or for purposes of economy, the District may withhold disconnect notices.

3.6 EXTENUATING CIRCUMSTANCES.

- (a) The District may pursue a solution with customers temporarily unable to pay on time due to extenuating circumstances. The availability and terms of a deferred payment plan will be based on a review of the individual customer's situation, including:
 - Amount and age of delinquency;
 - Past payment record;
 - Ability to pay; and
 - Demonstration of good faith.
- (b) Employees will give customers available information on other resources for assistance, when appropriate.
- (c) Medical Emergencies:
 - (1) Cause to Disconnect – Grace Period. When the District has cause to disconnect a residential service, it will postpone doing so for a grace period of ten business days after receiving either verbal or written notification of the existence of a medical emergency.
 - (2) Disconnected – Reconnect - Grace Period. After the District has disconnected a residential service, it will, after receiving either verbal or written notification that a medical emergency exists, reconnect it for a grace period of ten business days. The District will not require payment of disconnection and reconnection fees and/or a security deposit prior to reinstating service but will bill the customer for such amounts. Reconnection will occur on the day requested by the customer. (See 7.3, 7.4, 7.5).
 - (3) Written Certification. The customer must, within the ten business day grace period, furnish the District with written certification from a qualified medical professional stating that the disconnection of electric service will materially aggravate an existing medical condition of a resident of the household. The term "qualified medical professional" means either a licensed physician, or a nurse practitioner or physician's assistant that is licensed to treat the medical condition without the supervision of a physician. The certification must include the following information:
 - Residence address and location;
 - Name of the party with the existing medical condition;
 - An explanation of how the current medical condition will be materially aggravated by the disconnection of electric service;
 - A statement of how long the condition is expected to last; and
 - The title, signature, telephone number and fax number of the person certifying the condition.
 - (4) Time Period. The medical certification is valid for the time period set forth in the certification or ninety days from

the date of the certification, whichever is shorter. The medical certification may be renewed.

- (5) Payment Required. A medical emergency does not excuse a customer's obligation to pay both delinquent and ongoing charges. The District may require the customer to do the following during the grace period.
 - Pay a minimum of twenty-five percent of the delinquent balance,
 - Enter into an agreement to pay:
 - The remaining delinquent balance within one hundred twenty days, and
 - Subsequent bills when due.
 - *However*, if a customer states that they have neither the income nor the resources to pay both the delinquent balance within one hundred twenty days and subsequent bills when due, the District may offer an extended payment agreement and may require reasonable proof of inability to pay.
- (6) Confirmation of Agreement. The District will mail a notice to the customer confirming any payment arrangements within two business days after an agreement is reached. The customer may be asked to sign and return a copy of the agreement to the District. The agreement must contain provisions authorizing the District to communicate with: (a-) any medical professional who furnishes the District with a medical certification, and (b-) may also authorize the District to contact social service agencies that may be able to provide assistance to the customer.
- (7) Failure to Comply - Disconnection. If the District does not receive both a medical certification as described above and an agreement to pay some portion of the delinquent balance within the grace period, or if the customer later fails to abide with the terms of any payment agreement, the District may disconnect the service and take further collection action. Disconnection will occur no earlier than the fourth business day after mailing a written notice of disconnection or the second business day after personally delivering such a notice.
- (8) Benefits Limited. A customer may claim a medical emergency and be entitled to the benefits described in this subsection only twice within any one hundred twenty-day period.

(d) Medical Facilities:

- (1) Cause to Disconnect – Grace Period. When the District has cause to disconnect service to a medical facility described in paragraph 3.5(b), it will postpone doing so for a grace period of ten business days past the original disconnection date after receiving a request to delay disconnection from the Department of Health or the Department of Social and Health Services to allow the requesting Department to take the steps necessary to protect the interests of patients residing at the facility.
- (2) Disconnected – Reconnect – Grace Period. If the District has disconnected service to a medical facility described in paragraph 3.5, without receiving a request from the State of Washington to postpone disconnection, it will, reconnect services for a grace period of ten business days after receiving a request for reconnection from the Department of Health or the Department of Social and Health Services to allow the requesting Department to take the steps necessary to protect the interests of patients residing at the facility.

3.7 DISCONNECTION OF SERVICE.

(a) Service may be disconnected for good cause, including (but not limited to):

- Violation of service requirements or regulations, rate schedules, contracts or electrical codes;
- A hazardous condition is present in the customer's facilities or in the District's facilities serving the customer;
- After conducting an investigation, the District determines that the customer has vacated the premises;
- Failure to provide safe, clear access and entry to customer premises to district employees and agents for service related work, including but not limited for the purpose of reading meters, performance of necessary maintenance, testing, inspection, and installation or removal of District equipment and facilities;
- Failure to pay fees or deposits;
- A payment that was received after a disconnect notice was given is dishonored or reversed;
- Theft or illegal electrical current diversion;
- No one assuming responsibility for service;

- A customer/occupant of a residence repeatedly harasses District employees, vendors, contractors, or its agents.-
- (b) When disconnection occurs for non-payment, the District shall make a reasonable effort to notify the customer that service will be restored if the customer contacts the District and fulfills other requirements of RCW 54.16.285.
- (c) Disconnection of service does not release a customer from any obligation to the District.
- (d) Services may be disconnected without a disconnect notice when:
- A hazardous condition is present in the customer's facilities or in the District's facilities serving the customer;
 - After conducting an investigation, the District determines that the customer has vacated the premises;
 - No one has assumed responsibility for services; or
 - A payment received for services after a disconnect notice has been given is dishonored or reversed.
 - A customer / occupant of a residence repeatedly harasses and / or disturbs the mental health of District employees, vendors, contractors, or its agents.-
- (e) Moratorium: The District will not disconnect electric service under the following conditions:
- Whenever the air temperature as measured at the District's Operations Center is 32° F or less by no later than by 8 AM, no electric service will be disconnected for collection purposes during the 24 hours following temperature measurement.
 - Utility service for residential space heating shall not be terminated between November 15 through March 15 if the customer notifies the District of the inability to pay the bill, including a security deposit, within five business days of receiving a disconnection notice and complies with the provisions of RCW 54.16.285(1), unless there are extenuating circumstances. If the customer fails to notify the District within five business days and service is terminated, the customer can, by paying any reconnection charges, and fulfilling the requirements of RCW 54.16.285, receive the protections of RCW 54.16.285.
- ~~(e)• The District will not disconnect electrical service to a residential customer power for non-payment on any day for which the national weather service has issued or has announced that it intends to issue a heat-related alert, such as an excessive heat warning, a heat advisory, an excessiveextreme heat watch, or a similar alert, for the area in which the customerresidential-user's address is located.~~
- (f) Disconnection During Appeal: If, after being notified of a District decision to disconnect service and before actual disconnection of service, a customer states an intent to request a dispute resolution hearing in accordance with Section 9 of the Dispute Resolution Procedures, the disconnection will be stayed until the written request for a hearing is received by the District or for a period of six (6) business days after the date the customer orally stated that a hearing would be requested (whichever is earlier). If no written request for a hearing is received by the District within said time period or if the hearing date is not established for reasons set forth in Section 7 of the Dispute Resolution Procedures, the stay will be lifted and the disconnection may proceed. Otherwise, if a written request for a hearing is received by the District within said time period, the stay of the disconnection shall continue until noon on the fifth business day after the Hearing Officer's written decision on the matter is received by the Office of General Counsel for the District. (See generally Dispute Resolution Procedures).
- (g) Routine Disconnection/Reconnection Charge: Whenever disconnection or reconnection is routine, the customer will be charged in accordance with the fee schedule. (See 7.3, 7.4, 7.5, 7.6).
- (h) Routine Reconnection: When electric service is disconnected for non-compliance with service requirements or regulations, non-payment or fraudulent use, the service will not be reconnected until the situation is corrected to the District's satisfaction. Before reconnection the customer will be advised of current fees and charges for service restoration. (See 7.3, 7.4, 7.5)
- (i) Non-Routine Disconnection/Reconnection applies to single-phase residential single-phase secondary service to the electric meter. This includes tree trimming, weather head replacement, meter base replacement, electrical panel work, crane and clearance issues related to safety, siding replacement and roofing replacement. Charges for non-routine disconnection/reconnection may be imposed. (See 7.14)
- (j) Non-Routine Secondary Service Tampering Charge applies to services that have been temporarily or permanently disconnected by the customer without a PUD qualified electrical worker disconnecting or reconnecting the service. This

includes cutting the secondary service drip loops, pulling the meter, making temporary connections on the secondary service drop, cutting the meter seal on the meter base, and transferring or swinging secondary services. (See 7.16)

3.8 INSOLVENT ACCOUNTS.

If the District has reason to believe a customer to be insolvent, in financial difficulty or contemplating bankruptcy, appropriate action may be taken to secure payment of charges due. Requirements may include an adequate security deposit, altered payment schedule or other actions deemed necessary and reasonable by the District.

3.9 TRANSFER OF UNPAID BALANCES.

- (a) The District may transfer to an existing or new electric service account any unpaid charges for electric service previously provided by the District to the same customer at another location. The transferred balance shall be considered part of the customer's current obligation to the District as though the previous unpaid balance had been incurred at the present service address. A customer's previous unpaid balance from one service address to another is part of the customer's current obligation and subject to the District's requirements for payment.
- (b) In the event a customer, who has an outstanding balance for unpaid charges for electric service previously provided by the District, is receiving the benefit of electric service from the District through a different account in another customer's name, the District may transfer the outstanding balance to the active customer account.
- (c) If a customer has executed documentation (i.e., a ~~bill-of-personal~~ guarantee of payment or similar document) to assure/guarantee payment for electric service provided to another District customer, any outstanding balance for unpaid charges for the other District customer may be transferred to the customer's service account as long as the assurance/guarantee documentation expressly provides for such transfer.
- (d) The District may apply any payment received from the customer or agencies toward the customer's transferred balance if:
 - The customer has not already paid the transferred balance;
 - The customer has not made arrangements in writing with the District for payment of the transferred balance; or
 - The customer has not made payments in accordance with a written payment agreement with the District.
- (e) The District will make reasonable efforts to notify the customer of the unpaid balance, including dates and location of service, and the District's regulations concerning transfer of unpaid balances, and the possibility of disconnection.

3.10 SECURITY DEPOSIT.

(a) Whether a security deposit or other form of security is required at time of application or at a later time is at the discretion of the District and is generally based on a number of factors, including but not limited to the following:

(a) Security deposit may be required of a customer at application or later for any of the following reasons:

- Prior credit history (or lack thereof) of customer;
- Incomplete or improper application;
- Misrepresentation of identity;
- Tampering with District equipment;
- ~~No established credit~~
- Poor payment record;
- The District has disconnected the customer's service for nonpayment;
- There is a prior customer living at the residence who owes a past-due bill to the District for the same address;
- or
- The District is unable to verify the credit worthiness of an entity or organization.

(b) If the customer applying for service is a corporation, limited liability company, partnership, trust, living trust, or other

similar entity, the District will require a personal guarantee of payment from a person with a credit history and rating and on a form acceptable to the District. In lieu of a personal guarantee, the District may allow or require an alternate form of security in an amount, form and term determined acceptable by the Customer Service Manager. The form and term of any required security is subject to review and revision by the Customer Service Manager on an annual basis.

~~(b)(c)~~ Notice will be provided to the customer when a security deposit or other form of security is required, showing the amount and due date.

~~(e)(d)~~ Payment or acceptable ~~security collateral~~ is due as stated in the notice unless other arrangements are made within that period. ~~Acceptable collateral may include a personal guarantee, a guaranty of payment, a surety bond accompanied with a personal letter of excellent credit.~~

~~(d)(e)~~ Amount of deposit will not exceed the established flat amount (see 7.22) for those residential customers who have been District customers for less than 12 months. The amount of deposit for those residential customers who have been District customers for more than 12 months will not exceed the established flat fee or the maximum billing for two consecutive months within a 12-month period, whichever is greater.

~~(e)(f)~~ Amount of deposit for commercial customers will be the maximum billing for two consecutive months billing in a twenty-four month period or connected kW load times \$15.00, whichever is greater.

~~(f)(g)~~ The amount of the deposit, will be applied to the account based on evaluation of customer credit history, after 12 months for residential customers and after ~~12~~24 months for commercial customers.

~~(g)(h)~~ Upon termination of service, an existing deposit, will be applied to any amounts due and any balance refunded.

~~(h)(i)~~ Transfers: When a customer relocates and reapplies for service, an existing deposit may be applied to the bill or may be transferred to the customer's new address. If applied to the bill, any credit balance will be carried over to the customer's new service location. A new deposit based on the consumption at the new address, or a flat fee may be required, when appropriate.

3.11 PAYMENTS.

(a) Payments: Payments are to be accompanied by a billing remittance slip or account number.

(b) Returned Payments: A charge will be made to each account to which the payment was applied. (See 7.8).

3.12 PAYMENT PLANS.

Residential customers may have an opportunity to keep electric service accounts current through optional payment programs, such as a budget billing plan, depending upon the customer's payment history, participation in other programs, or rate schedule.

3.13 ADJUSTMENTS.

(a) Incorrect billings will be adjusted back, for the current customer at the premises, for a maximum of three years.

(b) Area Light Repairs: If not made within five business days following notification, the customer will not be charged for the period the area light is inoperative.

(c) A final balance (debit or credit) of less than five dollars may be routinely written off by the District.

(d) Municipal Tax (debit or credit) will be adjusted back when incorrect tax codes are identified, for a maximum of six months for the current customer.

(e) Estimated billings: Any necessary adjustments to estimated charges will show on the bill following an actual meter reading.

- (f) Certain managers have authority to grant adjustments for undefined or unclear policies and procedures.

~~Chief Customer Service Officer~~ ~~Assistant General Manager~~

Up to \$500 each occurrence

Senior Manager, Customer Accounting or Customer Experience

Up to \$250 each occurrence

3.14 REDUCTIONS FOR INCOME QUALIFIED CUSTOMERS.

Reductions for residential electric and water service are available for Income Qualified Customers. Up-to-date income requirements appear on program applications and www.snopud.com/discounts.

~~(a)~~ Income Qualified Customers.

- ~~(a)~~ The reduction for income qualified customers, regardless of age, will be for customers whose household income after allowable deductions (3.14(b)) does not exceed two hundred percent of the Federal Poverty Guidelines (FPG) published by the U.S. Department of Health and Human Services. Income Qualified customers whose completed applications have been approved by the District are eligible for the following reductions to Residential Rate Schedule 7:

0% to 100% of FPG	50% reduction
101% to 200% of FPG	25% reduction

All income qualified customers, senior or other income qualified, receiving a 60% discount prior to July 1, 2020, will continue at the 60% discount until April 30, 2022. On May 1, 2022, all 60% discount customers will transfer to a 50% discount and have their appropriate end date adjusted accordingly.

~~(b)~~ Deductions.

- ~~(b)~~ The District may establish allowable deductions from total household income. Deductions established shall be the same for all Income Qualified Customers. Available deductions shall appear in program documentation.

~~(c)~~ Other.

- ~~(c)~~ Unreasonably high electric or water usage for a residential home, use of electricity or water for business or business-like purposes, multiple accounts, or other extraordinary circumstances may disqualify a customer from receiving a reduction. Program criteria or definitions established shall be for all Income Qualified Customers and clearly defined in program documentation.

4. VIOLATIONS

4.1 LEGAL ACTION.

- (a) Criminal Proceedings. The District will seek prosecution for theft of power, destruction of District property and other violations of law affecting delivery of its services authorized by applicable City or County Ordinance or by State law, including RCW Chapter 9A.61 Defrauding a Public Utility, for:

- The ~~d~~Diversion of electricity without the authorization or consent of the District;
- Reconnection of utility service after that service has been disconnected by the District; and
- Tampering with District utility facilities or property.

- (b) Civil Proceedings. The District may bring a civil action for damages against any person who commits, authorizes, solicits, aids, abets, or attempts to take any action described above or otherwise prohibited by law, including any described in RCW 80.28.240. ~~As part of a civil action, When doing so~~ the District may seek to recover from the defendant the following as damages:

- Three times the amount of actual damages, if any;
- ~~I~~Plus the cost of the lawsuit and reasonable attorney's fees;
- ~~I~~Plus the costs incurred on account of the bypassing, tampering, or unauthorized reconnection, including but

not limited to costs and expenses for investigation, disconnection, reconnection, service calls, and expert witnesses.

- 4.2 POLE ATTACHMENTS PROHIBITED. The attachment of any object to District poles that has not been authorized in writing by the District is prohibited. ~~Authorized attachments must be placed not less than 12 feet above ground.~~

5. NON-STANDARD SERVICE

- 5.1 The customer will be charged at cost for special installations required to meet his unique requirements for service.

5.2 OPT OUT.

- (a) The District's standard meter is an advanced meter with broadcast communications enabled. At its discretion and subject to Eligibility Criteria the District offers a non-standard option for residential electric customers to have meter broadcast communications turned off at their premise. Customers must apply and be approved. Upon application approval, the District will charge monthly meter reading fees (See 7.20) and set the customer's advanced meter to Opt Out mode to disable broadcast communications.

- ~~(b)~~ Eligibility Criteria. The following eligibility criteria must be met in order to qualify and be approved for the non-standard option described in 5.2(a):

- This option is only available to electric residential services for single-family residences or multi-unit residences having 4 units or less. Commercial/industrial, multi-units having more than 4 units, water services, net metering, temporary services, and Hat Island residents are not eligible.
- Customer must have no more than 1 credit disconnect within a rolling backward 12-month period.
- Customer must have no record of threats to ~~District-PUD~~ staff and contractors.
- Customer must have no access issues preventing a manual read.
- Customer must have no record of meter tampering.
- A Customer who elects a self-read monthly meter reading option must miss no more than 2 monthly reads in a rolling backward 12-month period and must submit accurate reads.

- (c) Self-Read Meter Reading. At the time of application, the customer may elect to read their own meter(s) and submit the readings to the District for monthly billing. The District will not be responsible for sending reminders. Missed reads will result in an estimated bill.

- (d) Eligibility Criteria Must Be Maintained. Once non-standard service option is approved by the District, a customer must continue to meet the eligibility criteria listed in 5.2(b). If a customer fails to do so, the District will inform the customer in writing, re-enable broadcast communications and stop meter reading fees. Thereafter, if the customer is able to meet the eligibility criteria again, the customer may reapply for non-standard service option.

- (e) Move Out. If a customer moves from a residence at which non-standard service option has been approved, the approval shall be automatically revoked and broadcast communications will be re-enabled on the meter. If the same customer moves to a new residence in the District's service area and wishes to opt out again, a new application must be submitted to the District.

5.3 TEMPORARY CUSTOMER SIDE REPAIR POLICY.

- (a) The District expects few and minimal impacts to customer-owned wiring and equipment ("Customer Facilities") during the installation of the advanced meters at customer properties. ~~Based on the District's own meter replacement experience and that of other utilities the District understands that despite conducting pre-installation inspections it will uncover defective Customer Facilities when performing the Connect Up electric meter installations. The discovery of defective Customer Facilities can require the District to: immediately disconnect the electrical service, notify the customer of the repairs needed, require the customer to hire a licensed electrician at their expense to perform the repairs, require the customer to get all necessary electrical permits and inspections, and schedule District personnel to return to install the advanced meter.~~

- (b) Rather than disconnect electrical service and require the customer to make the required repairs, the District may, in its sole discretion, repair or replace Customer Facilities required to facilitate the installation of the advanced meter and safely provide the customer with electrical service. Customer Facilities related to electrical service is defined above in Sections 2.4 and 2.7. If performed, the repair or replacement will be performed at no cost to the customer. Examples of Customer Facilities the District may repair or replace include:
- The meter socket, jaws, and/or enclosure (including minor related incidental repairs, as determined in the field);
 - Miscellaneous nuts/bolts related to the meter socket, jaws, and/or enclosure; or
 - The meter post.
- (c) Items the District will not repair or replace include but are not limited to the following:
- Service panels;
 - Tampering; or
 - Code violation repairs.
- (d) Repairs or replacements may be performed by District staff or by contractors hired by the District. Any repair that code requires be performed by a licensed electrician shall be performed by a licensed electrician. Some repairs may require the customer to sign an authorization to work on Customer Facilities on a form provided by the District.
- (e) This policy shall be in effect during the Connect Up meter installation, ~~through March, 2026~~. While it is in effect it shall temporarily repeal any conflicting resolutions, motions or provisions of the District's Customer Service Regulations for Electric Service, provided that Section 2.9 is not repealed by this Temporary Customer Side Repair Policy.

6. TERMINATION OF SERVICE

- 6.1 The customer is responsible to notify the District on or prior to the date of termination, and is responsible for all service supplied to the date of notification.
- 6.2 The District reserves the right to read the meter(s) for a final bill within a one-week period from the date of notification to terminate where customers have requested removal of the meter(s).

7. FEES AND CHARGES

7.1	ACCOUNT SERVICE CHARGE	\$15.00
7.2	CUSTOMER SERVICE FIELD VISIT	\$25.00
7.3	ROUTINE & CREDIT FIELD DISCONNECTION	No Charge
7.4	SCHEDULED NEXT DAY FIELD RECONNECTION CREDIT: Monday – Friday, Saturdays 8:00am– 2:00pm (excluding holidays) NEW CUSTOMER VACANT: Monday – Friday 8:00am – 5:30pm (excluding holidays) Saturdays (excluding holidays)	\$40.00 No Charge \$40.00
7.5	SAME DAY FIELD RECONNECTION Monday – Friday 8:00am – 5:30pm, Saturday 8:00am – 2:00pm (excluding holidays) EMERGENCY LIFE/MEDICAL ONLY (see 3.6©): After business hours/Holidays/Sundays	\$80.00 \$150.00
7.6	ROUTINE SELF RECONNECTION: INVESTIGATION AND RESEAL	\$200.00

7.7	TAMPER INVESTIGATION AND RESEAL	Actual Cost
7.8	RETURNED PAYMENTS	\$20.00
7.9	ELECTRIC METER TEST	\$50.00
7.10	AREA LIGHT REPAIRS / CUSTOMER EQUIPMENT FAILURE Weekdays after 6:30pm, weekends and holidays	\$215.00
7.11	CREW / SERVICEMAN STANDBY (Customer Request)	Actual Cost
7.12	DAMAGE FROM ADDITION OF NEW EQUIPMENT	Actual Cost
7.13	DAMAGE TO DISTRICT PROPERTY	Actual Cost
7.14	NON-ROUTINE FIELD DISCONNECTION/RECONNECTION For initiating a service drop and reconnect, requiring an Outside Service Lineman: Service Drop (during normal business hours) Service Line Reconnect (during normal business hours) Service Drop (on overtime) Service Line Reconnect (on overtime)	No Charge No Charge \$264.00 \$264.00

7.15	NON-ROUTINE REWIRE DISCONNECTION/RECONNECTION	
	Residential Service Line Disconnection (during normal business hours)	No Charge
	Residential Service Line Reconnection (scheduled for normal business hours, completed on OT)	No Charge
	Commercial Service Line Disconnection and Reconnection (during normal business hours or on OT)	Actual Cost
	Residential Service Line Disconnection (scheduled for OT hours)	Actual Cost
7.16	HAT ISLAND SERVICE CALL / CUSTOMER PROBLEM	Actual Cost
7.17	NON-ROUTINE SECONDARY SERVICE TAMPERING CHARGE	\$500
7.18	RECORDS RESEARCH	Actual Cost
7.19	DELIVERY POINT RELOCATION	Actual Cost
7.20	HEARING “NO SHOW”	\$70.00
7.20	OPT OUT MONTHLY METER READING	
	Opt Out (PUD Read) – 1 Meter	\$25.00
	Opt Out (Customer Self-Read) 1 Meter	\$5.00
	Each Additional Meter at Same Premise	\$5.00
7.21	FAILURE TO PROVIDE ACCESS CHARGE	\$250.00
7.22	MINIMUM RESIDENTIAL SECURITY DEPOSIT	
	Multi-Family, Electric Heat	\$160.00
	Multi-Family, Other Heat	\$105.00
	Single Family, Electric Heat	\$260.00
	Single Family, Other Heat	\$160.00
7.23	LATE PAYMENT	\$5.00 or 1%, whichever is greater
7.24	ANNUAL NET METERING AGGREGATION FEE	
	Cost per meter for providing the administrative combination of metered kWh per Rate Schedule 200	\$30.00
	Schedule 7 Meter, Renewable Energy or Cogeneration System <10 kW	Actual Cost
	Other Meter, Renewable Energy or Cogeneration System < 10 kW	Actual Cost
	Schedule 7 Meter, Renewable Energy or Cogeneration System >= 10 kW	Actual Cost
	Other Meter, Renewable Energy or Cogeneration System >= 10 kW	Actual Cost

BUSINESS OF THE COMMISSION

Meeting Date: July 1, 2025

Agenda Item: 7A

TITLE

Commission Reports

SUBMITTED FOR: Commission Business

Commission	Allison Morrison	8037
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<i>Department</i>	<i>Contact</i>	<i>Extension</i>
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Date of Previous Briefing:

Estimated Expenditure: _____ Presentation Planned ☐

ACTION REQUIRED:

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

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: July 1, 2025

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:

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

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 – 2025

July 2025

July 11:

Pacific Northwest Utilities Conference Committee
(PNUCC) Meeting
Virtual

July 14:

Monroe City Hall & Court Ribbon Cutting
Monroe, WA – 4:00 p.m. – 6:00 p.m.
(Logan)

July 16:

Economic Alliance Snohomish County (EASC) -
Annual Port Report
Everett, WA – 4:00 p.m. – 7:00 p.m.
(Logan/Olson/**Altamirano-Crosby**)

July 2025

Commissioner Event Calendar – 2025

August 2025

August 6 – 8:

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

August 2025

****For Planning Purposes Only and Subject to Change at any Time****

Commissioner Event Calendar – 2025

September 2025

September 3 - 4:

Public Power Council (PPC) Meetings
Portland, OR

September 5:

Pacific Northwest Utilities Conference Committee
(PNUCC) Meeting
Virtual

September 2025

****For Planning Purposes Only and Subject to Change at any Time****

Commissioner Event Calendar – 2025

October 2025

October 1 – 3:

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

October 2025

****For Planning Purposes Only and Subject to Change at any Time****

Commissioner Event Calendar – 2025

November 2025

November 5 – 7:

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

November 2025

****For Planning Purposes Only and Subject to Change at any Time****

Commissioner Event Calendar – 2025

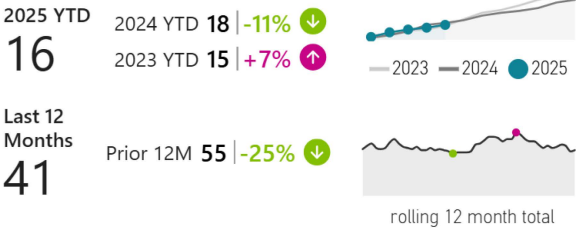
December 2025

December 2025

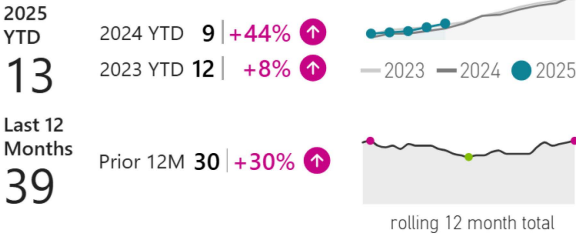
****For Planning Purposes Only and Subject to Change at any Time****

Safeguard What Matters

OSHA Recordable Injuries



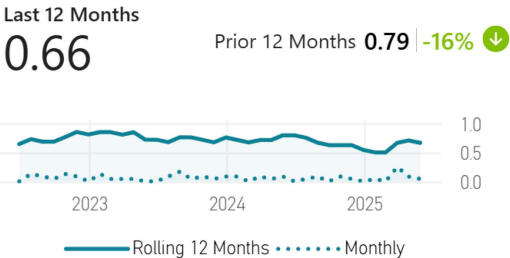
Preventable Vehicle Accidents



Water System Reliability

In the last 12 months, there have been **16** unplanned water outages. On average, outages impacted **16** customers and lasted **134** minutes.

Outages Per 1,000 Customers

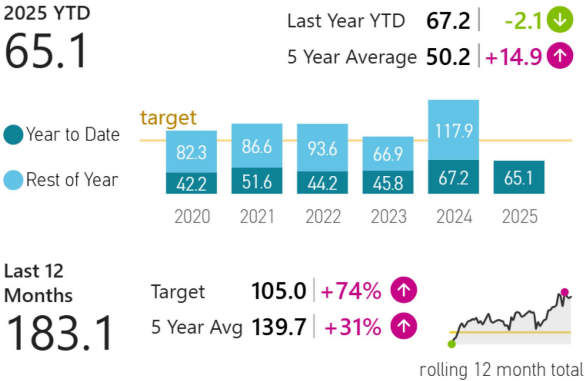


sparkline graphs: yellow line = target, dots = best / worst results

Electric System Reliability

SAIDI | System Average Interruption Duration Index

average total minutes a customer was without power



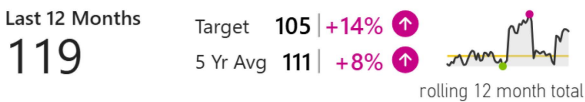
SAIFI | System Average Interruption Frequency Index

average times a customer was without power



CAIDI | Customer Average Interruption Duration Index

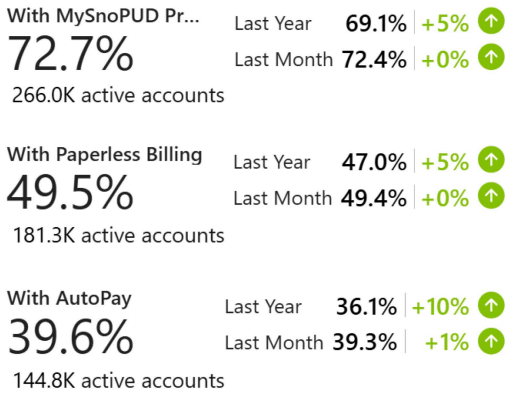
average minutes an outage lasted



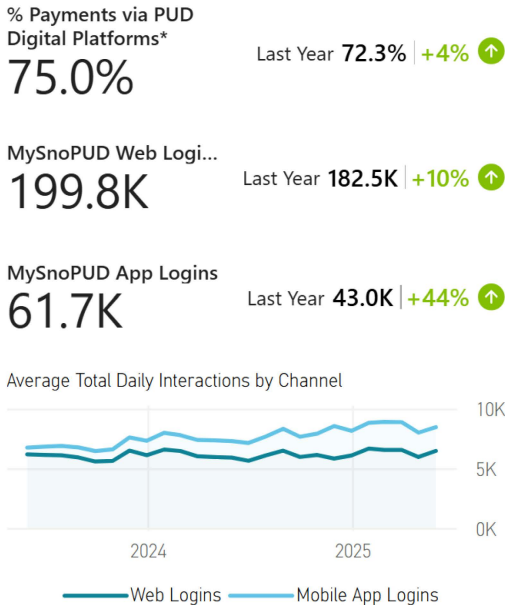
Metrics exclude planned outages and major event days (0 YTD).

Customer Digital Platform Usage

Active Accounts at Month End



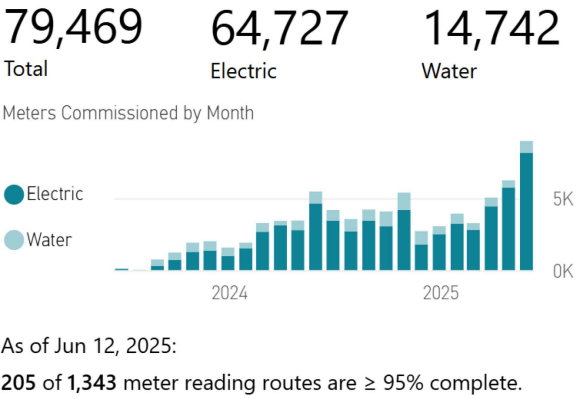
Digital Platform Usage | May 2025



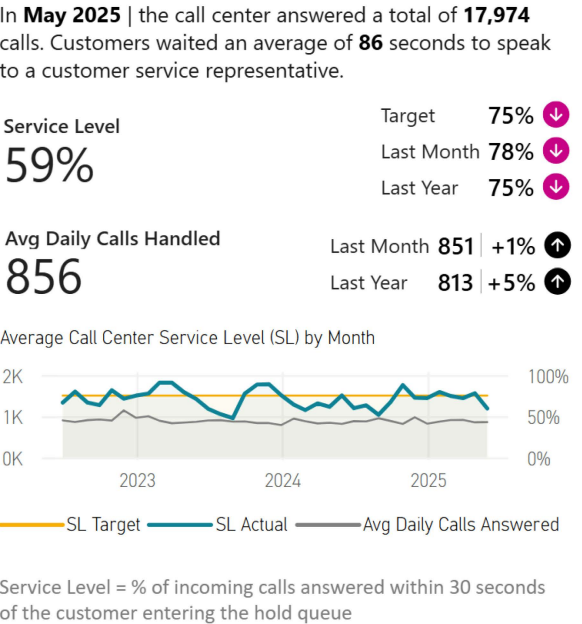
* Includes AutoPay, MySnoPUD, one-time payment, and IVR

ConnectUp Program

Meters Commissioned Thru May 31, 2025

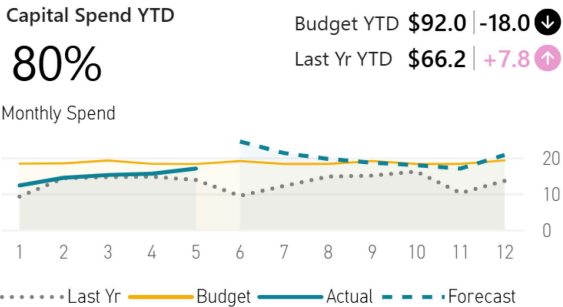
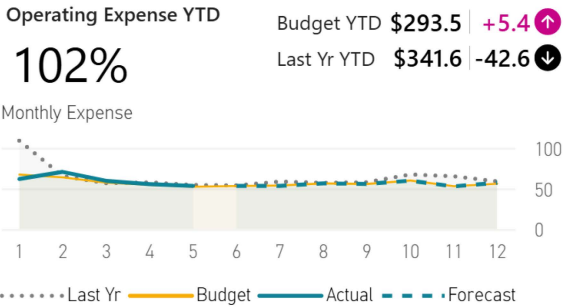
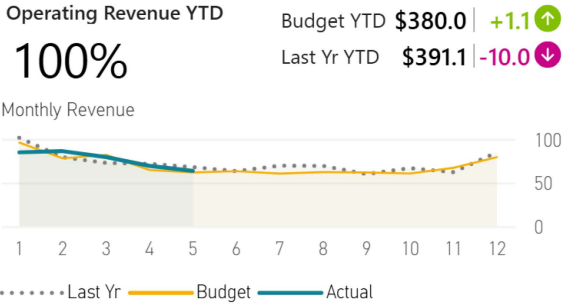


Call Center Service Level



Electric Financials

All \$ are in millions. YTD Actuals are shown as a % of YTD budget. Operating Revenue excludes Unbilled Revenue adjustment for prior year. Operating Expense includes O&M, Transmission, and Purchased Power.



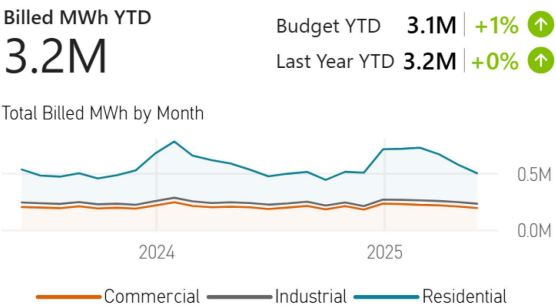
Electric Distribution System

Load is the average real power demand placed on the system by all connected customers. Average Megawatts (aMW) equals the amount of electric energy delivered in megawatt-hours (MWh) during a period of time divided by the number of hours in the period. The 3-year average includes 2022-2024.



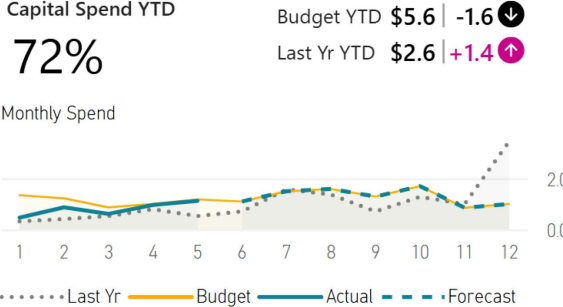
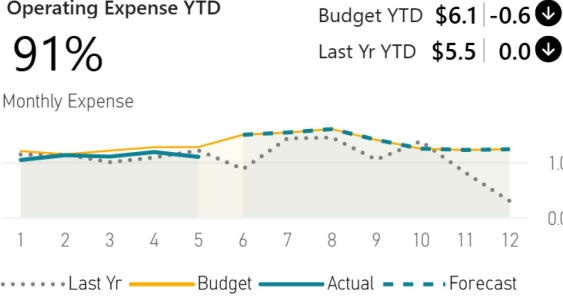
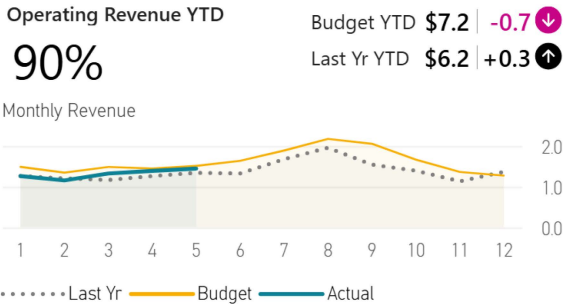
Billed Retail Customer Energy Usage

A mega-watt hour (MWh) is a measurement of energy usage. 1 MWh = the power that 1,000 space heaters of 1,000 watts use in 1 hour. Because bill periods vary, usage may be billed in a different month than it occurred and may not match the load metrics above.



Water Financial Performance

All \$ are in millions. YTD Actuals are shown as a % of YTD budget. Operating Revenue excludes Unbilled Revenue adjustment for prior year. Operating Expense includes O&M and Purchased Water.



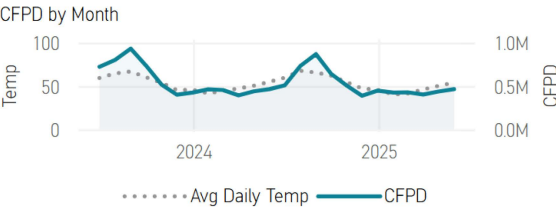
Water Residential Billed Usage

Measured in cubic feet per day (CFPD)

CFPD YTD

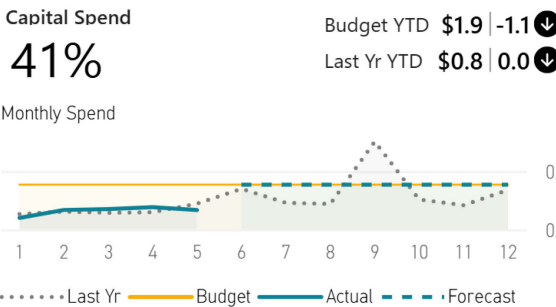
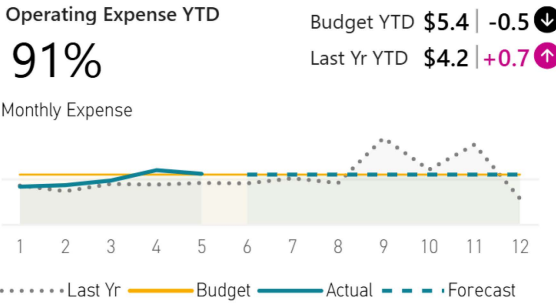
429.4K

Last Year YTD **440.8K** | **-3%** ↓
3 Year Avg YTD **442.7K** | **-3%** ↓



Generation Financial Performance

All \$ are in millions. YTD Actuals are shown as a % of YTD budget. Operating Expense includes O&M. Summing Electric and Generation expenses will not equal the consolidated financials.



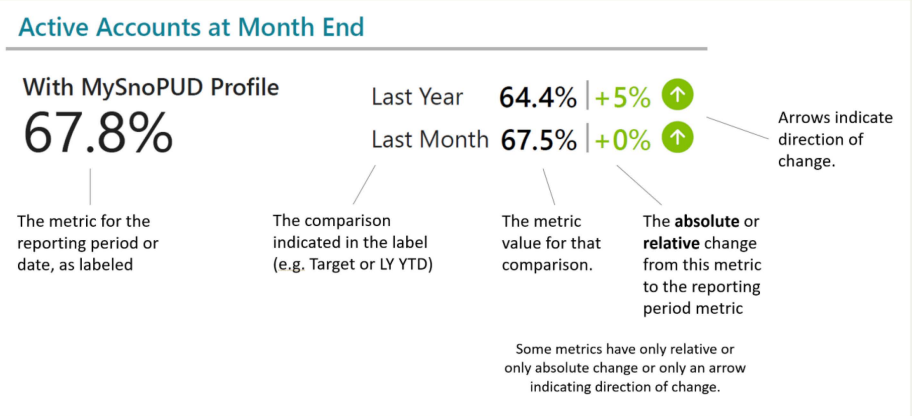
DASHBOARD OVERVIEW

This dashboard is intended to provide key operational performance metrics for Snohomish PUD. The dashboard is updated to the most recent past month when financial close is complete.

If you have questions about the dashboard or the data, please reach out to Laura Lemke.

UNDERSTANDING THE METRIC VISUALIZATIONS

Color of change numbers and/or arrows indicates **positive** or **negative** impact. Color of change numbers and/or arrows are **black** or **gray** where a target is not established or needed.



DEFINITIONS AND ADDITIONAL RESOURCES

Safety Metrics:

OSHA Recordable Injuries: Injuries that meet OSHA definitions. OSHA defines a recordable injury as including: any work-related injury or illness requiring medical treatment beyond first aid; any work-related fatality.

Preventable Vehicle Accidents: determined by the PUD's Driving Committee.

Electric System Reliability Metrics:

SAIDI | System Average Interruption Duration Index - the average total number of minutes a customer was without power in a given period of time.

SAIFI | System Average Interruption Frequency Index - the average number of times a customer was without power in a given period of time.

CAIDI | Customer Average Interruption Duration Index - the average number of minutes an outage lasted. Calculation = SAIDI / CAIDI.

Water Outages per 1000 Customers:

this calculation multiplies the number of unplanned water outages each month by 1000 and then divides it by the number of active water connections.

Customer Self-Service (CSS) Metrics:

Accounts with MySnoPUD Profile - the portion of active PUD accounts in a given month that were associated to one or more MySnoPUD profiles as of the last day of the month.

Accounts with Paperless Billing - the portion of active PUD accounts that receive only an electronic bill as of the last day of the month.

Accounts with AutoPay - the portion of active PUD accounts with an active AutoPay set up as of the last day of the month.

Payments via CSS Tools - this metric does not include electronic payments that customers make through their own bank portal or PUD payment partner sites.

Call Center Metrics:

Service Level - the percent of incoming calls that are answered by a customer service rep within 30 seconds of the customer entering the hold queue.

Financial Metrics: These metrics reflect the close of the month. 2024 results are unaudited.

Electric Distribution System Load: reported at the system level based on when the energy was used. The metric is a leading indicator for future meter reads and billed consumption.

Billed Retail Customer Energy Usage: based on billed meter reads. This metric lags the Distribution System Load because usage may be billed in a different month than it was used.

Water Residential Billed Usage: measured in cubic feet per day (CFPD). Usage is based on bill periods and may not be reflected in the month consumed.

2025 Treasury, Budget, and Project Status Report for the Board of Commissioners

July 1, 2025



Highlights Through May 2025

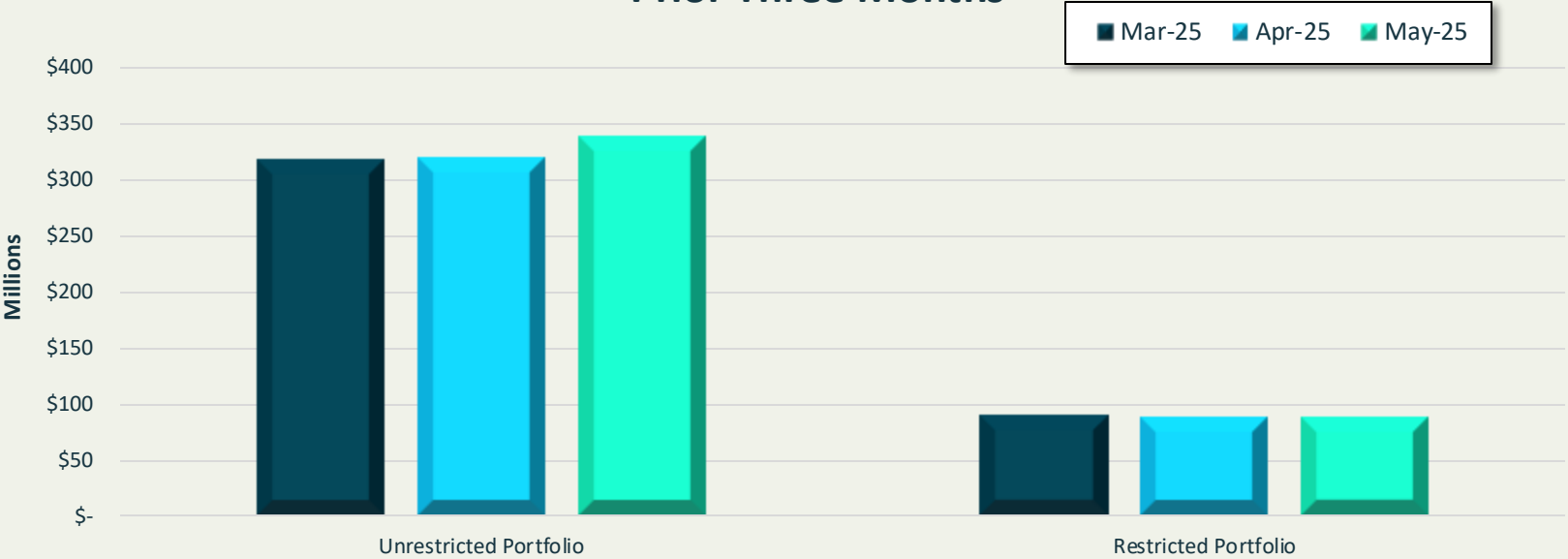
2

May results came in very close to budgeted revenues and expenditures and has resulted in only minor adjustments to our year-end forecast.



Electric System Treasury Report

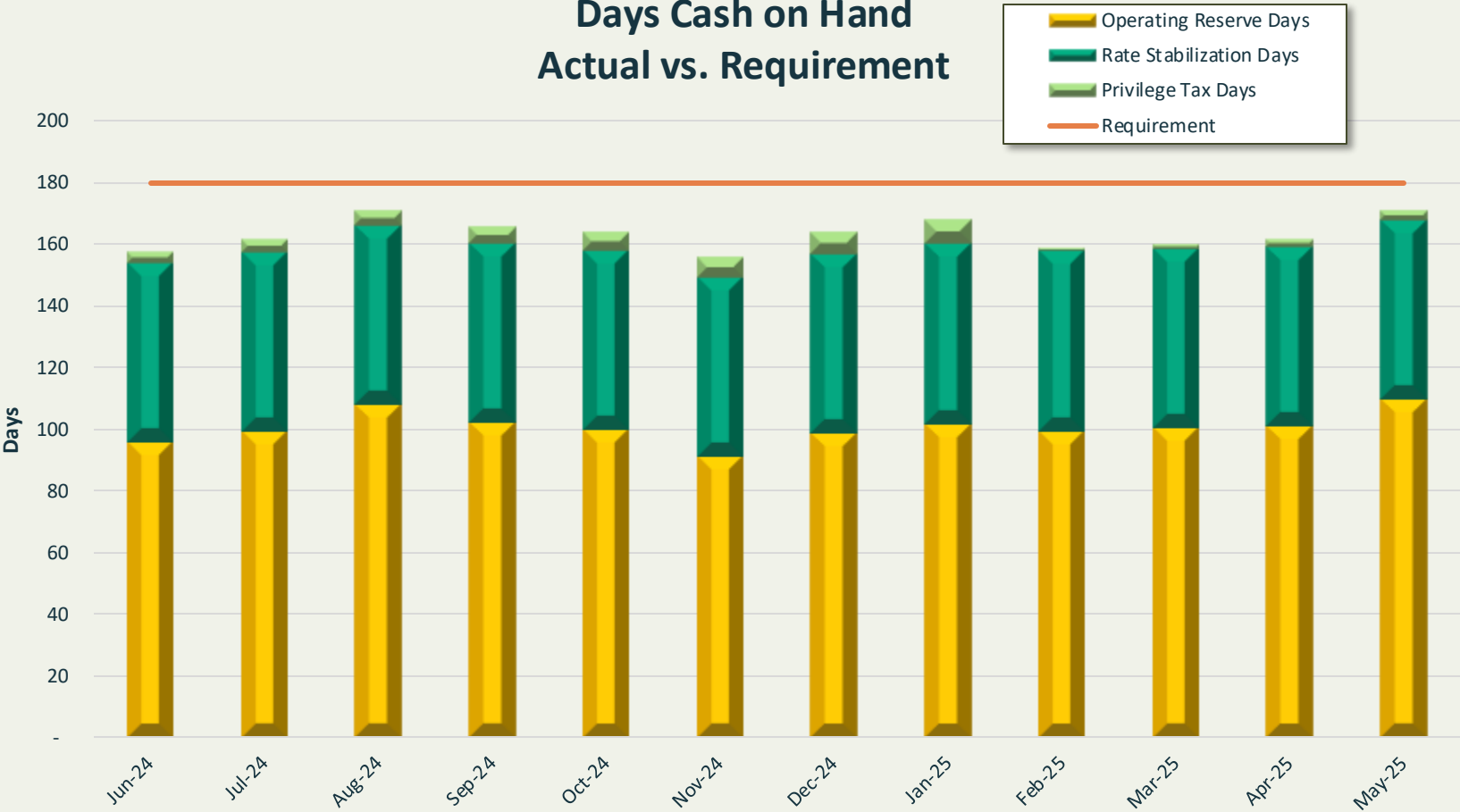
Investment Portfolio Balance Trends by Month
Prior Three Months



- The Unrestricted Portfolio has increased by \$13.7M since December 31, 2024, primarily due to the receipt of an \$11.3M cash security deposit associated with the Citadel power supply marketing contracts. This deposit will be returned to Citadel in June in place of a letter of credit. The remaining increase is associated with consumptive receipts in line with seasonal trends.
- Proceeds received from the 2022 bond issuance, held in the Restricted Portfolio’s Project Reserve, are transferred to the Unrestricted Portfolio’s Operating Reserve after eligible capital expenditures are paid.
 - In 2025, \$16.3M of bond funds have been transferred from the Restricted Portfolio to the Unrestricted Portfolio through May. The remaining proceeds of \$13k will be transferred in June.

Electric System Treasury Report

Days Cash on Hand
Actual vs. Requirement



Key Performance Indicators

Unrestricted Reserve Days Cash on Hand	Return on Investments
05/31/2025: 171 Days Requirement: 180 Days	05/31/2025: 3.97% 05/31/2024: 3.79%

- The Operating Reserve increased \$21.3M since December 2024, resulting from strong consumptive receipts, consistent with the District's winter peaking load, an \$11.3M cash security deposit associated with power supply remarketing contracts, and reimbursement of eligible capital expenditures from Electric 2022A Revenue Bond proceeds.
- The Days Cash on Hand (DCOH) for the Unrestricted Reserves are reported in the graph. The newly adopted 180-day requirement will be phased-in through the 2027 budget cycle.
- The average return on District investments is up compared to May 2024. However, yields have begun to plateau in 2025 as the return on new investments come down from peak levels observed in September 2024.
 - \$6.88M of cash interest income has been earned through May 2025, slightly lower than the \$6.93M earned through May 2024.

DCOH prior to 09/2024 have been recast using the updates in Resolution No. 6191 for comparative purposes

Electric System Budget and Forecast

5

Highlights through May

- **Energy Retail Sales** remained steady in May keeping the year-end projection positive.
- **Energy Wholesale Sales** are lower than budget due to lower market prices and less demand earlier this year.
- **Purchased Power** results reflect higher market purchases made earlier in the year, partially offset by underspending in Generation and the Hay Canyon Wind project.
- **Operations & Maintenance** results reflect unbudgeted costs related to the Home Electrification and Appliance Rebates (HEARS) grant, (offset by higher Interest Income & Other Revenue) higher than planned transmission costs and material expenditures . All other departmental spending is closely aligned with budget.

	(\$000's)		(\$000's)	
	YTD Budget through May	YTD Results through May	2025 Budget	2025 Projection
Operating Revenues				
Energy Retail Sales	\$ 337,428	\$ 341,572	\$ 745,728	\$ 749,872
Energy Wholesale Sales	30,301	23,782	53,824	47,305
Other Operating Revenues	13,387	15,689	32,130	35,557
Total Operating Revenues	\$ 381,116	\$ 381,043	\$ 831,682	\$ 832,733
Operating Expenses				
Purchased Power	\$ 166,467	\$ 165,449	\$ 373,471	\$ 374,238
Operations & Maintenance	125,840	130,303	302,017	310,370
Taxes	20,993	21,149	46,395	46,548
Depreciation	28,769	28,003	69,045	70,818
Total Operating Expenses	\$ 342,069	\$ 344,904	\$ 790,927	\$ 801,974
Net Operating Income	\$ 39,047	\$ 36,139	\$ 40,755	\$ 30,759
Interest Income & Other	10,413	12,259	24,991	29,244
Interest Charges	(9,466)	(7,289)	(22,717)	(22,316)
Contributions	14,056	9,797	33,735	29,476
Net Income	\$ 54,050	\$ 50,906	\$ 76,764	\$ 67,162
Capital Expenditures	\$ 92,025	\$ 73,999	\$ 221,007	\$ 212,747

Capital variance explanations on subsequent slides

Electric System Project Status Report (\$000's) ⁶

YTD Budget	YTD Results	2025 Budget	2025 Forecast
\$14,319	\$12,869	\$34,365	\$33,605

Substation:
New: Crosswind is under construction with plans to energize by Q4-2025. Paradise, Cathcart and the switching stations for Getchell and Maltby are all in the design phase.

Upgrades: Camano substation rebuild is under construction with plans to energize by Q3-2025. Lake Goodwin (add 115kV breaker), energize Q3-2025. Brier, Picnic Point, Canyon Park, Frontier, Westgate, Delta-Everett (new line), Stimson (convert to breaker-and-a-half) are all in the design phase.

System Reliability:
Six substation System Reliability projects are planned for 2025. Two are complete, and four are in the design phase.

Telecom:
The Next Gen Substation Transport project is on track to complete the remainder by year end. Five of seven radio sites have been installed on our radio replacement project. The high-capacity transport project between OPS and the backup data center to support IT and the ADMS project is complete.

YTD Budget	YTD Results	2025 Budget	2025 Forecast
\$35,517	\$23,167	\$85,241	\$75,995

Transmission and Distribution Projects:
Approximately 390 bad order poles including 25 transmission poles and 4.2 miles of depreciated Underground (UG) cable have been replaced to date in 2025. The notice to proceed for the 2025 BO pole inspection and treatment contract has been issued with work starting in June. This contracts provides two years of inspections.

The circuit tie to Turners Corner 1431 providing additional capacity to the SpaceX building is complete. The last section of the Twin City distribution upgrade project which includes approximately 3.4 miles of Overhead (OH) rebuild along 268th St NW (~640 crew hours) is currently in construction.

Construction on the 115kV rebuild of the old Stanwood-Camano line is underway with expected completion by the end of the summer. Construction on 115kV Stanwood-Sills line and 115kV Crosswind line to be started in July with expected completion in Q3 & Q4.

The current forecast shows an underspend compared to budget for the following reasons: \$1.3M in relocation work deferred to 2026 and \$2.5M for the Stimson-Stanwood 115KV Line rebuild. The Hat Island cable payment is delayed due to manufacturing. The \$4.9M payment is not expected until January 2026.

Electric System Project Status Report (\$000's) ⁷

YTD Budget	YTD Results	2025 Budget	2025 Forecast
\$9,520	\$11,884	\$22,849	\$27,565

Regional Design and Construction:

This area is largely influenced by customer-related activities. Coded stock and transformer pad costs for line extensions and other customer work are \$1.3M over budget while labor is running \$.5M over. These trends have been included in the year-end forecast.



YTD Budget	YTD Results	2025 Budget	2025 Forecast
\$2,708	\$5,668	\$6,500	\$11,351

Emergency Work and Major Storms:

\$2.1M of storm Operations & Maintenance dollars were reclassified as capital expenses and \$.4M is part of an asset reclassification. The remaining variance is due to higher-than-expected call-out work which is forecasted to continue through the year.



Electric System Project Status Report (\$000's)⁸

YTD Budget	YTD Results	2025 Budget	2025 Forecast
\$11,919	\$9,448	\$29,483	\$25,398

Connect Up Program:

Much of this year's budget is tied to meter costs. The pace of meter deliveries and meter installations continues to improve. Due to the way costs are booked, there is a lag between the time meters are delivered/tested and the costs show against the budget. Internal program reporting shows actuals close to budget forecast. Barring unexpected meter delivery issues or staffing challenges, actuals should come close to forecast this year.



YTD Budget	YTD Results	2025 Budget	2025 Forecast
\$5,404	\$4,746	\$12,970	\$12,312

SnoSmart:

SnoSmart ADMS Solution:
Completed Milestone 2 on schedule. This included completing design workshops for System Hardware & Architecture, and SCADA Alarm. Began the Mobility outer office road shows to prepare users for process/interface changes. The GIS analysis task has been completed, which confirmation that our data was clean and in very good shape.

SnoSmart Distribution Automation:
The Distribution Automation system has been handed over to ECC with full SCADA control. We received our first shipment of 3-phase reclosers and are preparing for installations. The initial engineering design is 85% complete. Consultant contract nearing signature; two small terms under negotiation.

SnoSmart Historian:
Completed the pre-environment setup (IT backend servers/environments). Completed the design discussions for Data Governance, Production Support, Training plan, and Asset Framework (PI module). Received Commission approval for the Aveva contract on 6/3/2025.

\$925K in Department of Energy (DOE) grant dollars have been received.

Electric System Project Status Report (\$000's) ⁹

YTD Budget	YTD Results	2025 Budget	2025 Forecast
\$4,751	\$3,997	\$ 11,403	\$13,004

Transportation:

Transportation is currently tracking near budget, but unplanned equipment/vehicles expected at year end will cause overrun.



YTD Budget	YTD Results	2025 Budget	2025 Forecast
\$911	\$325	\$2,187	\$1,859

Information Technology Systems:

The District's network, computer, and storage infrastructure requires regular investments to remain reliable, secure, compliant, and maintainable. IT will spend the entire capital budget by the end of the year to keep infrastructure up to date. The forecast includes strategic and operational technology projects happening across the District such as the KloudGin Schedule & Dispatch and the Two the Cloud projects. The variance between the budget and the forecast is primarily due to GASB 96 accounting standards/rules regarding capitalization of cloud/software-as-a-service software.



Electric System Project Status Report (\$000's)¹⁰

YTD Budget	YTD Results	2025 Budget	2025 Forecast
\$4,635	\$1,950	\$11,124	\$8,439

Facilities – Community Office Construction:

North County is OPEN! A small punch list of items is being completed.

East County Community Office has ongoing due diligence and collaboration with the City of Monroe.

YTD Budget	YTD Results	2025 Budget	2025 Forecast
\$2,184	\$176	\$5,241	\$3,233

Facilities – Other Projects:

- EB North Tower Upgrade
- VMB Lift Replacements
- Arlington & Stanwood Office Decommissioning
- Twin City Pole Yard Fencing
- ECDC Meter Upgrade



Generation System Budget and Forecast 11

Highlights Through May

Wholesale Sales – Energy sales to Electric are below budget due to underspending in both Operating, Maintenance and Capital.

Operations & Maintenance - is under budget and anticipated to closely align with the forecast as seasonal work begins and unanticipated repairs on the Qualco Generator and Jackson Needle Valve continue.



	(\$000's)		(\$000's)	
	YTD Budget through May	YTD Results through May	2025 Budget	2025 Projection
Operating Revenues				
Wholesale Sales	\$ 7,962	\$ 7,652	\$ 23,888	\$ 21,587
Other Operating Revenues	-	47	-	47
Total Operating Revenues	\$ 7,962	\$ 7,699	\$ 23,888	\$ 21,634
Operating Expenses				
Operations & Maintenance	\$ 4,334	\$ 4,957	\$ 13,003	\$ 12,542
Taxes	33	35	98	92
Depreciation	2,033	2,695	6,100	6,253
Total Operating Expenses	\$ 6,400	\$ 7,687	\$ 19,200	\$ 18,887
Net Operating Income	\$ 1,562	\$ 12	\$ 4,688	\$ 2,747
Interest Income & Other	329	623	987	1,199
Interest Charges	(1,158)	(1,409)	(3,476)	(3,437)
Contributions	17	-	50	29
Net Income	\$ 750	\$ (774)	\$ 2,249	\$ 538
Capital Expenditures	1,916	795	4,598	3,477

Capital variance explanations on subsequent slides

Generation System Project Status Report ¹²

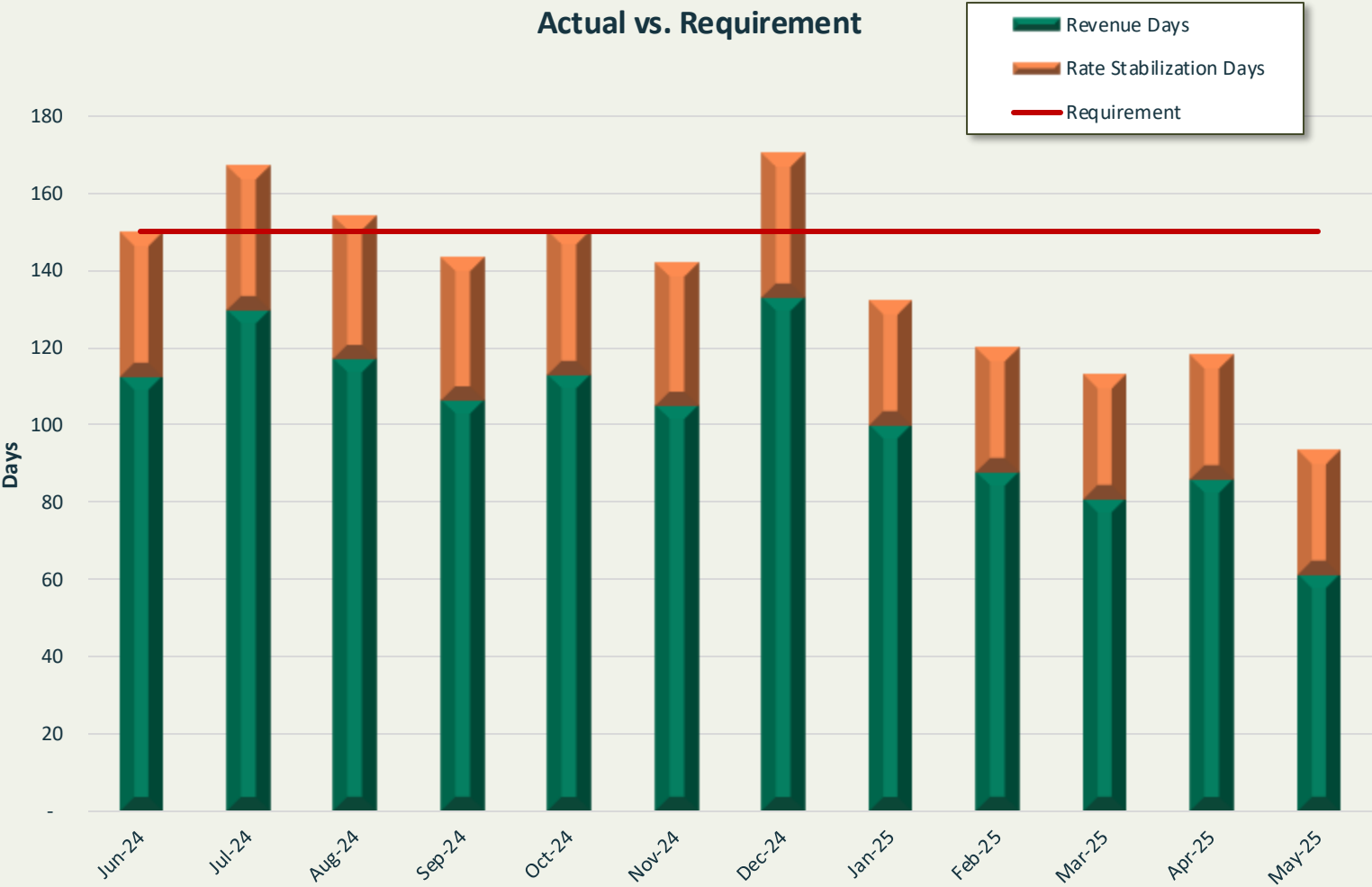
YTD Budget	YTD Results	2025 Budget	2025 Forecast
\$1,916	\$795	\$4,598	\$3,477

The Jackson Switchyard transformer procurement is being delayed. The transformer is being re-bid as a special facility with initial payment expected to be in Q1-2026. It is anticipated those funds will be reallocated to other Generation projects.



Water System Treasury Report

Days Cash on Hand
Actual vs. Requirement



DCOH prior to 09/2024 have been recast using the updates in Resolution No. 6192 for comparative purposes

Key Performance Indicators

Unrestricted Reserve	Return on Investments
Days Cash on Hand	
05/31/2025: 93 Days	05/31/2025: 4.64%
Requirement: 150 Days	05/31/2024: 5.11%

- The Operating Reserve decreased \$2.5M since December 2024, resulting from lower-than-average rate-adjusted consumptive receipts and customer contributions and payments for meter inventory, which will be reimbursed by bond proceeds as meters are installed.
- The Days Cash on Hand for the Unrestricted Reserves are reported in the graph. The newly adopted 150-day requirement will be phased-in through the next five budget cycles.
- The average return on District investments has begun to decline from peak levels seen in 2024 as investments are made at lower yields observed in the current market environment.
 - \$0.69M of cash interest income was earned through May 2025, compared to \$0.83M through May 2024.

Water System Budget and Forecast

Highlights through May

- Water Retail Sales are under budget due to cold, wet weather resulting in less demand.
- Water Wholesale Sales are under budget due to lower consumption as seen in Retail Sales.
- Purchased Water is under budget due to scheduled shutdowns for maintenance on the City of Everett Water Filtration Plant.



	(\$000's)		(\$000's)	
	YTD Budget through May	YTD Results through May	2025 Budget	2025 Projection
Operating Revenues				
Water Retail Sales	\$ 6,818	\$ 6,158	\$ 18,080	\$ 17,420
Water Wholesale Sales	260	232	774	747
Other Operating Revenues	171	155	410	394
Total Operating Revenues	\$ 7,249	\$ 6,545	\$ 19,264	\$ 18,562
Operating Expenses				
Purchased Water	\$ 1,537	\$ 1,261	\$ 4,889	4,613
Operations & Maintenance	4,707	4,245	11,296	10,470
Taxes	356	343	945	931
Depreciation	1,591	1,678	3,818	3,905
Total Operating Expenses	\$ 8,191	\$ 7,528	\$ 20,948	\$ 19,919
Net Operating Income	\$ (942)	\$ (982)	\$ (1,684)	\$ (1,357)
Interest Income & Other	418	731	1,004	1,317
Interest Charges	(479)	(381)	(1,149)	(1,051)
Contributions	1,763	1,012	4,232	3,481
Net Income	\$ 760	\$ 380	\$ 2,404	\$ 2,389
Capital Expenditures	5,584	4,004	14,555	12,975

Capital variance explanations on subsequent slides

Water System Project Status Report (\$000's) 15

YTD Budget	YTD Results	2025 Budget	2025 Forecast
\$5,584	\$4,005	\$14,555	\$12,975

Projects in Process:

- Kayak Reservoir No. 2 is currently underway with construction; shell is complete with anticipated interior tank coating in June, exterior tank coating in July/August, piping/vaults/electrical in September.
- Burn Rd. Reservoir will have a pre-application meeting with Snohomish County in July with construction to begin in 2026.
- S. Nyden Farms Rd. Main Replacement planned to go out to bid in June.
- 18th St. SE / 126th Dr. SE / 19th Pl. SE Main Replacement planned to go out to bid in June.
- 74th / 25th Main Replacement planned to go out to bid in June.
- Jordan Creek Bridge Water Main Relocation was bid as an Interlocal Agreement (ILA) with Snohomish County. Contractor is set to mobilize at the end of April with first portion of work to begin early May with the installation of a new main on both sides of the bridge. The bridge deck portion of the water main will be completed after construction of a new bridge deck in late summer.



Water System Project Status Report (\$000's) 16

Projects in Process Continued:

- Water Utility Roof Replacement / Tenant Improvements – the roof is complete, windows & carpet are in, and remaining work is in progress. Completion is expected in late June/early July 2025.
- AMI / Connect Up for Water is 62% deployed or 14,649 meters installed. All meter / module inventory has been received.



	Budget Amount Per Event	Total
Travel & Training (per Commissioner)		
APPA Legislative Rally	\$ 3,600	\$ 10,800
NWPPA Annual Conference	\$ 2,300	\$ 6,900
APPA Annual Conference	\$ 3,400	\$ 10,200
Mileage	\$ 1,500	\$ 4,500
PPC/PNUCC Monthly Meetings (7 in-person)	\$ 1,100	\$ 3,300
Chamber Meetings (varies per month/District)	\$ 1,200	\$ 3,600
Economic Alliance Events (varies)	\$ 700	\$ 2,100
Miscellaneous Events (varies)	\$ 500	\$ 1,500
		\$ 42,900
Materials/Equipment/Supplies		
Coded Stock (tissue/hand sanitizer etc.)	\$ 300	
Office Supplies	\$ 1,500	
		\$ 1,800
Contracts & Services		
Faciliator	\$ 5,000	
		\$ 5,000
Rents & Utilities		
Board Retreat Rentals and Food	\$ 5,000	
		\$ 5,000
Total		<u>\$ 54,700</u>

Governance Planning Calendar – 2025

To Be Scheduled

- Governance Policies Review and DEI Education Workshop
- East County Community Office Update

To Be Scheduled

- Time of Day Rates

****For Planning Purposes Only and Subject to Change at any Time****

Governance Planning Calendar – 2025

July 1, 2025

- Media
- The Clean Fuels Program
- ~~BNSF Deer Creek Flats Radio Tower Lease Amendment~~ (moved to August 5)
- Interlocal Agreement Snohomish County Bridge 214 Amendment
- Connect Up Quarterly Update
- SnoSMART Quarterly Update
- Surplus of Arlington Community Office
- Surplus and Sale of Hall Lake Access Easement
- Governance Planning Calendar

July 15, 2025

Morning Session:

- Water Supply Update
- Energy Risk Management Report
- Electrification Vision Statement
- ~~2025 Financing Results~~ (moved to Aug. 5)
- Monitoring Report:
 - Asset Protection Monitoring Report
- Public Hearing and Action:
 - Surplus of Arlington Community Office
 - Surplus and Sale of Hall Lake Access Easement
- Governance Planning Calendar

Afternoon Session:

- Active Threat Awareness

Governance Planning Calendar – 2025

July 21, 2025

Special Meeting:

- COSA Workshop

Governance Planning Calendar – 2025

August 5, 2025

- Media
- 2025 IRP Phase 4
- 2025 Financing Results
- Renewable Energy Certificate Transaction
- BNSF Deer Creek Flats Radio Tower Lease Amendment
- Monitoring Report:
→ 2nd Quarter Financial Conditions and Activities Monitoring Report
- Governance Planning Calendar

August 19, 2025

- Strategic Plan – Quarterly Update
- 2026 Budget – Report of Filing and Notice of Public Hearing
- Governance Planning Calendar

Governance Planning Calendar – 2025

September 9, 2025

- Media
- Preliminary 2026 Budget
- Preliminary 2026 Rates
- Governance Planning Calendar

September 18, 2025

Special Meeting:

- Sultan River Side Channel Ribbon Cutting

Governance Planning Calendar – 2025

September 23, 2025

- Connect Up Quarterly Update
- Public Hearing and Action:
 - Disposal of Surplus Property – 4th Quarter
- Governance Planning Calendar

Governance Planning Calendar – 2025

October 6, 2025

- Media
- 2026 City of Everett Pass Through Cost Increase
- Public Hearing:
 - Open 2026 Proposed Budget Hearing
 - Rates 2026 Package
- Governance Planning Calendar

October 21, 2025

- Water Supply Update
- Energy Risk Management Report
- Pole Attachments
- Long Term Load Forecast
- Public Hearing:
 - Continue Public Hearing on the 2026 Proposed Budget
 - Rates 2026 Package
- Public Hearing and Action:
 - 2026 City of Everett Pass Through Cost Increase
- Governance Planning Calendar

Governance Planning Calendar – 2025

November 4, 2025

- Media
- Strategic Plan – Quarterly Update (Questions Only)
- 2026 Water Utility General Retail Rates
- Public Hearing:
 - Continue Public Hearing on the 2026 Proposed Budget
 - Pole Attachments
- Monitoring Report:
 - 3rd Quarter Financial Conditions and Activities Monitoring Report
- Public Hearing and Action:
 - Rates 2026 Package
- Adopt Regular Commission Meeting Dates for the Year 2026
- Governance Planning Calendar

November 18, 2025

- Community Engagement
- Public Hearing:
 - Continue Public Hearing on the 2026 Proposed Budget
 - 2026 Water Utility General Retail Rates
- Public Hearing and Action:
 - Pole Attachments
- Governance Planning Calendar

Governance Planning Calendar – 2025

December 2, 2025

- Media
- Public Hearing and Action:
 - Adopt 2026 Budget
 - 2026 Water Utility General Retail Rates
- Monitoring Report:
 - Financial Planning and Budgeting Monitoring Report
- Elect Board Officers for the Year 2026
- Connect Up Quarterly Update
- Audit Activity Update
- Proposed 2026 Governance Planning Calendar

December 16, 2025

- Public Hearing and Action:
 - Disposal of Surplus Property - 1st Quarter 2026
 - Confirm Final Assessment Roll for LUD No.68
- Adopt 2026 Governance Planning Calendar

Governance Planning Calendar – 2025

January

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

February

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March

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April

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27	28	29	30			

May

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18	19	20	21	22	23	24
25	26	27	28	29	30	31

June

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15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

July

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20	21	22	23	24	25	26
27	28	29	30	31		

August

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31						

September

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28	29	30				

October

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November

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23	24	25	26	27	28	29
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December

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14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

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