



Powering our way of life.

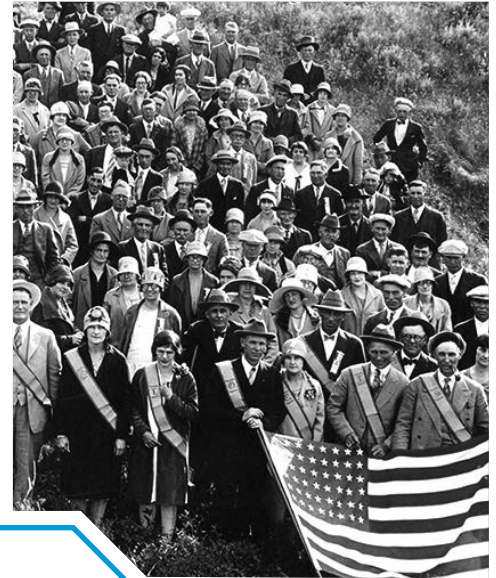
ANNUAL REPORT

2021



## Grant PUD was established by local residents in 1938

to provide power service to all of the county's residents. We honor the resolve of our founders through our guiding vision, mission and values.



### Our Vision

#### **EXCELLENCE IN SERVICE AND LEADERSHIP.**

We continually ask how we can improve service quality, reliability and stewardship of our resources in the most cost-effective manner.



### Our Mission

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

## Our Values

### **SAFETY**

Everyone home safe, every day.

### **INNOVATION**

We make decisions that best serve present and future generations.

### **SERVICE**

We are committed to excellent customer service.

### **TEAMWORK**

We are one team with the same mission.

### **RESPECT**

We honor the rights and beliefs of those we work with and serve.

### **INTEGRITY**

We hold ourselves and others accountable to be professional in our actions and words.

### **HERITAGE**

We preserve and perpetuate the spirit of the PUD and Wanapum relationship.



### 1 WANAPUM DAM

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

### 2 PRIEST RAPIDS DAM

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

### 3 QUINCY CHUTE HYDROELECTRIC PROJECT

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

### 4 POTHoles EAST CANAL HEADWORKS PROJECT

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

### 5 NINE CANYON WIND PROJECT

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

## Electric System

Overhead  
Distribution Lines  
**2,804 MILES**

Underground  
Distribution Lines  
**1,118 MILES**

Overhead  
Transformers  
**24,705**

Padmount  
Transformers  
**10,314**

115kV  
Transmission Lines  
**282 MILES**

230kV  
Transmission Lines  
**202 MILES**

## Active Meters



Residential  
**40,385**



Industrial  
**250**



Commercial  
**7,568**



Irrigation  
**5,010**

Total Active Meters: **53,213**

## Substations

Distribution: **46**



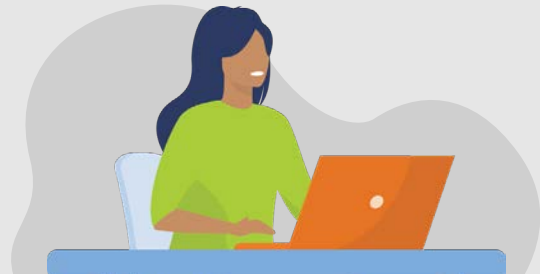
Transmission: **4**



Transmission  
/Distribution: **3**



## High-Speed Network



Customers  
with fiber-optic  
availability

**38,302**

Customers  
using fiber-optic  
service

**25,619**

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# Commissioners' Report

If Grant PUD's performance in 2021 could be summed up in one word, that word would be consistency.

While so much was uncertain in 2021 - with the effects of the COVID-19 pandemic, rising costs and the scarcity of important supplies and materials throughout the country - our board was determined to see that Grant PUD would continue to provide our customers with power and wholesale fiber-optic service that was both low cost and reliable. We also asked our staff to push beyond just maintaining the status quo in 2021. We directed them to continue to meet the challenge of expanding our infrastructure to serve the present and future needs of Grant County's rapidly growing population and economy.

We began the year hopeful that the worst of the pandemic was behind us, and there were times when that did seem to be the case, however our organization was not immune to the effects of the original virus nor the Delta or Omicron variants. Our staff used the best knowledge possible from public health experts to develop plans and implement procedures to mitigate the impacts of COVID.

Through it all, our dedicated team continued to safely generate power and provide for fish passage at our hydro facilities, deliver energy to our customers, quickly respond to outages and service requests, design and build new power and wholesale telecommunication infrastructure, accommodate record-breaking use of our recreation facilities, and perform all other duties necessary to keep full utility operations running smoothly. Along with the day-to-day functions, staff and contractors continued capital work to refurbish the original generators and turbines at Priest Rapids Dam, and began construction on a project to enhance the earthquake resistance of that facility.

Because of our constant focus on sound, long-term financial planning, and a strategy of making investments to maximize the value of our assets, we did not need to make a retail rate price adjustment for the third year in a row, which was a tremendous service to our customers during these difficult times.

Our customers are taking notice of the efforts to provide them with a high-quality service. In October, almost a year and a half into the COVID pandemic, we conducted our scheduled customer satisfaction survey and our overall satisfaction score increased from 82 in 2019 to 86 in 2021.

We think the increased customer satisfaction score is a fitting tribute to our esteemed commissioner colleague, Dale Walker, who passed away on Aug. 8. Walker was a steady advocate for expanding Grant PUD's wholesale fiber-optic network to all of Grant County, while at the same time keeping rates as low as possible for residential, small business and irrigation customers. His direction and guidance helped to steer the course we are charting today.



**Dale Walker**

To fill the vacant board position, Terry Pyle, an economics instructor at Big Bend Community College, was selected out of a field of several well-qualified candidates. In his few months on the board, Pyle has grown to become an integral part of our commission team and joins us in our devotion to the customers we represent.

As we head into 2022, we make this pledge, Grant PUD will continue to remain consistent in providing excellence in service and leadership as we fulfill our mission to safely, efficiently and reliably provide electric power and fiber-optic broadband services to our customers.



**Larry Schaapman**  
Commission President



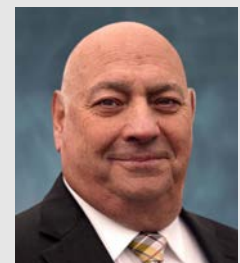
**Judy Wilson**  
Commission Vice  
President



**Nelson Cox**  
Commission Secretary



**Tom Flint**  
Commissioner



**Terry Pyle**  
Commissioner



# A Year Marked by Resilience and Continuity

Photo Credit: Warren Lybbert

These last two years, but particularly 2021, have been a testament to the resiliency of Grant PUD's people and operations. We've competently served our customers and continued vital work to improve and expand our systems to address our county's growth and reliably serve future generations.

We're now approaching the end of the second year of a global pandemic that has frayed nerves and tested the tolerance of our customers and employees, alike. We can see an end in sight, but like an oasis in the desert, we keep walking and walking and never seem to get there. We've learned a lot along the way.

We've learned that working together we can adapt and gradually overcome even something as rare and horrific as a global pandemic.

COVID-19 is now part of our new landscape. Even as the world recovers from the economic shutdown, evidenced in supply chain delays, empty store shelves, inflation and transformational changes in how and where we work, we've assessed, adjusted and continued with our personal and professional lives.

At Grant PUD, that's meant continuity of safety and service, thanks to the resiliency and ingenuity of our people. From those on the front lines, repairing outages and keeping the dams and electric system operating, to those who had to scramble to find a way to do their jobs from home, our collective efforts are a story to be proud of.

Despite the challenges of COVID-19, we extended fiber-optic service to 3,150 more Grant County residents in 2021 and expect to have the entire county served by late 2024.

We celebrated installation of the 10th and final new generator at Wanapum Dam. Work to upgrade all 10 turbine/generating units at Priest Rapids Dam continues and, after many years of planning, we got started on a

federal requirement to build a secondary embankment on the dam's Yakima County side.

Our crews and engineers have been busy planning and executing major upgrades to our electric system for a more reliable and robust power supply. That includes planning for two new transmission lines in Quincy, a third in Royal City and lots of maintenance work to replace aged equipment before it fails.

We also got started on a comprehensive look at an investment in nuclear energy as an additional, carbon-free resource in Grant PUD's energy portfolio. We'll need this power as the county continues to grow.

Ensuring Grant PUD a reliable future energy supply is my new focus, after stepping down from the general manager post in December. Commissioners have chosen a worthy replacement in Rich Wallen, a highly capable and compassionate manager with a people-first approach and razor focus on safety. He'll serve Grant PUD well, as we continue to roll out of this pandemic and into the years ahead.

The continued strong finances displayed on the spreadsheets of this 2021 annual report show we're carrying out these big projects the way we've been running Grant PUD as a whole, based on analysis, care and awareness that our decisions are part of a legacy that must continue. Our people will make it happen.



A handwritten signature in blue ink that reads "Kevin Nordt".

**Kevin Nordt**  
General Manager and CEO

# Our History



Grant County PUD No. 2 is established by a county-wide vote **1938**

Grant PUD arranges procedures with county and USBR to provide power to farmland being developed as part of the Columbia Basin Reclamation Project. **1949**

Federal Power Commission issues Grant PUD license to build and operate two dams. **1955**

Construction Begins at Wanapum Dam **1959**

Final generator goes into production at Wanapum Dam, making Grant PUD the nation's third largest, non-federal producer of hydroelectric power. **1964**

Vera Claussen is elected as the first female commissioner. **1982**

First commercial operation of Potholes East Canal Headworks hydroelectric project. **1990**

Rural Electrification Administration loans Grant PUD \$600,000 for ~440 miles of electric distribution lines in Grant & Douglas counties and for Coulee City and Soap Lake electric systems. **1941**

Grant PUD moves offices to Ephrata, county seat. **1945**

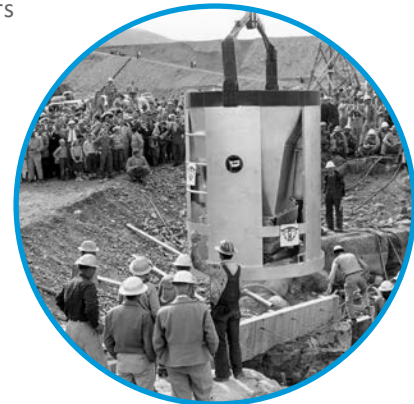
County Chamber of Commerce Proposes Priest Rapids Dam Location to Grant PUD Commissioners **1951**

First Concrete Pour at Priest Rapids Dam **1957**

Priest Rapids Dam dedication **1962**

Wanapum Dam dedication **1966**

First commercial operation of Quincy Chute hydroelectric project. **1985**



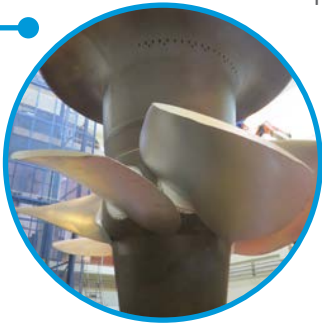


Commissioners authorize construction and testing of full-size prototype of new advanced turbines for Wanapum Dam.

**2000**

**2001** Grant PUD's new fiber optic network begins serving customers.

**2001**



Commissioners approve 20% discount for low-income customers who are seniors or disabled.

**2007**

**2008** Federal Energy Regulatory Commission awards Grant PUD new 44-year license to operate Priest Rapids Project.

**2008**



Two-year construction began on Priest Rapids Dam Fish Bypass Unit.

**2012**

**2013** Completion of Advanced Turbine Replacement Project at Wanapum Dam, replacing all 10 of the original turbines.

**2013**

**2014** Discovered and repaired 65-ft fracture in Wanapum Dam Spillway.

**2014**

Opened new Wanapum Heritage Center and Grant PUD Visitors Center

**2015**

Launched Advanced Metering Program to replace ~50,000 meters with ones that can be read remotely.

**2017**

**2019** Pay-it-Forward program established with two large industrial customers to provide funds from energy conservation rebates (~\$500,000) toward programs benefiting county residents.

**2019**



Public facilities close due to COVID-19 pandemic.

**2020**

Completed rehab of final generating unit at Wanapum Dam, a 20-year project.

**2021** Signed with Energy Northwest and X-energy to establish partnership to explore development and commercial demonstration of the country's first advanced nuclear reactor.

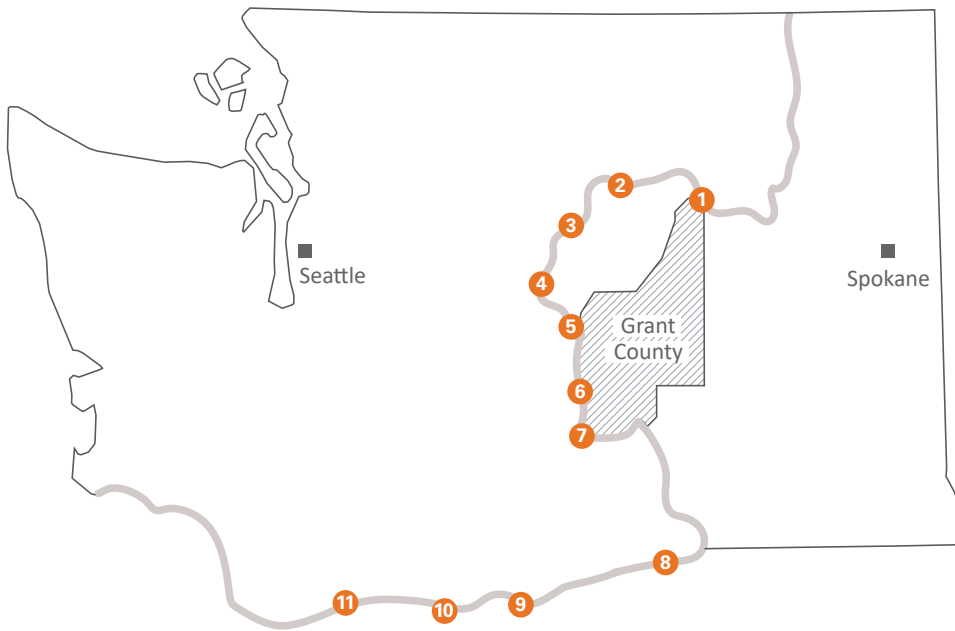
**2021**



# Powered by the Columbia

The Columbia is a river of unmatched proportions. The 11 U.S. dams that transform the power of the Columbia's flowing water into hydropower are equally unrivaled.

Dam operators each work to reduce the water flowing over spillways as much as possible to diminish dissolved gases that could be harmful to fish, provide optimal river levels and flows for fish passage and spawning conditions, keep reservoirs full so farmers can irrigate crops, and generate power in a concerted effort to ensure that the right amount of energy is available when it is needed by millions of customers.



**1 Grand Coulee Dam**  
(River Mile 596.6)  
Bureau of Reclamation

**5 Rock Island Dam**  
(River Mile 453.4)  
Chelan PUD

**9 John Day Dam**  
(River Mile 215.8)  
Corps of Engineers

**2 Chief Joseph Dam**  
(River Mile 541.1)  
Corps of Engineers

**6 Wanapum Dam**  
(River Mile 415.8)  
 Grant PUD

**10 The Dalles Dam**  
(River Mile 191.5)  
Corps of Engineers

**3 Wells Dam**  
(River Mile 515.1)  
Douglas PUD

**7 Priest Rapids Dam**  
(River Mile 397.1)  
 Grant PUD

**11 Bonneville Dam**  
(River Mile 145.5)  
Corps of Engineers

**4 Rocky Reach Dam**  
(River Mile 473.0)  
Chelan PUD

**8 McNary Dam**  
(River Mile 292.0)  
Corps of Engineers

Power demand and generation is measured

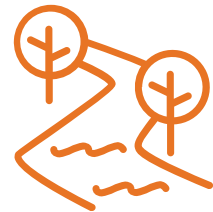


**EVERY SECOND**

of every day.

LENGTH OF THE COLUMBIA RIVER:

**1,200 MILES**



The Columbia River Basin touches

**SEVEN STATES**

**2,700<sup>FT</sup>**

The approximate vertical drop of the river from the headwaters of the Columbia to its final resting place in the Pacific Ocean.



Photo Credit: John Price

# Powered by Clean, Renewable Energy

Built more than a half a century ago, Priest Rapids and Wanapum dams are the economic engines that power Grant PUD’s ability to provide low-cost, reliable electricity to our customers. We are now investing millions of dollars to rehabilitate our turbines and generators to ensure that they will continue to be a source of clean, renewable energy in our region for decades to come.

### Green – and Getting Greener

Thanks to hydropower, Washington’s energy is among the cleanest and least expensive in the nation. As we become even more green by bringing on variable energy sources, such as wind and solar, hydropower can help fill the role of being an on-demand energy provider. This ability ensures a clean, reliable and inexpensive energy for our growing region.

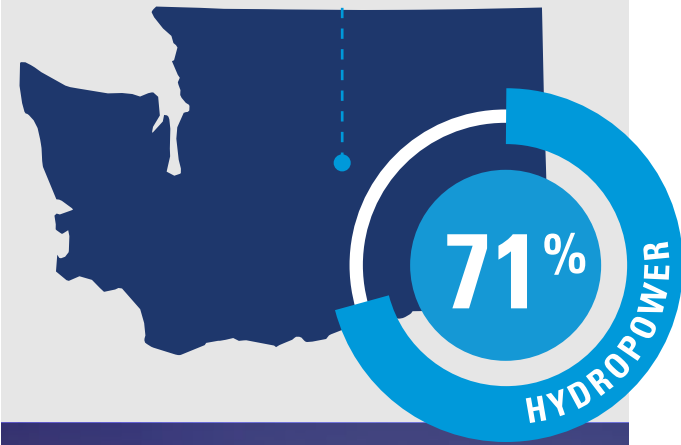
**Washington’s energy is among the cleanest and least expensive in the nation.**

### Keeping Washington Wired

Washington is a great place to live and our state’s population continues to grow. As the population grows, so does energy consumption, especially in the more extreme winter and summer months. Luckily, hydropower enables a quick response to peak demands. In just a few seconds, hydro operators can increase or decrease power outputs to follow the need for power.

### Leading Washington’s Clean Energy Movement

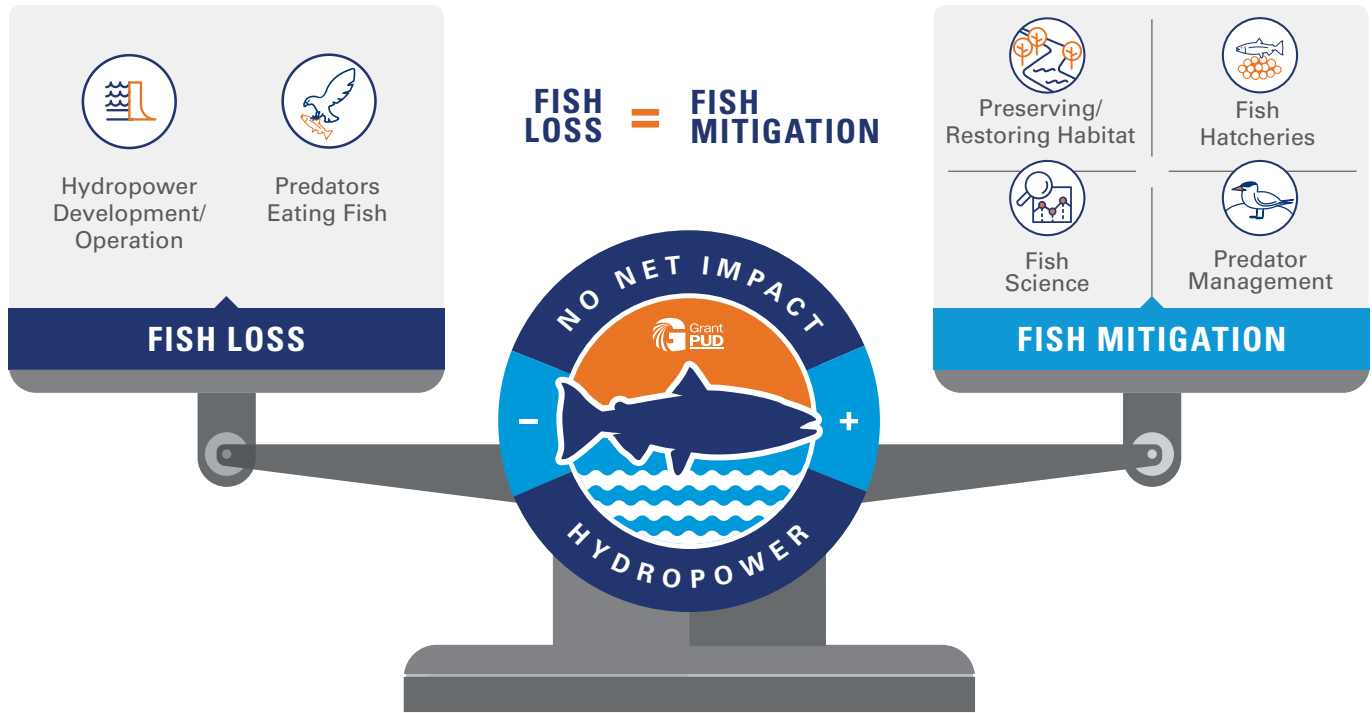
Hydropower is an essential source of generation in our quest for carbon-free energy. According to the Washington Net Electricity Generation by Source (Dec. 2021), **71% comes from hydropower.**



Courtesy, MW River Partners

# No Net Impact Hydropower

No Net Impact (NNI), an uncommonly high standard for power producers, is a standard Grant PUD achieves to make up for the losses of salmon, steelhead and Pacific lamprey that migrate through our hydropower project.



## HIGH LEVEL OF REVIEW, OVERSIGHT AND COORDINATION

Grant PUD's NNI mitigation is overseen and approved by committees with representatives from:

- |  |   |  |
|--|---|--|
| National Oceanic and Atmospheric Administration        | U.S. Fish and Wildlife Service                      | Washington Department of Fish and Wildlife                 |
| The Confederated Tribes and Bands of the Yakama Nation | The Confederated Tribes of the Colville Reservation | The Confederated Tribes of the Umatilla Indian Reservation |

## GRANT PUD'S NNI FUND & HABITAT FUND CONTRIBUTIONS

The total amount of annual contributions into the NNI Fund and Habitat Fund made by Grant PUD so far (2006-2021):

**\$45 MILLION+**

This money funds projects ranging from predator removal, adult fish passage, habitat restoration, instream flow enhancements, avian predator evaluations, land acquisitions, fish screen monitoring, and diversion assessment.

## JUVENILE SALMON & STEELHEAD SURVIVAL RATES\*

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

Adult survival is nearly 100%.



Spring Chinook Salmon



Sockeye Salmon



Steelhead Trout

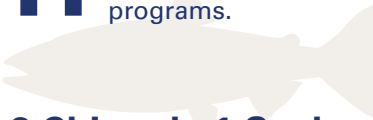
\*For both Priest Rapids and Wanapum dams.





## HATCHERY PRODUCTION

**11** Grant PUD hatchery salmon and steelhead programs.



**8 Chinook, 1 Sockeye,  
1 Coho, 1 Steelhead**

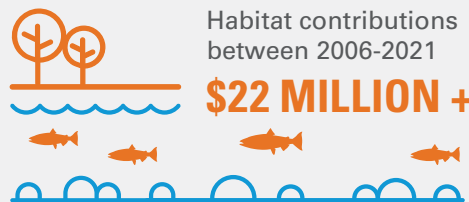
In 2021, Grant PUD's hatchery programs released approximately **9.2 million salmon and steelhead\*** into the upper Columbia River and its tributaries. Hatchery programs are intended to aid in the restoration of salmon and steelhead listed under the Endangered Species Act, as well as mitigate for impacts to non-listed salmon. Fish produced via hatchery programs provide harvest opportunities from the Columbia River to Alaska.

\*Source: Grant PUD (Public Utility District No. 2 of Grant County). 2021. Calendar Year 2020 Activities Under Priest Rapids Hydroelectric Project License FERC No. 2114, Ephrata, WA.



## HABITAT PRESERVATION/RESTORATION

Most of the projects are conducted in habitats of the **Wenatchee, Entiat, Methow, and Okanogan basins** in areas that were impacted by non-hydro activities.



Funds have been used for projects such as:

- ✓ Land Acquisition and Easements
- ✓ Fish Passage
- ✓ Habitat Enhancement
- ✓ Instream Flow



## FISH SCIENCE

**Grant PUD generates and uses the best available science to ensure it is meeting the NNI standard.**



The science allows for informed changes to improve programs.

It also contributes knowledge, tools, and approaches to scientists and resource managers throughout the world by publishing results.



## OTHER MITIGATION

**The clean and sustainable power we generate helps sustain climate conditions beneficial to native species.**

Grant PUD also invests in a variety of other activities to avoid, reduce, monitor, and mitigate impacts to plants and animals.

**These programs aim to benefit:**



Sturgeon



Bull Trout



Rainbow Trout



Pacific Lamprey



Bald Eagles



Rare Plants



In 2021, Grant PUD confirmed its strong relationship with the IBEW Local 77 by formalizing its commitment to the IBEW's Code of Excellence.

More than 500 of Grant PUD's employees attended a virtual roll-out of the commitment on Sept. 30. The IBEW launched the Code of Excellence in 2007. The code calls for a shared commitment between IBEW members and employers of high standards and mutual respect.

Grant PUD General Manager Kevin Nordt said the commitment emphasizes the vision of "One team, one family, better together."

As part of Grant PUD's Commitment to the Code of Excellence, the utility and IBEW members have aligned and defined their values.

The words in the values empower Grant PUD workers to embrace our culture, work with purpose, live our values, deliver on strategies and make an impact in our community.

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**SAFETY** | Our Commitment: We believe that a safe workplace and community is founded upon an environment where all voices can and will speak up, ask questions, and be heard without reprisal. We will provide and maintain the proper training, tools, job layout, equipment and employees to perform work safely.

---

**SERVICE** | Our Commitment: We are all public service employees. As such, we commit to delivering results that have a high standard for quality and allow employees to enjoy a work-life balance. We come to work on time, fit for duty, and ready to work for our customers. We will utilize our training, tools, and equipment provided to pursue a higher standard of work and ethics that delivers a lasting benefit of productivity, professionalism and quality workmanship.

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**RESPECT** | Our Commitment: We believe that every person has value and every role has purpose. As such, we will not insult or demean others and will offer feedback in a way that contributes to the success of individuals and the business. We believe that people are most effective when they have the confidence to try something new, communicate directly, professionally, and in alignment with Grant PUD & IBEW values.

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**INNOVATION** | Our Commitment: We recognize that the best ideas often come from those closest to the work. We will approach our work with a sense of curiosity and embrace a mindset that values learning. No matter what our position is in the organization, we believe that every employee has the ability to identify solutions and influence positive outcomes.

**TEAMWORK** | Our Commitment: We are not all the same and believe that is what makes teams great. We value the differences in who we are, perspectives we hold and ways we think. We recognize that fulfilling our mission requires intense focus, so we believe it is important to make space for everyone, not take ourselves too seriously, and enjoy our time here with one another.



**INTEGRITY** | Our Commitment: As stewards of the public's trust, we are all accountable to the Code of Excellence. We will not allow others' failure to practice these commitments as an excuse for us to abandon ours. We believe that integrity is the basis for trust and requires courage, especially when it involves change.

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**HERITAGE** | Our Commitment: We honor the contributions of those that came before us and find ways to actively maintain our public power connection to the communities we serve.

# Powered by Heritage

For more than 60 years, the Wanapum and Grant PUD have worked together to protect, preserve and perpetuate the natural and cultural resources of the area. Located next to the Wanapum's ancestral village and Priest Rapids Dam, this 50,000 square-foot building is instrumental in perpetuating the importance of the culture, traditions and beliefs of the Wanapum. For more information about the Wanapum and the Wanapum Heritage Center, visit [wanapum.org](http://wanapum.org).



# Powered by Service

A worldwide pandemic meant community outreach looked a lot different than previous years. We teamed up with our department of health to send out over 4,000 packets including masks and COVID-19 prevention information to selected customers.

Our employees celebrated Public Power Week by handing out bags of goodies outside of local grocery stores and on Halloween distributed candy, masks and stickers at the drive-by trunk-or-treat activity in Ephrata.

Annette Lovitt, the Grant PUD Community Relations Coordinator, served as the Moses Lake Chamber of Commerce President and represented the utility on Moses Lake's Resiliency and Recovery team and Comprehensive Plan and Housing Action plan team.

Eager to help their neighbors, generous Grant PUD employees continued to raise funds for the community. They donated a total of \$5,391 to our eight local food banks in 2020 and pledged \$11,080 in payroll contributions to go to United Way of Grant County in 2021. Through our Voltswalkers, employees raised an additional \$2,700 for the Columbia Basin Cancer Foundation.





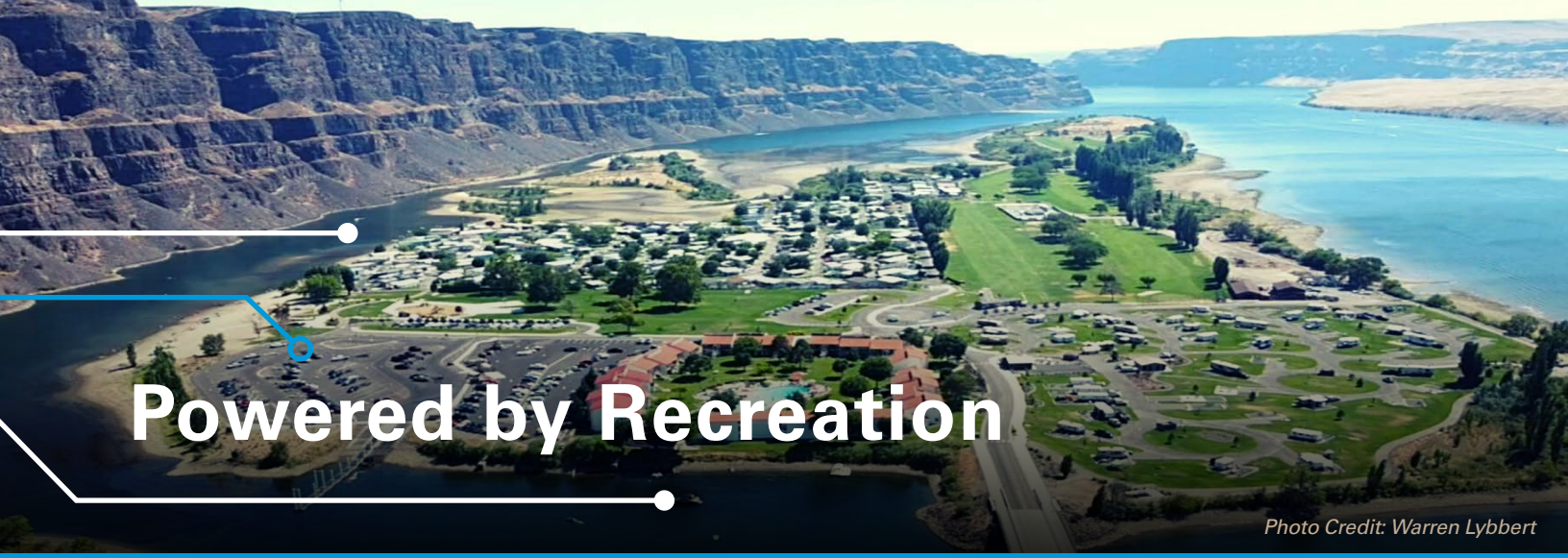


Photo Credit: Warren Lybbert

# Powered by Recreation

More than 94% of visitors say Grant PUD recreation areas are meeting or exceeding their expectations. These findings were gathered from in-person surveys conducted during the 2021 recreation season and from online surveys submitted by overnight and day-use guests to Grant PUD parks.

In addition to measuring the overall satisfaction of visitors, staff also analyzed how guests use Grant PUD's recreation areas by reviewing survey results and thousands of photos taken with cameras temporarily placed throughout each of the recreation areas. Results show camping, swimming, boating, and relaxing were the primary activities visitors enjoyed during their time at one of Grant PUD's recreation areas.

The survey is one of Grant PUD's federal license requirements to monitor recreation activities and provides the opportunity to learn more about visitors' opinions and their use of Grant PUD's recreation areas.



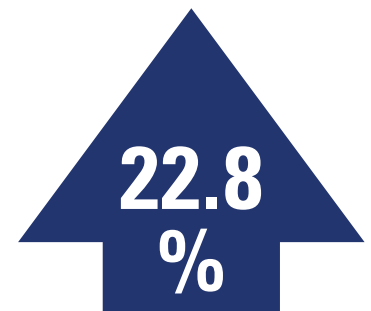
Usage totals show that utilization of Grant PUD's campsites continues to grow. Campsite occupancy at all of Grant PUD's recreation areas grew in 2021 with a total of 10,310 overnight stays, an increase of approximately 22.8% compared to 2020.

As a federally licensed dam operator on the Columbia River, we have a responsibility to provide safe and adequate public access and recreation on project lands. For a full list of all recreation sites, available amenities, and campsite fees visit [grantpud.org/recreation](http://grantpud.org/recreation).

Grant PUD operates

# 19

RECREATION SITES











Increase in number of campers across all campsites compared to 2020.

# 94%

RECREATION VISITORS SATISFACTION

(2021 Recreation Survey)



-  Fishing
-  Camping
-  Boat Launch
-  Hiking
-  Swimming
-  Picnic Area
-  Sheltered Picnic Area
-  Hand Launch



**1 Crescent Bar Recreation Area**

Amenities include a 55-site reservation campground (tent/RV and vehicle/boat trailer), golf course, two boat launches, day-use and commercial marina, a floating fuel station, walking/biking trails, picnic shelters, playground, sports courts (pickleball, basketball), and multiple beach areas.



**2 Rocky Coulee Recreation Area**

Amenities include camping and day-use opportunities, 10 primitive first-come, first-served walk-in campsites, 14-vehicle parking area, and hand boat launch.



**3 Vantage Boat Launch**

Amenities include: two-lane boat launch, ADA boarding float, picnic tables, restrooms and potable water.



**4 Sand Hollow Recreation Area**

Amenities include camping, picnic areas, a swim beach, and 40-site reservation campgrounds. 30 of the campsites are accessible by vehicle (tent/RV and single vehicle), 10 campsites are primitive walk-in tent only sites.



**5 Priest Rapids Recreation Area**

Amenities include camping, boating and day-use opportunities, 14-site reservation campground (tent/RV and single vehicle), three-lane boat launch, walking/biking trails, picnic areas, and swim beach.



**6 Jackson Creek Fish Camp**

Amenities include camping and fishing opportunities, 10 primitive first-come, first-served campsites, and walk-in fishing access.





# Powered by Fiber

When Grant PUD was created in 1938, its mandate was to provide low-cost power to everyone in Grant County, whether they lived in the county’s largest towns or miles away on remote farms or wilderness.

In the years following, this vision was finally realized as power service provided by our county-wide utility was extended to all. And, because of this available low-cost power, our county has seen tremendous economic growth and prosperity.

We began building our wholesale fiber network in the early part of this century. We were one of the first in Washington state to provide fiber service to the home. Now we have fiber available to 80% of our customers in the county and we have plans to extend fiber throughout the county.

We believe that providing the fiber backbone that connects our homes, farms, businesses and public services to the tools needed to function in our technology-based reality honors the legacy of our public power pioneers. We are excited to see how our fiber expansion initiative will help our county prosper in the decades to come.

# 80%

of county residents and businesses currently enjoy access to Grant PUD Fiber.

# 25,619

Current Subscribers

and

# 38,302

Potential Subscribers

\*Source: 12/31/21 report

## 2021 Construction

Completed or near completion

- Rd. 9 NW and Hwy. 283
- Gloyd to Stratford
- Perch Point/Wilbur Ellis to I-90
- Dodson to Winchester Wasteway N I90
- Royal City Surrounding Area
- Complete Hartline Area/Rd V NE at Rd 47 NE



# Fiber Expansion Sequence

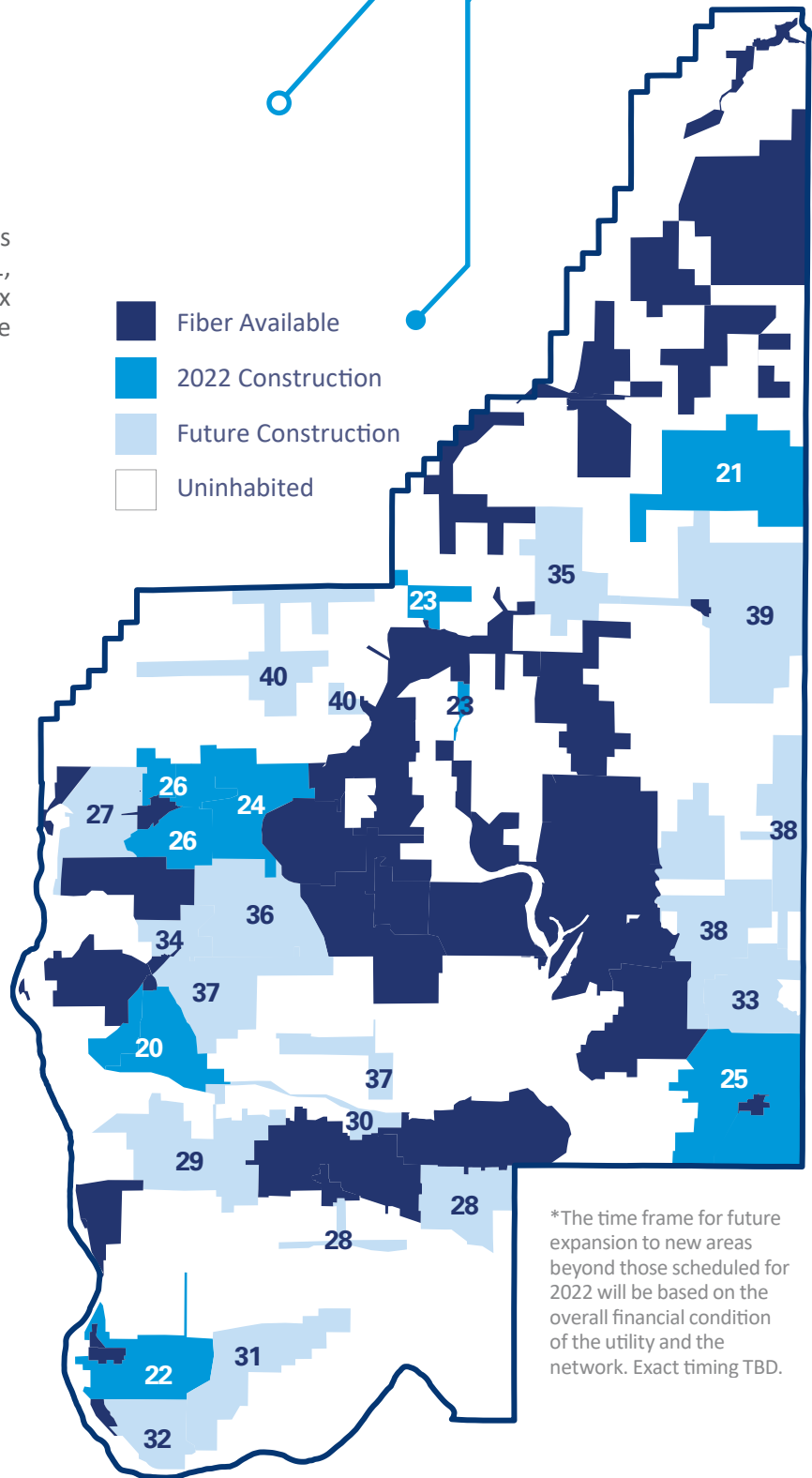
Grant PUD’s high-speed fiber optic network is expanding throughout Grant County. In 2021, funding was approved to reach the next six areas of the build out sequence in 2022. Those areas will soon be under construction.

1-19 Completed or near-completion

## 2022 AREAS

- 20 George Area Completion
- 21 Between Hartline and Wilson Creek
- 22 Mattawa Surrounding Area
- 23 Soap Lake: SE to fish hatchery and N to Lake Lenore
- 24 Winchester
- 25 Warden Area Completion
- 26 North, East and South of Quincy

- 27 NW and SW of Quincy
- 28 Rd A SE/Smyrna/Crab Creek
- 29 Jericho
- 30 Dodson to Frenchman
- 31 Wahluke Area East of Mattawa
- 32 Desert Aire to Rd O SW
- 33 I90 Rd U NE/SE
- 34 Hwy 281 N. of I90 to Rd 3
- 35 Stratford/Summer Falls/Billy Clapp
- 36 Adams Road NW to Winchester Wasteway N. of I90 to Rd. 7
- 37 Braden to George and Black Sands
- 38 Ruff
- 39 Wilson Creek Area
- 40 Sagebrush Flats/Johnson Rd. NW



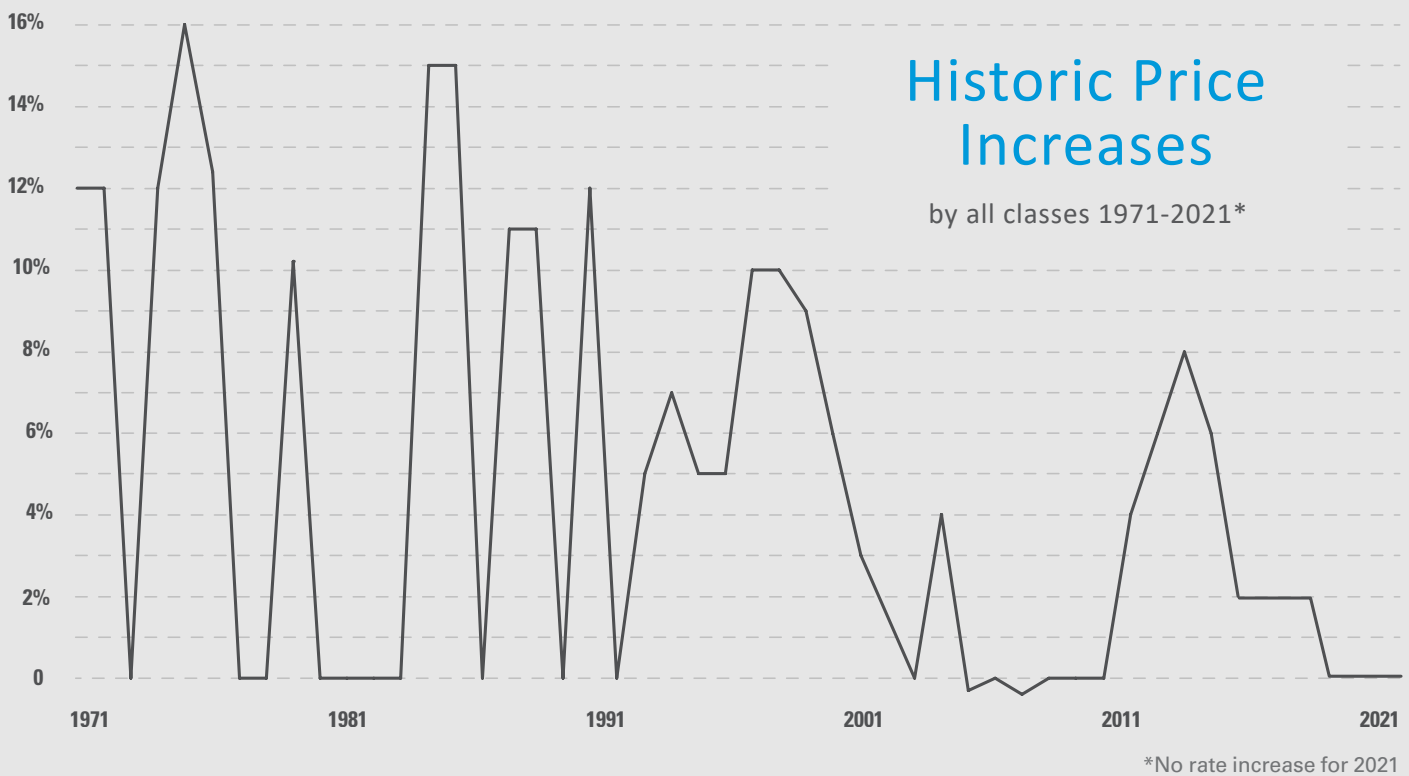
# Finances

Grant County enjoys some of the lowest power prices in the nation. We have been able to maintain low power prices for our customers because we have always endeavored to make sound financial decisions with a long-term benefit.

We strive daily to make decisions to balance the investments we are making for the future, while also providing for the needs of the present. We believe the

key to maintaining our high-quality, low-cost power service is by making decisions that will bring the greatest value to our customers.

Our strategy of implementing small, incremental retail price increases during most of the past decade, has helped us to reach the point where we have not needed price increases for the vast majority of our customers since 2019.

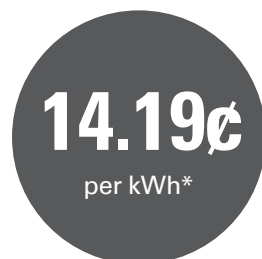


## ENERGY COSTS

### How Do We Compare?

Residential Average Electricity Rates in November 2021

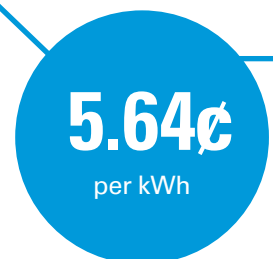
\*Source: U.S. Energy Information Administration November 2021 report



**UNITED STATES**



**WASHINGTON**



**GRANT PUD**



# 2021 Financial Targets

Grant PUD uses a number of metrics to measure our goal of providing value to our customers. The selected metrics below help to show our financial strength.



## Maintain a Strong Financial Position

	2021 Target	Actual	Final Goal
Electric System Liquidity	≥ \$105 MM	\$132 MM	≥ \$105 MM
Consolidated Return on Net Assets	≥ 4.0%	3.3%	≥ 4.0%
Consolidated Debt To Plant Ratio	≤ 60%	51%	≤ 60%
Consolidated Debt Service Coverage	≥ 1.80x	2.4x	≥ 1.80x



## Provide Long-Term Low Rates

	2021 Target	Actual	Final Goal
Retail Operating Ratio - Adjusted	≤ 112%	115%	< 100%
District Credit Rating	≥ Aa3 (Moody's equivalent)	Aa3	Aa3

# Our Bond Ratings

Grant PUD's financial health is measured in part by its bond ratings. Our latest ratings are below:

## PRIEST RAPIDS HYDROELECTRIC PROJECT

Rating Agency	Rating	Outlook
Fitch Ratings	AA	STABLE
Moody's Investor Service	Aa3	STABLE
Standard & Poor's Rating Services	AA	STABLE

## ELECTRIC SYSTEM

Rating Agency	Rating	Outlook
Fitch Ratings	AA	STABLE
Moody's Investor Service	Aa3	STABLE
Standard & Poor's Rating Services	AA+	STABLE

## Report of Independent Auditors

The Board of Commissioners

Public Utility District No. 2 of Grant County, Washington

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of Public Utility District No. 2 of Grant County, Washington (the “District”) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District’s financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the District's proportionate share of the net pension liability, schedule of the District's contributions, and the schedule of changes in the total OPEB liability and related ratios (collectively, "required supplementary information") 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 audit 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***

Management is responsible for the other information included in the annual report. The other information comprises the commissioners' report, manager's report, and other information, such as the introductory and statistical sections but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Moss Adams LLP*

Seattle, Washington  
April 15, 2022



## **OVERVIEW OF GRANT PUD'S FINANCIAL STATEMENTS**

As of December 31, 2021, Public Utility District No. 2 of Grant County, Washington ("Grant PUD" or "the utility") is comprised of two operating systems: the Electric System and the Priest Rapids Project. The Electric System maintains 4,406 transmission and distribution line miles and other related infrastructure to serve retail load in Grant County. The Priest Rapids Project is operated under Federal Energy Regulatory Commission ("FERC") License, Project No. 2114 authorizing both the Priest Rapids Hydroelectric Production Development ("Priest Rapids") and Wanapum Hydroelectric Production Development ("Wanapum") to operate through April of 2052 as long as license requirements continue to be met. Priest Rapids consists of a dam and hydroelectric generating station with a nameplate rating of 950 megaWatts ("MW") and Wanapum consists of a dam and hydroelectric generating station with a nameplate rating of 1,222 MW. Priest Rapids is located on the Columbia River in Grant and Yakima Counties about 150 air miles northeast of the City of Portland, 130 air miles southeast of the City of Seattle, and 18 miles downstream of Wanapum, which spans Grant and Kittitas Counties.

This annual financial report consists of a series of financial statements and reflects the self-supporting, proprietary activities of Grant PUD funded primarily by the sale of electrical power. Grant PUD reports the business-type activities in a manner similar to private business enterprises. Grant PUD's financial statements presented in this report consist of the Statements of Net Position, Statements of Revenues and Expenses and Changes in Net Position, Statements of Cash Flows, and the Notes to the Financial Statements.

The Statements of Net Position include all of Grant PUD's assets, liabilities, deferred outflows and inflows, and net position and provide information about the nature and amounts of investments in assets and the obligations of Grant PUD.

All the revenues and expenses of Grant PUD are accounted for in the Statements of Revenues and Expenses and Changes in Net Position. These statements measure the success of operations over the year and can be used to determine whether Grant PUD has successfully recovered all its costs through retail revenues and other charges.

The primary purpose of the Statements of Cash Flows is to provide information about Grant PUD's cash receipts and cash disbursements during the year. These statements report cash receipts, cash payments, and net changes in cash resulting from operating, financing, and investing activities.

The Notes to the Financial Statements provide additional information that is essential for a full understanding of the information provided in the three statements described above.

## **FINANCIAL HIGHLIGHTS**

The following discussion provides an overview of the financial activities for Grant PUD for the years ended December 31, 2021, 2020, and 2019. The discussion and analysis is designed to be used in conjunction with the financial statements, notes and other supplementary information, which follow this section.

Grant PUD produced a positive change in net financial position of \$75.0 million, \$93.6 million, and \$86.3 million during 2021, 2020, and 2019, respectively. Grant PUD continued to make the necessary investments in infrastructure, technology, and employees to ensure customers will continue to receive reliable power at long term low prices. Additionally, the Commission approved the continued build out of the wholesale fiber network, which will provide connectivity to residents and businesses throughout the county that is critical to remaining competitive and keeping pace with the Information Age.

In-line with the District's key objective to provide long-term low rates, there were no retail rate increases in 2021, 2020, or 2019.

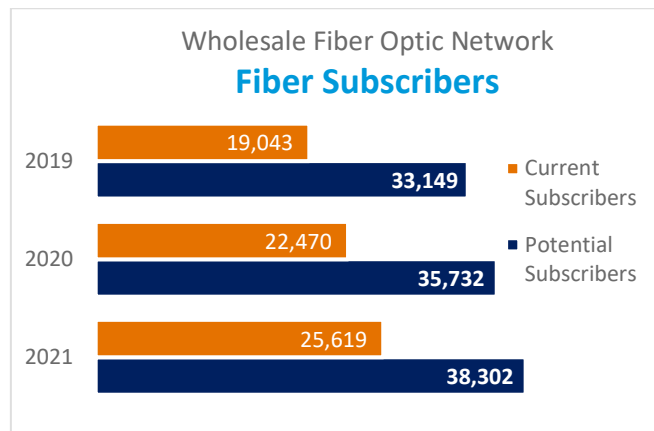
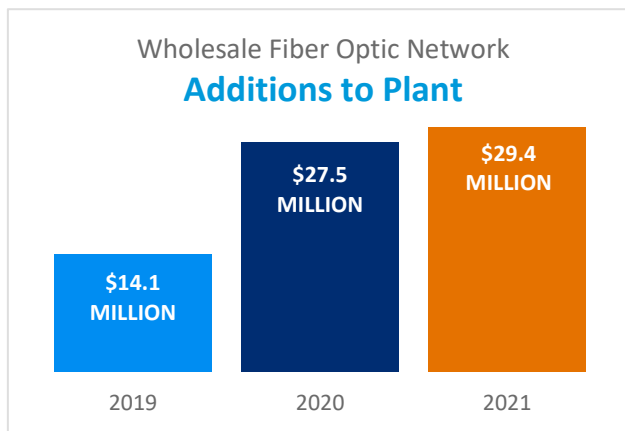
**Management’s Discussion and Analysis (Unaudited)**  
**Years ended December 31, 2021 and 2020**

**Electric System Significant Capital Projects:** Grant PUD is undertaking capital improvements to improve electric system reliability and serve expected load growth primarily in the large commercial and industrial customer classes. These improvements include upgrading and expanding substation, transmission, and distribution infrastructure. An expansion project called Design Build 2 (DB2) started in December 2019 and is estimated to be completed in Q4 2023. This project will ultimately deliver nine full or partial substations and one transmission line. Total costs to date for the project are \$53.8 million.

Grant PUD has completed the initiation phase of the Quincy Transmission Expansion Project (QTEP) and is now in the planning and execution phases. QTEP will construct approximately \$120.0 million worth of new Power Delivery Infrastructure in the Quincy Area over an approximate five-year period. The project will include 6 transmission line segments one mile to 30 miles in length, one large switchyard with a high voltage capacitor bank (Monument Hill), and new transmission terminals at the Wanapum and Rocky Ford Switchyards. QTEP is expected to significantly increase overall system reliability and Grant PUD’s ability to serve additional load in the Quincy area. Total costs to date for the project are \$7.7 million. Completion of this project is estimated to be in Q4 2027.

Grant PUD completed the installation and migration to smart meters at a cost of \$19.7 million in September, 2020. The Advanced Metering Infrastructure (AMI) project included digital meters, communication networks and software required to enable communication between the meters and Grant PUD’s billing system.

Grant PUD continued to expand its Wholesale Fiber Optic Network in 2021, 2020, and 2019. The Wholesale Fiber Optic Network expansion resulted in total additions to date of \$29.4 million, \$27.5 million, and \$14.1 million for years ended December 31, 2021, 2020, and 2019, respectively. Grant PUD continued to experience very high demand for new connections to our open-access fiber to the premises network. Currently, 67% of potential subscribers are using the network. Grant PUD will continue expanding access to the network and has budgeted \$16.9 million for design, materials, and construction in 2022.



**The Priest Rapids Project Significant Capital Projects:** Grant PUD has continued its long-term capital improvement plan at the Wanapum Development to upgrade all ten turbines, generators, and control systems. The ten turbines were upgraded at an average cost of approximately \$22.8 million per turbine, with the last one placed in service in October 2013. The new turbines have increased power output and efficiency and have improved water quality and fish passage within the Wanapum Development’s project area. On-site construction for the generators and controls systems began in June 2010 and the tenth unit was returned to service on October 6, 2020. The existing generators were rated at 103.8 MW. The new upgraded generators have a nameplate rating of 122.17 MW, an increase of 17.7%. As of December 31, 2021, all ten generators and control systems have been replaced at a total cost of \$257.2 million (average of \$25.7 million per generator).

**Management’s Discussion and Analysis (Unaudited)**  
**Years ended December 31, 2021 and 2020**

In August of 2016, on-site construction began for the turbine life extension and generator rewind work at the Priest Rapids Dam Development. The first of ten turbines and generators were placed in service in January 2018, followed by the second unit in April 2019, and the third unit in November 2020. Work is underway on the fourth unit (turbine and generator) and is scheduled to return to service June 2022. An outage is expected to take approximately 14 months from the date the unit is removed from service to the time the unit returns to service. Total costs to date of \$262.7 million includes control system upgrade costs, the turbine modeling and hydraulic design work and other preliminary costs for all units, completion of the first three units and costs for the fourth-unit upgrade currently in progress.

As part of the Federal Energy Regulatory Commission (FERC) license to operate the Priest Rapids Project, Grant PUD has invested \$41.5 million in required improvements to the Crescent Bar Recreation Area to enhance public access and recreation opportunities. Most recently, upgrades to the water and wastewater systems were completed in early 2019 and an office building for the golf course was completed in 2020.

**Financial Ratings:** Grant PUD maintains very high credit ratings, which are issued separately for the Electric System and the Priest Rapids Project and are as follows (Electric System/Priest Rapids Project): Fitch Rating Services AA/AA, Standard and Poor’s Rating Services AA+/AA, and Moody’s Investor Services Aa3/Aa3. The Electric System Ratings were published in July of 2021 (Fitch), August of 2020 (S&P), and December 2021 (Moody’s), and the Priest Rapids Project ratings were published in July of 2021 (Fitch) and March of 2020 (S&P and Moody’s) (refer to Note 5).

<b>FINANCIAL RATINGS</b>				
Credit grade	MOODY’S	FITCH	S&P	
<b>HIGHEST</b>	Aaa	AAA	AAA	
<b>VERY HIGH</b>	Aa1, Aa2, Aa3	AA+, AA, AA-	AA+, AA, AA-	
<b>HIGH</b>	A1, A2, A3	A+, A, A-	A+, A, A-	
<b>GOOD</b>	Baa1, Baa2, Baa3, Baa4	BBB+, BBB, BB-	BBB+, BBB, BB-	
<b>SPECULATIVE</b>	Ba1, Ba2, Ba3	BB+, BB, BB-	BB+, BB, BB-	
<b>VERY SPECULATIVE</b>	B1, B2, B3	B+, B, B-	B+, B, B-	
<b>SUBSTANTIAL RISK</b>	Caa1, Caa2, Caa3, Ca	CCC, CC, C, RD, D	CCC+, CCC, CCC-, CC, C, D	

These high-grade credit ratings allow Grant PUD to acquire funding for capital investments at competitive interest rates. This reduces pressure on production costs at the Priest Rapids Project, which remains a very low-cost carbon free resource, and ultimately helps keep the Electric System’s retail prices among the lowest in the nation.

During 2021, Grant PUD issued a \$50.0 million direct placement refunding bond, which resulted in no incremental increase in outstanding debt.

**Management’s Discussion and Analysis (Unaudited)**  
**Years ended December 31, 2021 and 2020**

During 2020, Grant PUD issued \$517.4 million of refunding revenue bonds to defease and refinance outstanding debt. The result of the refundings was a reduction in the average coupon rate from 4.79% to 4.42% and a net present value savings of \$29.2 million.

**Priest Rapids Project Generation:** During the years ended December 31, 2021, 2020, and 2019, the Priest Rapids Project provided the following net megawatt hours (“MWh”) of electric energy at an average cost as follows:

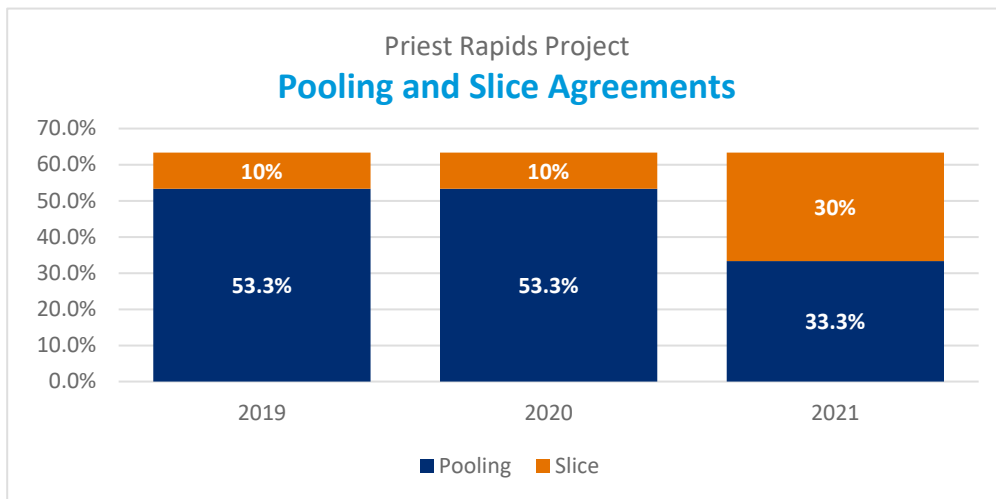
	<b>2021</b>		<b>2020</b>		<b>2019</b>
<b>Net Megawatt hours ("MWh")</b>	9,056,940		9,463,889		8,277,762
<b>Average Cost (per "MWh")</b>	\$ 20.00	\$	18.02	\$	20.68
<b>Average Water Supply*</b>	87%		104%		84%

\*Average water supply is based on Rock Island Dam water supply compared to a 30-year average (October through September). The timing of runoff and spill requirements factor into the water available for generation from year to year.

The Electric System’s energy risk management strategy capitalizes on the low cost of production of the Priest Rapids Project (PRP), without retaining an imprudent amount of water or price volatility risks as defined by our risk policies. Grant PUD enters wholesale contracts that aim to increase the predictability of net wholesale revenues by mitigating the effect of fluctuation of wholesale power prices and water variability for generation, which directly contributes to Grant PUD’s objective to maintain a strong financial position and have predictable retail prices well into the future.

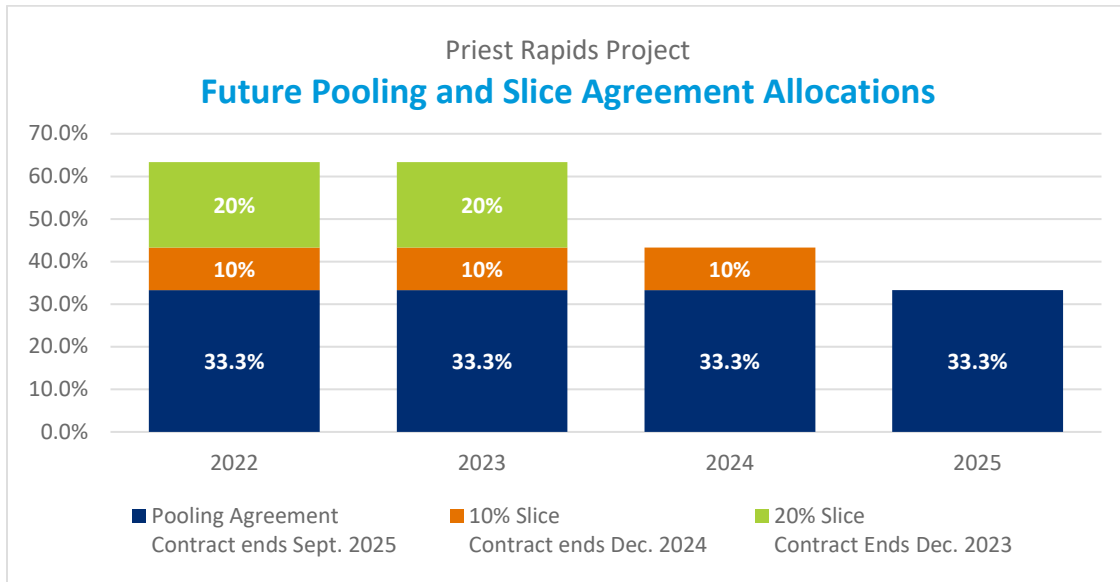
**Priest Rapids Project Output:** As a strategy to hedge against water risks, Grant PUD has entered into various wholesale “slice” and pooling agreements to sell capacity and energy from its retained 63.3% share of the Priest Rapids Project output, resulting in predictable revenue and rate stability.

For the years ended December 31, 2021, 2020 and 2019, Grant PUD’s 63.3% retained share of the Priest Rapids Project output was allocated to pooling and slice agreements as follows:



**Management’s Discussion and Analysis (Unaudited)**  
**Years ended December 31, 2021 and 2020**

Future pooling and slice agreement allocations are in place as follows:



**Slice Agreements:** The slice agreements sell capacity and energy to buyers who assume the associated water and wholesale price risks. Grant PUD obtains stable revenue from these sales. The slice agreements are paid in equal monthly installments over the term of each agreement and include firm energy purchases from each entity to help meet Grant’s load. Grant PUD regularly monitors its exposure and retains the right to call for additional assurances at any time. Grant PUD has the right to curtail delivery in the event of nonpayment or non-delivery of firm energy.

**Pooling Agreements:** As noted above, pooling agreements greatly reduce the effect that variable water conditions at the Priest Rapids Project and fluctuations in wholesale power prices have on revenues associated with Grant PUD’s wholesale sales and purchases. Grant PUD’s first pooling agreement expired September 30, 2020 and a new pooling agreement was entered into with a five year term beginning October 1, 2020 and ending September 29, 2025. Under a pooling agreement, the counterparty receives rights to the actual output of a portion of the Priest Rapids Project, which will vary with water conditions. In return, the counterparty provides firm power to meet Grant PUD’s load, regardless of the actual output of the Priest Rapids Project, and certain scheduling services. Over the life of the agreement, the majority of these values will be offsetting and exchanged without cash payment; there will, however, be monthly payments owed by either the counterparty or Grant PUD due to the seasonal differences between capacity and energy amounts and loads. These payments are presented as a net sale or purchase. In addition, certain non-hydrological performance metrics are assumed at the beginning of the contract and monthly differences in these metrics are trued up and payment made by either the counterparty or Grant PUD. The amount of monthly payments over the term vary based upon actual performance versus the estimates at the time the pooling agreement was executed.



**Management's Discussion and Analysis (Unaudited)**  
**Years ended December 31, 2021 and 2020**

**CONDENSED COMPARATIVE FINANCIAL INFORMATION**  
(amounts in thousands)

<b>Condensed Statements of Net Position</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Assets</b>			
Current	\$ 220,092	\$ 233,689	\$ 292,455
Utility plant, net	2,285,569	2,195,405	2,171,380
Noncurrent	385,212	299,095	322,789
Total assets	<u>2,890,873</u>	<u>2,728,189</u>	<u>2,786,624</u>
Total deferred outflows of resources	39,768	44,517	12,200
Total assets and deferred outflows of resources	<u>2,930,641</u>	<u>2,772,706</u>	<u>2,798,824</u>
<b>Liabilities</b>			
Current	162,220	192,997	201,050
Noncurrent	1,284,781	1,232,352	1,337,074
Total liabilities	<u>1,447,001</u>	<u>1,425,349</u>	<u>1,538,124</u>
Total deferred inflows of resources	69,084	7,752	14,702
Total liabilities and deferred inflows of resources	<u>1,516,085</u>	<u>1,433,101</u>	<u>1,552,826</u>
<b>Net position</b>			
Net investment in capital assets	1,105,074	981,009	868,132
Restricted	315,976	307,194	320,507
Unrestricted	(6,494)	51,402	57,359
Total net position	<u>1,414,556</u>	<u>1,339,605</u>	<u>1,245,998</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,930,641</u>	<u>\$ 2,772,706</u>	<u>\$ 2,798,824</u>
<b>Condensed Statement of Revenues and Expenses and Changes in Net Position</b>			
<b>Operating revenues</b>			
Retail energy sales	\$ 231,938	\$ 209,777	\$ 209,896
Wholesale revenues, net	90,411	81,974	69,381
Sales to power purchasers at cost	23,584	27,908	29,934
Other	13,804	12,385	11,963
Total operating revenues	<u>359,737</u>	<u>332,044</u>	<u>321,174</u>
<b>Operating Expenses</b>			
Depreciation and amortization	79,549	78,677	76,050
Other operating expenses	185,770	152,392	144,294
Total operating expenses	<u>265,319</u>	<u>231,069</u>	<u>220,344</u>
Net Operating Income	<u>94,418</u>	<u>100,975</u>	<u>100,830</u>
Other revenues (expenses)	(33,577)	(21,325)	(23,076)
Contributions in aid of construction	14,110	13,957	8,511
Change in net position	<u>\$ 74,951</u>	<u>\$ 93,607</u>	<u>\$ 86,265</u>
Total net position - beginning of year	<u>\$ 1,339,605</u>	<u>\$ 1,245,998</u>	<u>\$ 1,159,733</u>
Total net position - end of year	<u>\$ 1,414,556</u>	<u>\$ 1,339,605</u>	<u>\$ 1,245,998</u>

## **FINANCIAL ANALYSIS**

The following discussion provides comparative financial information for the years ended December 31, 2021, 2020, and 2019.

### **ASSETS AND DEFERRED OUTFLOWS**

Total assets and deferred outflows increased by \$158.0 million (5.7%) from 2020 to 2021 and decreased by \$26.1 million (1.0%) from 2019 to 2020. The increase from 2020 to 2021 was primarily driven by continued investment in Utility plant, net and the PERS 2/3 pension plan becoming fully funded, which resulted in a \$65.2 million net pension asset. The decrease from 2019 to 2020 was primarily driven by the use of cash and investments to defease debt, offset by increases in Utility plant, net and Deferred outflows of resources. The capital investments in 2021 and 2020 align with Grant PUD's Strategic Plan objectives, which include reliably delivering power at long term low prices to customers.

Deferred outflows of resources related to losses on refundings were \$29.8 million, \$33.9 million and \$3.5 million as of December 31, 2021, 2020 and 2019 respectively. The decrease of \$4.1 million from 2020 to 2021 is in-line with the annual amortization. The increase of \$30.4 million from 2019 to 2020 was driven by increased unamortized losses, due to debt refundings and defeasances that occurred in 2020. The losses on refundings are being amortized over an average of 25 years. Deferred outflows of resources related to pensions were \$7.9 million, \$8.3 million and \$6.4 million as of December 31, 2021, 2020 and 2019, respectively. Deferred outflows of resources related to pensions fluctuate due to Grant PUD recording its proportionate share of the increase or decrease in collective deferred outflows each year for the PERS plans as provided by the Department of Retirement Systems, partially offset by associated amortization.

### **LIABILITIES AND DEFERRED INFLOWS**

Total liabilities and deferred inflows increased by \$83.0 million (5.8%) from 2020 to 2021 and decreased by \$119.7 million (7.7%) from 2019 to 2020. The increase from 2020 to 2021 is primarily due to significant fluctuations in pension obligations and related deferred inflows, reinstating the no-net-impact liability, and increases in unearned revenue. For the year ended December 31, 2021, the pension plan experienced significant fluctuations, which prompted Grant PUD to invoke regulatory accounting for pensions (See Note 1 & Note 8). The net pension liability, deferred inflows, and regulatory liability resulted in a net increase of \$64.8 million. Unearned revenue increased \$26.6 million due to growth from large customers. During 2020, Grant PUD defeased and refinanced several bonds to reduce interest rates on outstanding debt. The debt transactions, along with regularly scheduled payments resulted in a decrease of \$87.8 million in outstanding debt and \$6.3 million of accrued bond interest from 2019 to 2020. Grant PUD had approximately \$1.2 billion in bonded debt outstanding as of the year ended December 31, 2021 and 2020 and \$1.3 billion as of the year ended December 31, 2019. During 2020, Grant PUD made the assertion that all no-net-impact requirements related to the Licensing Obligations had been satisfied, resulting in a decrease of \$20.6 million in Licensing Obligations. In 2021, consensus over no-net-impact requirements was not achieved and the liability was reinstated, resulting in a net increase in Licensing Obligations of \$16.2 million. Grant PUD's annual Licensing Obligation payments for 2021, 2020, and 2019 were approximately \$2.4 million, \$2.3 million, and \$2.0 million, respectively.

## Management's Discussion and Analysis (Unaudited) Years ended December 31, 2021 and 2020

Deferred inflows of resources related to pensions were \$67.4 million, \$7.8 million and \$14.7 million as of December 31, 2021, 2020, and 2019, respectively. Fluctuations occur from year to year due to the District's proportionate share of changes in pension plan actuarial assumptions. The increase of \$59.6 million (764.1%) from 2020 to 2021 is attributed to changes in the pension plans projected and actual investment earnings and changes of assumptions, which resulted in the PERS 2/3 plans becoming fully funded. The decrease of \$6.9 million (46.9%) from 2019 to 2020 was attributed to changes in the pension plans projected and actual investment earnings and changes of assumptions. Remaining amounts are amortized over future periods to the regulatory liability.

### NET POSITION

Total net position was \$1.4 billion, \$1.3 billion, and \$1.2 billion as of December 31, 2021, 2020, and 2019, respectively. These increases have been driven by the positive changes in net position resulting from increased retail energy sales and net wholesale revenues, partially offset by increasing operating expenses. Refer to 'Statement of Revenues and Expenses and Changes in Net Position' section below for further analysis.

### STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION

**Operating Revenues:** Total operating revenues increased by \$27.7 million (8.3%) from 2020 to 2021 and \$10.9 million (3.4%) from 2019 to 2020, which was the net result of several items discussed below:

Retail energy sales were \$231.9 million, \$209.8 million, and \$209.9 million in 2021, 2020, and 2019, respectively. Retail energy sales increased \$22.1 million (10.5%) from 2020 to 2021, primarily driven by continued load growth of the utility's largest commercial and industrial customers. Retail energy sales were stable from 2019 to 2020, with a slight decrease of \$0.1 million due to reduced loads of commercial and industrial customers and mild winter weather.

Wholesale revenues, net, were \$90.4 million, \$82.0 million and \$69.4 million in 2021, 2020, and 2019, respectively. These revenues are reflective of the individual ebbs and flows of power consumption, market forces on wholesale power prices and the timing and terms of various agreements the utility has in place. The \$8.4 million increase from 2020 to 2021 was largely driven by a \$15.2 million increase in proceeds Grant PUD receives on an annual basis in accordance with long-term power sales contracts for Grant PUD load that is above the reserve 63.3% physical share of the Priest Rapids Project. This increase was partially offset by a \$6.7 million decrease in all other wholesale transactions including the pooling agreements and slice agreements. Total net payments received by Grant PUD under the pooling agreements were \$5.9 million, \$21.6 million, and \$1.9 million in 2021, 2020, and 2019, respectively. The \$15.7 million decrease from 2020 to 2021 was primarily driven by the new pooling agreement which changed from a 53.3% to 33.3% share of the Priest Rapids project. This decrease was offset by a \$19.5 million increase in revenue from the slice agreements, as shares increased from 10.0% to 30.0%. The \$19.7 million increase from 2019 to 2020 was driven by a \$14.3 million increase in payments to Grant PUD based on the fixed payment schedules entered into at the onset of the agreements and an \$8.4 million increase in the load true-up metric; partially offset by a \$3 million decrease in the other non-hydrological true-up metrics. The increase in the load true-up metric was due to Grant PUD experiencing retail load growth below previously forecasted levels.

Sales to power purchasers at cost were \$23.6 million, \$27.9 million, and \$29.9 million in 2021, 2020, and 2019, respectively. These revenues are directly tied to power costs as defined in the long-term power sales contracts and the proportion of the power costs that the power purchasers are responsible for per the contracts. Total contractual power costs were \$187.3 million, \$170.5 million and \$171.2 million in 2021, 2020 and 2019, respectively. The percentage of these costs covered by power purchasers continued to decrease (12.5%, 16.4% and 17.5% in 2021, 2020 and 2019, respectively) which drove the relative decrease in revenues versus total power costs.

## Management's Discussion and Analysis (Unaudited) Years ended December 31, 2021 and 2020

Other revenues were \$13.8 million, 12.4 million, and \$12.0 million in 2021, 2020, and 2019, respectively. The largest driver of other revenues are Wholesale fiber optic network sales, which were \$12.0 million, \$10.7 million, and \$9.4 million in 2021, 2020, and 2019, respectively. The increases of \$1.3 million (12.1%) from 2020 to 2021 and \$1.3 million (13.8%) from 2019 to 2020 are driven by the substantially improved take rates (percentage of system subscribed versus unsubscribed) and continued build out of the network.

**Operating Expenses:** Total operating expenses increased by \$34.3 million (14.8%) from 2020 to 2021 and \$10.7 million (4.9%) from 2019 to 2020, which was the net result of several items discussed below:

Depreciation and amortization expense was \$79.5 million, \$78.7 million, and \$76.0 million in 2021, 2020 and 2019, respectively. These increases are consistent with the investment in utility plant, net and are affected by the timing of major units at the Priest Rapids Project being placed in service (two units were commissioned over a three year period in April 2019 and November 2020).

Other operating expenses were \$185.8 million, \$152.4 million, and \$144.3 million in 2021, 2020, and 2019, respectively. The increase of \$33.4 million (21.9%), was primarily attributed to an increase in labor and benefits of \$8.6 million, purchased services of \$5.7 million, IT equipment and software of \$3.0 million, and operating materials of \$2.7 million. The increase in labor and benefits was driven by budgeted wage increases and less labor supporting capital projects than anticipated. The increase of \$8.1 million (5.6%) from 2019 to 2020 was largely attributed to an increase in labor of \$10.2 million driven by budgeted wage increases and less labor supporting capital projects compared to the prior year. The increase in labor was partially offset by decreases in other miscellaneous operating activities.

### **Other Revenues and Expenses:**

Total other revenue and expenses were \$(33.6) million, \$(21.3) million and \$(23.1) million in 2021, 2020 and 2019, respectively. The \$12.3 million (57.7%) net change from 2020 to 2021 is primarily from a decrease in interest and other income of \$17.0 million due to premium losses on investments and market volatility creating significant swings in mark to market adjustments, resulting in a shift from net unrealized gains in 2020 to net unrealized losses in 2021. Decreases in amortization of debt related costs and debt issuance costs of \$5.6M partially offset the decrease in interest and other income. The \$1.8 million (7.8%) net change from 2019 to 2020 was from defeased and refinanced debt, which resulted in a decrease in interest expense of \$15.2 million (25.6%), offset by an increase of \$7.9 million in amortization of debt related costs, and an increase in debt issuance costs of \$2.8 million.

Contributions in aid of construction ("CIACs") revenues were \$14.1 million, \$14.0 million, and \$8.5 million in 2021, 2020, and 2019, respectively. These revenues are earned as Grant PUD completes infrastructure requests funded by customers. Variability in numbers correlate with ongoing capital projects.

## **CONTACTING GRANT PUD'S FINANCIAL MANAGEMENT**

This report is designed to provide Grant PUD's customers, bondholders, creditors, and other interested parties with a general overview of Grant PUD's finances. For questions regarding this report or additional information, please contact Grant PUD's Chief Financial Officer, Bonnie Overfield, at [Boverfi@gcpud.org](mailto:Boverfi@gcpud.org), or at the Public Utility District No. 2 of Grant County, P.O. Box 878, Ephrata, Washington 98823.

## Statements of Net Position

December 31, 2021 and 2020

(amounts in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2021	2020
CURRENT ASSETS		
Cash	\$ 2,837	\$ 5,371
Investments	46,607	80,278
Restricted funds		
Cash	941	732
Investments	99,055	89,294
Customer accounts receivable, net	46,389	31,420
Materials and supplies	20,861	19,091
Due from power purchasers	535	33
Other current assets	2,867	7,470
Total current assets	<u>220,092</u>	<u>233,689</u>
NONCURRENT ASSETS		
Utility plant, net	2,285,569	2,195,405
Other noncurrent assets:		
Investments	2,407	4,566
Restricted funds		
Cash	1,895	2,330
Investments	311,733	287,781
Net pension assets	65,195	-
Conservation loans	254	303
Preliminary survey costs	3,728	4,115
Total other noncurrent assets	<u>385,212</u>	<u>299,095</u>
Total noncurrent assets	<u>2,670,781</u>	<u>2,494,500</u>
TOTAL ASSETS	<u>2,890,873</u>	<u>2,728,189</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pensions	7,898	8,268
Deferred outflows of resources - OPEB	2,077	2,368
Deferred outflows of resources - losses on refundings	29,793	33,881
Total deferred outflows	<u>39,768</u>	<u>44,517</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,930,641</u>	<u>\$ 2,772,706</u>

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



## Statements of Net Position

December 31, 2021 and 2020

(amounts in thousands)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2021	2020
CURRENT LIABILITIES		
Accounts payable		
Trade	\$ 36,854	\$ 36,339
Wages payable	16,110	13,556
Accrued taxes	8,495	7,821
Customer deposits	7,411	5,556
Accrued bond interest	22,331	22,488
Unearned revenue	21,072	9,792
Habitat liability	17,662	16,325
Other current liabilities	-	40
Current portion of licensing obligations	2,490	1,785
Current portion of long-term debt	29,795	79,295
	<u>162,220</u>	<u>192,997</u>
NONCURRENT LIABILITIES		
Long-term debt, less current portion	1,152,344	1,134,536
Licensing obligations, less current portion	68,505	53,015
Regulatory liability - pension	24,634	-
Net pension liability	6,298	25,727
Total OPEB liability	8,956	10,364
Long-term unearned revenue	24,044	8,710
	<u>1,284,781</u>	<u>1,232,352</u>
	<u>1,447,001</u>	<u>1,425,349</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions	67,372	7,752
Deferred inflows of resources - OPEB	1,712	-
	<u>69,084</u>	<u>7,752</u>
	<u>1,516,085</u>	<u>1,433,101</u>
NET POSITION		
Net investment in capital assets	1,105,074	981,009
Restricted	315,976	307,194
Unrestricted	(6,494)	51,402
	<u>1,414,556</u>	<u>1,339,605</u>
	<u>\$ 2,930,641</u>	<u>\$ 2,772,706</u>

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

## Statements of Revenues and Expenses and Changes in Net Position

Years Ended December 31, 2021 and 2020

(amounts in thousands)

	2021	2020
OPERATING REVENUES		
Sales to power purchasers at cost	\$ 23,584	\$ 27,908
Retail energy sales		
Residential	46,211	45,094
Irrigation	28,756	27,453
Commercial and industrial	153,376	133,846
Governmental and others	3,595	3,384
Wholesale revenues, net	90,411	81,974
Wholesale fiber optic network sales	12,046	10,672
Other	1,758	1,713
	<u>359,737</u>	<u>332,044</u>
OPERATING EXPENSES		
Generation	47,218	37,702
Transmission	2,975	2,680
Distribution	36,459	31,041
Customer and information services	4,056	4,079
Wholesale fiber optic network operations	2,772	2,257
Administrative and general	58,722	38,791
License compliance and related agreements	13,488	18,106
Depreciation and amortization	79,549	78,677
Taxes	20,080	17,736
	<u>265,319</u>	<u>231,069</u>
NET OPERATING INCOME	<u>94,418</u>	<u>100,975</u>
OTHER REVENUES (EXPENSES)		
Interest and other income	2,578	19,569
Interest on revenue bonds and other, net	(44,857)	(44,167)
Federal rebates on revenue bonds	10,484	10,616
Amortization of debt related costs	(1,652)	(4,406)
Cost of debt issuance	(130)	(2,937)
	<u>(33,577)</u>	<u>(21,325)</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION	<u>14,110</u>	<u>13,957</u>
CHANGE IN NET POSITION	<u>74,951</u>	<u>93,607</u>
NET POSITION		
Beginning of year	<u>1,339,605</u>	<u>1,245,998</u>
Total net position - end of year	<u>\$ 1,414,556</u>	<u>\$ 1,339,605</u>

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

## Statements of Cash Flows

Years Ended December 31, 2021 and 2020

(amounts in thousands)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from retail energy sales	\$ 230,446	\$ 207,650
Cash received from sales to power purchasers at cost	23,082	26,174
Cash received from wholesale revenues	143,035	112,649
Other cash receipts	16,360	14,849
Cash received (paid) for customer deposits	1,853	(996)
Cash paid for purchase of power	(50,650)	(34,605)
Cash paid to contractors, suppliers, and employees	(163,503)	(142,144)
Taxes paid	(19,407)	(17,429)
	<u>181,216</u>	<u>166,148</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on revenue bonds	(29,295)	(30,580)
Interest paid on revenue bonds	(45,014)	(50,423)
Federal interest rebates	15,769	5,330
Bond proceeds	50,000	522,657
Payment on refunded debt	(50,000)	(529,747)
Payment on defeased debt	-	(84,935)
Bond issuance cost	(130)	(2,937)
Cash received from contributions in aid of construction	25,849	14,978
Licensing obligation payments	(2,384)	(2,344)
Acquisition and construction of plant assets	(151,002)	(120,596)
Proceeds on sale of plant assets	1,020	325
Proceeds from insurance on capital assets	-	3,129
	<u>(185,187)</u>	<u>(275,143)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(558,226)	(365,653)
Sale of investment securities	554,844	452,029
Investment income proceeds	4,593	5,897
Net repurchase agreements	-	23,500
	<u>1,211</u>	<u>115,773</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<u>\$ (2,760)</u>	<u>\$ 6,778</u>
CASH AT BEGINNING OF YEAR	<u>8,433</u>	<u>1,655</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 5,673</u>	<u>\$ 8,433</u>

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

## Statements of Cash Flows

Years Ended December 31, 2021 and 2020

(amounts in thousands)

	2021	2020
<b>Reconciliation of operating gain to net cash used for operating activities:</b>		
Net operating income	\$ 94,418	\$ 100,975
Adjustments to reconcile net operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	79,549	78,677
OPEB Expense - non-cash portion	595	581
Pension Expense - non-cash portion	-	(7,918)
Accretion expense	232	75
Miscellaneous income	3,025	2,886
Provision for uncollectible accounts	129	45
Cash provided by (used in) changes in operating assets:		
Customer accounts receivable	332	(6,054)
Materials and supplies	(1,770)	(1,653)
Conservation loan	49	94
Receivable from power purchasers, net	(502)	(1,735)
Other current assets	(682)	(399)
Cash provided by (used in) changes in operating liabilities:		
Habitat funds	1,489	486
Trade and wages payables	2,381	780
Customer deposits	1,853	(996)
Accrued taxes	673	308
Unearned revenue on long-term contracts	(555)	(4)
	<u>\$ 181,216</u>	<u>\$ 166,148</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>Non-cash Investing, Capital and Related Financing Activities</b>		
Changes in construction costs included in accounts payable	\$ 690	\$ 596
Amortization of debt related costs, net	(1,652)	(4,406)
Changes in unrealized gain(loss) on investments	(5,227)	8,880
Gain(loss) on retirements, net	307	-
Change in licensing obligation	18,346	(18,346)

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

## 1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

### REPORTING ENTITY AND OPERATIONS OF GRANT PUD

Public Utility District No. 2 of Grant County, Washington (“Grant PUD” or “the utility”) is a municipal corporation of the state of Washington established in 1938 to serve the people of Grant County. Grant PUD comprises two operating systems: the Electric System and the Priest Rapids Project. Grant PUD is governed by an elected five-member Board of Commissioners (Commissioners). The Commissioners’ responsibilities are to appoint the General Manager/Chief Executive Officer (CEO), approve budgets for Grant PUD’s systems, and adopt regulations and set policies and guiding financial and operating principles for the operations included in these financial statements.

The Electric System is made up of Grant PUD’s electric transmission and distributions system and a fiber-optic telecommunication system. The Priest Rapids Project is composed of Grant PUD’s Wanapum Dam and the Priest Rapids Dam. The Priest Rapids Project is operated under Federal Energy Regulatory Commission (“FERC”) License, Project No. 2114. Grant PUD also maintains a Service System to provide administrative services to the operating systems. Internal transactions, which consist of intersystem loans and intercompany transactions between Grant PUD’s reporting segments and the Service System, have been eliminated in the accompanying financial statements in accordance with accounting principles generally accepted in the United States of America. Grant PUD is required by its financing arrangements to maintain separate accounts and to report separately on each operating system (see Note 13).

### SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation and Accounting Standards** – Grant PUD maintains its accounts in accordance with accounting principles generally accepted in the United States of America for proprietary funds as prescribed by the Governmental Accounting Standards Board (“GASB”). Grant PUD’s accounting records generally follow the Uniform System of Accounts for public utilities and licensees prescribed by FERC. Grant PUD’s accounting records are further maintained in accordance with methods prescribed by the State Auditor under authority of Chapter 43.09.

Grant PUD’s financial statements are reported using the economic resources measurement focus and 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 fiber are reported as operating revenue and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

The accompanying financial statements are those of Grant PUD, which generates, transmits, and distributes electric energy and wholesale fiber optic network services within Grant County, Washington.

The significant accounting and financial policies followed by Grant PUD are outlined below.

**Sales to power purchasers at costs** – Sales to power purchasers at cost are revenues associated with power sales from the Priest Rapids Project under the long-term Power Sales Contracts described in Note 6 and are recorded on a cost-based formula specified in the contracts which include operation and maintenance costs, 115% of debt service, and adjustments related to other factors. Depreciation, amortization, charges paid by the Renewal, Replacement and Contingency Fund, and Construction Funds are not considered costs of producing and delivering power for this purpose.

**Retail Sales** – Grant PUD recognizes revenues associated with its retail customers when the power is delivered, which includes an estimate of revenue earned but not billed to customers as of year-end.



**Wholesale** – Grant PUD enters into various wholesale power purchase and sale agreements, for the purpose of securing a supply source that satisfies various peak load demand, to accommodate temporary outages, diversify supply and enhance reliability in accordance with prudent reliability standards, and to mitigate commercial risks arising from the potential change in values of owned assets due to hydrology fluctuations. Wholesale revenues, net are recognized when contractual obligations are met or ratably over the contract term (capacity payments) and presented net with simultaneously contracted energy purchases. Wholesale revenues, net include slice agreements, pooling agreements, financial proceeds received for Grant PUD’s Estimated Unmet District Load “EUDL” as defined by the long-term Power Sales Contracts and booked-out transactions.

**Cash** – Grant PUD only classifies amounts held in demand deposit accounts as cash.

**Deposits and Investments** – Deposits and Investments of Grant PUD are stated at fair value (refer to Note 2 for additional details), except for investments in the Washington State Local Government Investment Pool (LGIP) which are reported at amortized cost.

Realized and unrealized gains and losses on investments are included in interest and other income on the Statements of Revenues and Expenses and Change in Net Position.

Short-term investments are defined as investments with a maturity of less than one year. The purchase and maturity of investment instruments are reported on a gross basis in the Statements of Cash Flows, with the exception of repurchase agreements, which are reported on a net basis.

Investments are made in accordance with allowable investments established by state statutes. Authorized investments include: 1) Bonds of the state of Washington and any local government in the state of Washington; 2) General obligation bonds of a state or local government of a state, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency; 3) Registered warrants of a local government in the same county as the government making the investment (subject to compliance requirements); 4) Obligations of the U.S. Government and its agencies; 5) Federal home loan and federal land bank bonds and federal national mortgage association obligations whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system; 6) Banker acceptances purchased on the secondary market; 7) Commercial paper and Corporate notes purchased in the secondary market, provided that the investments are to adhere to the investment policies and procedures adopted by the state investment board; and 8) the Washington State Treasurer’s Local Government Investment Pool (“LGIP” or “State Investment Pool”).

**Materials and Supplies** – Materials and supplies consist of hydroelectric generation, transmission, and distribution assets as well as fiber optic cable and fiber-related supplies. All inventory amounts are recorded at average cost and include overhead charges.

**Customer accounts receivable, net** – Customer accounts receivable, net includes credit balances for uncollectible accounts and some credit customer balances. Management reviews accounts receivable on a regular basis to determine if any receivables will potentially be uncollectible. The allowance for uncollectible accounts includes amounts due from specific customers for which collection is in question. Such estimates are developed based on historical experience. As of December 31, 2021 and 2020, the allowance for uncollectible accounts was approximately \$0.8 million and \$0.6 million, respectively, and is included in Customer accounts receivable, net.

Additional credit balances exist for customers set up on budget pay plans and customers with prepayments on account for credit purposes. As of December 31, 2021 and 2020, total credit balances were approximately \$4.2 million and \$3.8 million, respectively.

**Contributions in Aid of Construction** – A portion of Grant PUD’s utility plant is financed through contributions from customers in accordance with the Customer Service and Interconnection policies. Additionally, a portion of utility plant may be financed through contributions from other sources, such as other governmental organizations or Fiber Optic Network Customers. Grant PUD recognizes capital contributions from these sources as non-operating revenue at the point at which it becomes nonrefundable. Grant PUD recognized \$14.1 and \$14.0 million of Contributions in Aid of Construction for the each of the years ended December 31, 2021 and 2020, respectively.

**Utility Plant** – Utility plant assets are recorded at cost including an allocation of internal payroll and other administrative and general costs associated with construction of the assets. Depreciation is determined by the straight-line method over the estimated life of the asset. Meters and transformers begin depreciating when received regardless of in-service date. Grant PUD’s asset lives used for computing depreciation range from five to 100 years, with an average rate of 2.33% and 2.63% for 2021 and 2020, respectively. Depreciation is calculated using the following estimated useful lives:

Generation	5 to 100
Transmission and Distribution	5 to 65
General	5 to 55
Fiber	10 to 50

When Grant PUD retires portions of its Utility Plant, retirements are recorded against Accumulated Depreciation and the retired portion of Utility Plan is removed from the Plant in Service. When utility plant assets are retired, their original cost, together with removal costs, less salvage, are charged to accumulated depreciation. The costs of maintenance and repairs are charged to operations as incurred. Renewals, replacements, and betterments are capitalized per Grant PUD’s Asset Capitalization Policy. The Policy requires assets to have a minimum useful life of five years and minimum cost of \$10,000, except for permanent additions to transmission and distribution or wholesale fiber plant, which only require a useful life greater than one year. Grant PUD assesses its assets for obsolescence and possible impairment on a periodic basis. Once an asset has been identified as impaired due to a significant and unexpected decline in usable capacity, it is written down to reflect its current service utility and the associated impairment loss is charged either to operations or an extraordinary item depending on its nature.

**Preliminary Survey Costs** – Certain preliminary costs are capitalized in accordance with FERC accounting guidance, which allows the capitalization of preliminary surveys, plans, designs, investigations, etc., incurred for the purpose of determining the feasibility of utility projects under contemplation. If construction results, these costs are transferred to construction work in progress. A project that is unfeasible or abandoned is expensed in the current period.

**Demand-Side Management (“DSM”) Programs** – Grant PUD’s expenditures for regional conservation programs and other DSM programs which benefit future periods by reducing energy supply requirements have historically been capitalized and amortized over the expected useful lives of the programs. DSM costs are expensed as Customer information and services expense. DSM costs incurred prior to 2009 are amortized over the original useful lives of the programs. The accumulated balance became fully amortized as of December 31, 2020.

**Due from/to Power Purchasers** – This balance represents the difference between estimated power costs collected by the Priest Rapids Project from power purchasers versus actual power costs, which will be settled with power purchasers the following year.

**Debt Discounts, Premiums, and Issuance Costs** – Debt discounts and premiums relating to the sale of bonds are amortized over the lives of the related bonds using the constant yield method. Debt issuance costs are recognized in the period incurred. Debt issuance costs incurred prior to 2013 are being amortized over the life of the related debt.

**Refunding of Debt** – The gain or loss on refunding of debt is recognized as a deferred inflow or outflow of resources and amortized over the remaining life of the refunded or newly issued bond(s), whichever is shorter. If debt is extinguished using Grant PUD’s existing resources, any resulting gain or loss is recognized during the current period.

**Unearned Revenue** – Contributions in aid of construction that are refundable are recorded as short-term or long-term unearned revenue depending on when construction associated with the contribution(s) is expected to take place. Additionally, Grant PUD has two long-term exchange contracts under which Grant PUD received collective prepayments of \$2.0 million that are being amortized into revenue on a straight-line basis over the life of these agreements.

**Revenue Taxes** – Utility revenue-based taxes assessed by governmental entities are accounted for as a separate cost collected from customers for remittance to those governmental entities. Therefore, revenue taxes paid to the taxing authorities are accounted for as an operating expense on the Statements of Revenues and Expenses and Changes in Net Position. Taxes collected from customers on behalf of other governmental entities are included in Retail energy sales in the Statements of Revenues and Expenses and Changes in Net Position.

**Net Position** – Grant PUD classifies net position into three components: Net investment in capital assets, Restricted, and Unrestricted. These classifications are defined as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation reduced by the outstanding debt balances, net of unamortized debt expenses, and related unspent project and debt service funds.
- *Restricted* – This component of net position consists of assets with constraints placed on their use. Constraints include those imposed by debt trust indentures, grants or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This component of net position consists of net assets and liabilities that do not meet the definition of “restricted” or “net investment in capital assets.”

When Grant PUD restricts or designates funds for a specific purpose, and both restricted or designated and unrestricted resources are available for use, it is Grant PUD’s policy to use restricted and designated first, then unrestricted resources as they are needed.

**Restricted Bond Funds** – Grant PUD has established separate reserve fund accounts in accordance with certain bond issuances and related agreements. The assets in these funds are restricted for specific uses, including debt service and other reserve requirements.

**Significant Risk and Uncertainties** – Grant PUD is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include weather and natural-disaster-related disruptions, collective bargaining labor disputes, fish and other Endangered Species Act (“ESA”) issues, Environmental Protection Agency regulations, federal government regulations or orders concerning the operation, maintenance and/or licensing of hydroelectric facilities, and the changes to the regulatory environment of the electrical utility industry.

Grant PUD carries excess liability coverage with an annual aggregate limit of \$60 million with a self-insured retention of \$2 million per occurrence. It carries underlying liability policies for specific loss types such as foreign travel and non-owned aviation liability to protect Grant PUD from losses associated with these risks. Grant PUD also maintains property insurance coverage with an aggregate limit of \$200 million, protecting against significant losses at the Priest Rapids Project, the Electric System, and all of the various Grant PUD real properties, with deductibles up to \$2.5 million per loss, and subject to policy terms and conditions.

**Enterprise Risk Management** – Grant PUD’s Enterprise Risk management is central to Grant PUD’s management processes; such that risks are considered in terms of the effect of uncertainty on objectives. The Enterprise Risk Management policy at Grant PUD includes strategy and planning, management, reporting processes, policies and values and culture. Grant PUD’s governance structure and processes are based on the management of risk. Effective risk management is regarded by employees as essential for the achievement of the organization’s objectives. The Enterprise Risk Management Committee consists of senior management and the manager of Enterprise Risk Management. This body assists the Commission and CEO in fulfilling their corporate governance responsibilities regarding risk management for Grant PUD and its related entities.

**Energy Risk Management** – Grant PUD’s power marketing activities are confined to balancing Grant PUD loads and resources and optimizing the value of the Priest Rapids Project for Electric System retail customers. The primary purpose of trading at the District is to meet the Electric System’s project loads, mitigate power portfolio risk and stabilize power portfolio cost and revenue. The Energy Risk Oversight Committee consists of senior management in the areas of wholesale energy marketing, financial management, and risk management, and meets regularly to monitor marketing activities, corporate position, policies, and risk. The Energy Risk Oversight Committee has developed and maintained an Energy Risk Management Policy which has been adopted by Grant PUD. The policy outlines the parameters for transactions, trader and counterparty exposure, and establishes review protocols and reporting frequency for all power supply management activities. Grant PUD believes its adherence to a periodic review of these policies and its controls to assure they are pertinent and being followed limits the risk of substantial financial loss resulting from Grant PUD’s power supply management activities.

**COVID-19 Pandemic** – In March 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a new virus known as COVID-19. In the months following the declaration, precautionary measures were ordered including closing schools, cancelling public events, limiting public gatherings, and restricting business operations and travel for non-essential activities.



In response to the COVID-19 pandemic, Grant PUD established an Incident Management Team to set priorities protecting employee health, plan operations at varying Incident Criticality Levels (ICLs) and to safely and reliably deliver essential services without interruption. Certain measures were proactively implemented to mitigate operational and financial impacts to Grant PUD and its customers including: closing lobbies and recreation sites, requiring employees not required to be on site for essential services to work from home, and implementing “social distancing” and personal protective equipment measures for Grant PUD’s on-site staff. Contact tracing, COVID-19 preventative testing and a vaccine planning committee have also been established. The effects of the pandemic did not result in any interruptions to service for customers or material adverse financial impacts.

**Personal Leave Benefit** – Employees of Grant PUD accrue a personal leave benefit at rates dependent on year of service. Personal leave may be used for vacation, sick leave, or other employee absences. Unused personal leave may be accumulated up to a maximum of 1,200 hours for employees who began service prior to April 1, 2011. For employees hired on or after April 1, 2011, the maximum amount of accrued personal leave is 700 hours. Accrued liability for personal leave was \$12.8 million and \$11.6 million as of December 31, 2021 and 2020, respectively. These liabilities are presented as part of Wages payable. Additions to and deductions from accrued personal leave were \$8.2 million and \$7.0 million for 2021, and \$7.2 million and \$5.5 million for 2020.

**Use of Estimates** – The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Actual results could differ from these estimates. Grant PUD has used significant estimates in determination of unbilled revenue, licensing obligations, allowance for uncollectible accounts, net pension and other postemployment benefits/liabilities, regulatory assets/liabilities, and depreciable lives of utility plant.

**Pensions** – For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans’ fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. Accordingly, the balances are generally reported as of June 30 instead of December 31 because the DRS’ fiscal year ends on June 30 of each year. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value at the state pension plan level.

**Deferred Outflows/Inflows of Resources** – Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of losses on refunding of debt, the effects of economic/demographic gains or losses and assumption changes or inputs related to the OPEB liability, contributions to pension plans subsequent to the June 30 measurement date, Grant PUD’s proportionate share of deferred outflows related to those plans, and effects of economic/demographic gains or losses and assumption changes or inputs. Pension plan contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the following year. Deferred outflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred outflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

## Notes to the Financial Statements (cont.)

Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of Grant PUD's proportionate share of deferred inflows related to pension plans. Deferred inflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred inflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

**Regulated Operations** – The board of commissioners establishes rates to be charged for Grant PUD services, which recover the costs of providing services to customers. Grant PUD follows industry accounting and capitalization principles for regulated operations. Accordingly, certain expenses and credits, normally reflected in the Statement of Revenues, Expenses and Changes in Net Position as incurred, are recognized when included in rates and recovered from, or refunded to, customers. Regulatory assets or liabilities are recorded to reflect rate-making actions of the Commissioners.

GASB 62 outlines the concept of regulatory accounting for entities or operations that are rate regulated, allowing certain expenses and revenues normally reflected in the Change in Net Position as incurred to be recognized when they are included in rates and recovered from, or refunded to, customers. As of the year ended December 31, 2021, Grant PUD elected to invoke regulatory accounting for the annual GASB 68 pension adjustment. This election was implemented on a prospective basis and resulted in establishing a regulatory liability account, where the annual actuarially determined pension expense is deferred on the balance sheet, rather than recognized as incurred on the income statement. The annual pension expense reported in the Change in Net Position is equivalent to actual contributions made by Grant PUD to the pension plan, which is consistent with rate calculations.

**Reclassifications** – Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 presentation.

### ACCOUNTING STANDARD CHANGES

In May 2020, GASB issued Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*". The objective of this Statement is to provide temporary relief from certain new accounting and financial reporting requirements to governments in light of the COVID-19 pandemic. With the statement being effective immediately, Grant PUD adopted this pronouncement for fiscal year 2019, resulting in the postponement of implementing GASB Statement No. 83, "*Certain Asset Retirement Obligations*", and GASB Statement No. 84, "*Fiduciary Activities*" which were subsequently implemented in fiscal year 2020. Other Statements impacted by this Statement were either early adopted by Grant PUD, as noted above, or are not effective for fiscal year end 2020 and 2021.

In November 2016, GASB issued Statement No. 83, "*Certain Asset Retirement Obligations*." This Statement addresses the accounting and financial reporting for certain asset retirement obligations (AROs). Grant PUD adopted this statement in fiscal year 2020 and it did not have a material impact to the financial statements. Asset retirement obligation disclosures have been added to the financial statement footnotes. Refer to Note 7, Nonpower Commitments.

In January 2017, GASB issued Statement No. 84, "*Fiduciary Activities*." The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for financial and reporting purposes and how the activities should be reported. Grant PUD adopted GASB Statement No. 84 in conjunction with Statement No. 97 for fiscal year end 2020, which did not impact the financial statements.

## Notes to the Financial Statements (cont.)

In August 2019, GASB issued Statement No. 90, *“Majority Equity Interests.”* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. Grant PUD adopted this statement in fiscal year 2020 and it did not impact the financial statements.

In June 2020, GASB issued Statement No. 97 *“Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.”* The objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Grant PUD adopted this statement in fiscal year 2020 and it did not impact the financial statements.

In March 2020, GASB issued Statement No. 93, *“Replacement of Interbank Offered Rates.”* The primary objective of this Statement is to establish accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivatives instruments. As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form after December 31, 2021. The requirements of Statement 93 are effective for reporting periods ending after June 15, 2020 and December 31, 2021. Grant PUD redeemed its only LIBOR based debt product on July 1, 2021 and adoption of this statement resulted in no impact to the financial statements.

### ACCOUNTING STANDARDS IMPACTING THE FUTURE

In June 2018, GASB issued Statement No. 87, *“Leases.”* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of Statement No. 87 are effective for reporting periods beginning after June 15, 2021. Grant PUD is currently evaluating the financial statement impact of adopting this Statement.

In May 2019, GASB issued Statement No. 91, *“Conduit Debt Obligations”*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangement associated with conduit debt obligations, and (3) related note disclosures. The requirements of Statement No. 91 are effective for reporting periods beginning after December 15, 2021. Grant PUD is currently evaluating the financial statement impact of adopting this Statement.

In January 2020, GASB issued Statement No. 92, “*Omnibus 2020*”. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues for eight recent pronouncements, including GASB 87, “*Leases*”, GASB 84, “*Fiduciary Activities*”, and GASB 83, “*Asset Retirement Obligations*”. The requirements of Statement 92 are effective for reporting periods beginning after June 15, 2021. Grant PUD is currently evaluating the financial statement impact of adopting this Statement.

In March 2020 GASB issued Statement No. 94, “*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.” The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPP). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial assets, such as infrastructure or other capital asset for a period of time in an exchange or exchange-like transaction. The Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs), which are arrangements in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of Statement No. 94 are effective for reporting periods beginning after June 15, 2022. Grant PUD is currently evaluating the financial statement impact of adopting this Statement.

In May 2020, GASB issued Statement No. 96 “*Subscription-Based Information Technology Arrangements*.” The primary objectives of this Statement are to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for subscription-based information technology arrangements (SBITAs), to improve the comparability of financial statements among governments that have entered into SBITAs, and to enhance the understandability, reliability, relevance, and consistency of information about SBITAs. The requirements of Statement 96 are effective for reporting periods beginning after June 15, 2022. Grant PUD is currently evaluating the financial statement impact of adopting the Statement.

## 2. CASH AND INVESTMENTS

Grant PUD’s cash deposits at December 31, 2021 and 2020, were either covered by federal depository insurance or protected against loss by being on deposit with financial institutions recognized as qualified public depositories of the state of Washington under the Revised Code of Washington (“RCW”) Chapter 39. Subject to specific bond resolution limitations, management is permitted to invest as provided under the laws of the state of Washington.

Unspent cash, and associated investments, received in connection with bond offerings are maintained in funds as required by Grant PUD’s bond indentures. Restricted assets represent funds that are restricted by bond covenants or third-party contractual agreements. Funds that are allocated by Commission resolution are considered to be restricted assets. However, their use may be redirected at any time with Commission approval. Additionally, the Electric System Reserve and Contingency Fund’s board resolution explicitly includes the ability to transfer rate stabilization resources out of the fund to be available for debt service coverage in any given year, if required. There were no transfers from rate stabilization resources in 2021. During 2020, \$28.0 million of the Electric System Reserve and Contingency Fund was used to defease debt, of which a portion came from rate stabilization resources.

## Notes to the Financial Statements (cont.)

As of December 31, 2021, and 2020, Grant PUD’s unrestricted and restricted assets included on the Statement of Net Position as Cash and Investments, including accrued interest, consisted of the following:

<b>(amounts in thousands)</b>	<b>2021</b>	<b>2020</b>
Unrestricted assets:		
Revenue and Service System funds	\$ 51,851	\$ 90,215
Total unrestricted assets	51,851	90,215
Restricted assets:		
Electric System Reserve and Contingency fund	106,739	106,586
Self-Insurance Reserve fund	1,214	1,214
Total board designated assets	107,953	107,800
Construction funds	45,327	21,936
Bond Sinking funds	185,218	175,431
Debt Service Reserve funds	45,112	45,347
Priest Rapids Renewal, Replacement and Contingency fund	12,020	12,137
Habitat funds	17,994	17,486
Total restricted assets	305,671	272,337
Total restricted and board designated assets	413,624	380,137
Total cash and investments	\$ 465,475	\$ 470,352

**Interest Rate Risk** – Grant PUD’s investment policy and investment oversight committee governs and monitors investment position limitations as a means of managing its exposure to fair value losses arising from increasing interest rates and to ensure compliance with state law. To further mitigate risk of selling investments early to meet unexpected cash flow needs, a minimum of 20% of the total portfolio will consist of investments maturing within one year. To the extent possible, Grant PUD matches its investments with anticipated cash flow requirements such as operating, construction, habitat, and current-year debt service. Other funds such as reserves and long-term sinking funds are invested within targeted effective duration parameters as determined by the investment oversight committee. With the exception of reserve and long-term sinking funds, Grant PUD will not invest in securities with an effective duration of more than six years from the date of purchase unless authorized by the investment oversight committee for specific transactions. Callable investments are assumed to be held to final maturity.



## Notes to the Financial Statements (cont.)

Below are Grant PUD's investment maturities as of December 31, 2021 and 2020:

(amounts in thousands)	<b>Total 2021</b>	<b>Investment Maturities (in Years)</b>			
	Total	Less Than 1	1-5	6-10	More Than 10
U.S. Treasuries	\$ 85,444	\$ 46,659	\$ 38,475	\$ 310	\$ -
Municipal Bonds	136,203	11,575	66,932	23,541	34,155
U.S. Agencies Bonds	75,258	19,873	50,720	4,665	-
Supranational Institutions	46,252	25,231	21,021	-	-
Corporate Notes	33,225	15,137	18,088	-	-
State Investment Pool	81,452	81,452	-	-	-
<b>Total</b>	<b>\$ 457,834</b>	<b>\$ 199,927</b>	<b>\$ 195,236</b>	<b>\$ 28,516</b>	<b>\$ 34,155</b>

(amounts in thousands)	<b>Total 2020</b>	<b>Investment Maturities (in Years)</b>			
	Total	Less Than 1	1-5	6-10	More Than 10
U.S. Treasuries	\$ 28,235	\$ 20,258	\$ 7,977	\$ -	\$ -
Municipal Bonds	150,233	9,124	66,992	21,880	52,237
U.S. Agencies Bonds	92,625	21,789	65,719	5,117	-
Commercial Paper	7,249	7,249	-	-	-
Supranational Institutions	31,016	18,421	12,595	-	-
Corporate Notes	52,534	28,336	24,198	-	-
State Investment Pool	97,787	97,787	-	-	-
<b>Total</b>	<b>\$ 459,679</b>	<b>\$ 202,964</b>	<b>\$ 177,481</b>	<b>\$ 26,997</b>	<b>\$ 52,237</b>

## Notes to the Financial Statements (cont.)

**Credit Risk** – Grant PUD’s investment policy complies with state law and specifies minimal credit rating acceptability criteria of potential investment issuers. Pursuant to the investment policy, the minimum credit rating requirement at the time of investment purchase is one of the three highest credit ratings of a nationally recognized rating agency. Additionally, state law limits investments in commercial paper and corporate notes to adhere to the investment policies and procedures adopted by the state investment board, which requires commercial paper to be rated with the highest short-term credit rating category of any two major Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase and corporate notes to be rated at least weak single-A or better by all of the major rating agencies that rate the note at the time of purchase. Not rated (NR) securities at the end of fiscal year 2021 are due to a prefunded security, which resulted in bond funds in escrow at December 31, 2021.

As of December 31, 2021, and 2020, investments in debt securities had credit quality ratings as follows:

**Investment Rating (S&P) Equivalent**

	Total 2021										
	Fair Value	Long-term							Short-term		
(amounts in thousands)	Fair Value	AAA	AA+	AA	AA-	A+	A	A-	NR	A-1+	A-1
Municipal Bonds	\$136,203	\$ 32,133	\$ 39,733	\$ 33,168	\$ 24,224	\$ 6,161	\$ 733	\$ -	\$ 51	\$ -	\$ -
U.S. Agencies Bonds	75,258	1,000	69,459	-	-	-	-	-	-	4,799	-
Supranational Institutions	46,252	46,252	-	-	-	-	-	-	-	-	-
Corporate Notes	33,225	4,089	10,219	1,046	6,895	7,346	3,630	-	-	-	-
<b>Total</b>	<b>\$290,938</b>	<b>\$ 83,474</b>	<b>\$119,411</b>	<b>\$ 34,214</b>	<b>\$ 31,119</b>	<b>\$ 13,507</b>	<b>\$ 4,363</b>	<b>\$ -</b>	<b>\$ 51</b>	<b>\$ 4,799</b>	<b>\$ -</b>

	Total 2020										
	Fair Value	Long-term							Short-term		
(amounts in thousands)	Fair Value	AAA	AA+	AA	AA-	A+	A	A-	NR	A-1+	A-1
Municipal Bonds	\$150,233	\$ 33,782	\$ 36,585	\$ 42,263	\$ 30,914	\$ 4,672	\$ 2,017	\$ -	\$ -	\$ -	\$ -
U.S. Agencies Bonds	92,625	2,001	80,626	-	-	-	-	-	-	9,998	-
Commercial Paper	7,249	-	-	-	-	-	-	-	-	5,249	2,000
Supranational Institutions	31,016	30,005	-	-	-	-	-	-	1,011	-	-
Corporate Notes	52,534	5,673	8,181	5,154	12,766	17,010	3,750	-	-	-	-
<b>Total</b>	<b>\$333,657</b>	<b>\$ 71,461</b>	<b>\$125,392</b>	<b>\$ 47,417</b>	<b>\$ 43,680</b>	<b>\$ 21,682</b>	<b>\$ 5,767</b>	<b>\$ -</b>	<b>\$ 1,011</b>	<b>\$ 15,247</b>	<b>\$ 2,000</b>

**Custodial Credit Risk** – Grant PUD’s investment policy requires that securities purchased are held by a master custodian or other entity legally allowed to act as an independent third party on behalf of Grant PUD within that entity’s trust department.

**Concentration of Credit Risk** – Grant PUD’s investment policy states that with the exception of direct U.S. Government obligations, repurchase agreements collateralized by the same, and the state investment pool, no more than 50% of the total portfolio par value will be invested in government sponsored agencies, supranational institutions, or municipal bonds, and no more than 25% of the total portfolio par value will be invested in corporate bonds and commercial paper. Credit concentration of Grant PUD’s investment portfolio is actively monitored by the investment oversight committee as required by Grant PUD’s investment policy.

The investment oversight committee actively monitors portfolio composition and seeks to ensure prudent diversification is maintained. The following are the concentrations of risk greater than five percent in either year.

The credit ratings listed are from Standard and Poor’s Rating Services as of December 31, 2021 and 2020.

Investments by Issuer	Credit Rating	2021	2020
Federal Home Loan Mortgage Corp	AA+	3%	5%
Federal Farm Credit Banks Funding Corp	AA+	9%	10%

## Notes to the Financial Statements (cont.)

Grant PUD's investments at December 31, 2021 and 2020, as identified on the Statements of Net Position, are shown below by investment type. All investments are either issued or registered in the name of Grant PUD or are held by Grant PUD or by Grant PUD's agent in Grant PUD's name, except for funds held in the Washington State Local Government Investment Pool which are not evidenced by securities. The difference between the totals shown in the previous table and table below is accrued interest of \$2.0 million and \$2.2 million for 2021 and 2020, respectively.

During 2021 and 2020, Grant PUD recognized \$4.3 million and \$4.9 million of interest income, respectively. The net (loss)gain in the fair value of investments held at December 31, 2021 and 2020 was (\$5.1) million and \$8.6 million, respectively.

Investments by type as of December 31, 2021 and 2020, were as follows:

(amounts in thousands)	2021		2020	
U.S. Treasuries	\$ 85,444	19%	\$ 28,235	6%
Municipal Bonds	136,203	29%	150,233	32%
U.S. Agencies Bonds	75,258	16%	92,625	20%
Commercial Paper	-	0%	7,249	1%
Supranational Institutions	46,252	10%	31,016	7%
Corporate Notes	33,225	7%	52,534	11%
State Investment Pool	81,452	18%	97,787	21%
Total investments	\$ 457,834	99%	\$ 459,679	98%
Cash	5,673	1%	8,433	2%
Total cash and investments	\$ 463,507	100%	\$ 468,112	100%

**Investments in Local Government Investment Pool (LGIP)** – Grant PUD is a participant in the State Local Government Investment Pool authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool that transacts with its participants at a stable net asset value per share of \$1.00. The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by GASB Statement 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost.

Participants may contribute and withdraw funds on a daily basis and must inform the LGIP of any contribution or withdrawal over \$1.0 million no later than 9 a.m. on the same day the transaction is made. Contributions or withdrawals for \$1.0 million or less can be requested at any time prior to 10:00 a.m. on the day of the transaction. However, participants may complete transactions greater than \$1.0 million when notification is made between 9:00 a.m. and 10:00 a.m., at the sole discretion of the LGIP. The LGIP is unrated and does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, and online at <http://www.tre.wa.gov>.

**Notes to the Financial Statements (cont.)**

**Fair Value Measurements** – Grant PUD’s investments have been adjusted to reflect fair value measurements as of December 31, 2021, obtained from available financial industry valuation sources. Grant PUD categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, “Fair Value Measurement and Application.” The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. In particular, Grant PUD valued its U.S. Treasuries using quoted prices in active markets. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

Below are Grant PUD’s fair value measurements as of December 31, 2021 and 2020:

(amounts in thousands)	Fair Value Measurements				Not Levelled (amortized cost)
	Total 2021	Level 1	Level 2	Level 3	
Investments by fair value level					
Debt Securities					
Municipal Bonds	\$ 136,203	\$ -	\$ 136,203	\$ -	\$ -
U.S. Treasuries	85,444	57,674	27,770	-	-
U.S. Agencies	75,258	-	75,258	-	-
Supranational Institutions	46,252	-	46,252	-	-
Corporate Notes	33,225	-	33,225	-	-
State Investment Pool	81,452	-	-	-	81,452
<b>Total investments by fair value level</b>	<b>\$ 457,834</b>	<b>\$ 57,674</b>	<b>\$ 318,708</b>	<b>\$ -</b>	<b>\$ 81,452</b>

(amounts in thousands)	Fair Value Measurements				Not Levelled (amortized cost)
	Total 2020	Level 1	Level 2	Level 3	
Investments by fair value level					
Debt Securities					
Municipal Bonds	\$ 150,233	\$ -	\$ 150,233	\$ -	\$ -
U.S. Treasuries	28,235	28,235	-	-	-
U.S. Agencies	92,625	9,998	82,627	-	-
Supranational Institutions	31,016	-	31,016	-	-
Corporate Notes	52,534	-	52,534	-	-
Commercial Paper	7,249	-	7,249	-	-
State Government Investment Pool	97,787	-	-	-	97,787
<b>Total investments by fair value level</b>	<b>\$ 459,679</b>	<b>\$ 38,233</b>	<b>\$ 323,659</b>	<b>\$ -</b>	<b>\$ 97,787</b>

### 3. UTILITY PLANT

Utility plant of Grant PUD as of December 31, 2021, and 2020, is summarized as follows:

(amounts in thousands)	Balance 2020	Additions	Retirements/ Transfers	Balance 2021
Land and land rights	\$ 25,216	\$ -	\$ 5,965	\$ 31,181
Construction in progress	119,049	150,764	(73,401)	196,412
<b>Total nondepreciable assets</b>	<b>144,265</b>	<b>150,764</b>	<b>(67,436)</b>	<b>227,593</b>
Distribution facilities	648,318	1,709	19,186	669,213
Transmission facilities	265,526	-	2,985	268,511
Hydro facilities				
Power plant structures	144,236	-	2,969	147,205
Reservoirs, dams, waterways	517,761	-	(330)	517,431
Power plant equipment	863,209	3,964	12,022	879,195
General facilities				
Quincy Chute (Note 6)	19,499	-	300	19,799
Potholes East Canal (Note 6)	16,491	-	-	16,491
Other generation	30	-	-	30
General plant	590,454	-	31,236	621,690
FERC License	123,517	18,346	-	141,863
Other intangible assets	56,514	121	(4,894)	51,741
<b>Total depreciable assets</b>	<b>3,245,555</b>	<b>24,140</b>	<b>63,474</b>	<b>3,333,169</b>
Accumulated depreciation and amortization	(1,194,415)	(80,008)	(770)	(1,275,193)
<b>Total depreciable assets, net</b>	<b>2,051,140</b>	<b>(55,868)</b>	<b>62,704</b>	<b>2,057,976</b>
<b>Total net utility plant</b>	<b>\$ 2,195,405</b>	<b>\$ 94,896</b>	<b>\$ (4,732)</b>	<b>\$ 2,285,569</b>



## Notes to the Financial Statements (cont.)

(amounts in thousands)	Balance 2019	Additions	Retirements/ Transfers	Balance 2020
Land and land rights	\$ 25,216	\$ -	\$ -	\$ 25,216
Construction in progress	124,525	120,600	(126,076)	119,049
Total nondepreciable assets	149,741	120,600	(126,076)	144,265
Distribution facilities	633,673	15,293	(648)	648,318
Transmission facilities	264,804	722	-	265,526
Hydro facilities				
Power plant structures	144,113	123	-	144,236
Reservoirs, dams, waterways	515,560	2,201	-	517,761
Power plant equipment	793,873	73,389	(4,053)	863,209
General facilities				
Quincy Chute (Note 6)	19,499	-	-	19,499
Potholes East Canal (Note 6)	16,491	-	-	16,491
Other generation	30	-	-	30
General plant	565,105	27,580	(2,231)	590,454
FERC License	141,863	-	(18,346)	123,517
Other intangible assets	49,099	8,040	(625)	56,514
Total depreciable assets	3,144,110	127,348	(25,903)	3,245,555
Accumulated depreciation and amortization	(1,122,471)	(78,618)	6,674	(1,194,415)
Total depreciable assets, net	2,021,639	48,730	(19,229)	2,051,140
Total net utility plant	\$ 2,171,380	\$ 169,330	\$ (145,305)	\$ 2,195,405

## 4. LICENSING

The Priest Rapids Project is operated under a 44-year FERC license that expires in 2052. Costs associated with the relicensing efforts, totaling \$57.1 million, were recorded as an intangible asset included in Utility plant and are being amortized over the term of the license. Accumulated amortization related to the relicensing efforts totaled \$29.4 million and \$28.2 million as of December 31, 2021 and 2020, respectively.

Under the license, Grant PUD is committed to numerous obligations related to fish and habitat protection that require payments to other organizations using funds provided by Grant PUD. The present value of these obligations totaled \$71.0 million as of December 31, 2021, of which approximately \$2.5 million is expected to be paid within one year. The present value of the obligations was \$54.8 million as of December 31, 2020. These amounts are the FERC Licensing Obligations reflected as liabilities in the Statement of Net Position. The elements of these obligating payments, comprising the Salmon and Steelhead Agreement, Part A (Hatchery Renovation) and Part B (Resident Fish Monitoring and Trout Purchase), are further discussed in Note 7.

Grant PUD's FERC License also contains requirements related to recreation sites, cultural resources, and various other requirements. Grant PUD has achieved compliance with many of these license terms and is actively implementing plans to comply with remaining requirements in a cost-effective manner in consultation with various stakeholders.

## 5. LONG-TERM DEBT

### Long-term Debt

Grant PUD's total principal of outstanding debt and coupon interest rate is presented below:

(amounts in thousands)

Issue	Final Maturity	Interest Rate	2021	2020
<u>Electric System Revenue Bonds</u>				
2017-O Bonds	1/1/2047	5.00%	64,545	64,545
2020-Q Bonds	1/1/2041	1.83%-3.34%	73,985	74,975
2020-R Bonds <sup>(1)</sup>	1/1/2044	2.00%	47,190	47,190
2020-S Bonds <sup>(1)</sup>	1/1/2044	2.00%	48,045	48,045
<u>Priest Rapids Project Revenue Bonds</u>				
2003-Z-PR Bonds <sup>(2)</sup>	1/1/2021	5.48%	-	1,715
2005-Z-PR Bonds <sup>(2)</sup>	1/1/2033	5.40%-5.50%	18,180	20,085
2006-Z-PR Bonds <sup>(2)</sup>	1/1/2036	5.33%	25,310	26,395
2003-Z-WAN Bonds <sup>(2)</sup>	1/1/2021	5.48%	-	1,870
2006-Z-WAN Bonds <sup>(2)</sup>	1/1/2043	5.33%-5.42%	76,535	78,350
2010-L Bonds	1/1/2040	4.96%-5.83%	161,165	164,495
2010-M Bonds	1/1/2027	5.63%	90,000	90,000
2010-Z Bonds	1/1/2040	5.41%-5.83%	30,520	30,880
2012-B Bonds	1/1/2023	5.00%	3,730	5,460
2012-M Bonds	1/1/2032	3.91%	42,395	42,395
2012-Z Bonds	1/1/2035	2.92%-4.16%	10,090	10,665
2015-M Bonds	1/1/2040	4.58%	90,000	90,000
2017-B Bonds	1/1/2031	2.65%	5,965	6,485
2020-Z Bonds	1/1/2043	1.79%-3.31%	124,750	127,115
2020-Z2 Bonds	1/1/2044	1.52%-3.05%	209,025	220,060
<u>Subordinate Revenue Bonds</u>				
2019-P Bonds	7/1/2021	Libor Based	-	50,000
2021-T Bonds	6/10/2024	SIFMA Based	50,000	-
<u>Total revenue bonds outstanding</u>			<u>\$ 1,171,430</u>	<u>\$ 1,200,725</u>

(1) The 2020-R and 2020-S Bonds were issued as mandatory put bonds bearing interest at a fixed term interest rate of 2.0% for the initial term interest rate period ending on their mandatory tender dates of December 1, 2025 and December 1, 2023, respectively. The District intends to redeem the R&S series between their call and mandatory tender dates.

(2) Bonds issued prior to 2010 were reported as separate projects.

## Notes to the Financial Statements (cont.)

Scheduled debt service requirements to maturity for debt from revenue bonds are as follows:

(amounts in thousands)	Principal	Interest	Total
2022	\$ 29,795	\$ 44,120	\$ 73,915
2023	79,965	43,230	123,195
2024	29,005	41,145	70,150
2025	76,990	40,399	117,389
2026	30,675	38,338	69,013
2027 - 2031	278,685	149,772	428,457
2032 - 2036	223,195	100,217	323,412
2037 - 2041	287,430	53,932	341,362
2042 - 2046	81,835	7,185	89,020
2047	3,855	96	3,951
<b>Total</b>	<b>\$ 1,121,430</b>	<b>\$ 518,434</b>	<b>\$ 1,639,864</b>

Scheduled debt service requirements to maturity for debt from direct placements are as follows:

(amounts in thousands)	Principal	Interest	Total
2022	\$ -	\$ 243	\$ 243
2023	-	243	243
2024	50,000	129	50,129
<b>Total</b>	<b>\$ 50,000</b>	<b>\$ 615</b>	<b>\$ 50,615</b>

Interest on revenue bonds in the preceding tables includes interest requirements for fixed rate debt at their stated rates. Interest on variable-rate direct placement debt is computed using 100% of the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index plus a fixed fee and is estimated using the SIFMA interest rate effective as of December 31, 2021.

During the years ended December 31, 2021 and 2020, the following changes occurred in Grant PUD's long-term debt:

(amounts in thousands)	2020 Balance	Additions	Reductions	2021 Balance	Due Within One Year
Revenue bonds payable	\$ 1,150,725	\$ -	\$ (29,295)	\$ 1,121,430	\$ 29,795
Unamortized premiums and discounts, net <sup>2</sup>	13,106	-	(2,397)	10,709	-
Subordinate direct placement revenue bonds	50,000	50,000	(50,000)	50,000	-
<b>Total</b>	<b>\$ 1,213,831</b>	<b>\$ 50,000</b>	<b>\$ (81,692)</b>	<b>\$ 1,182,139</b>	<b>\$ 29,795</b>

(amounts in thousands)	2019 Balance	Additions	Reductions	2020 Balance	Due Within One Year
Revenue bonds payable	\$ 1,169,395	\$ 517,385	\$ (536,055)	\$ 1,150,725	\$ 29,295
Unamortized premiums and discounts, net <sup>2</sup>	32,254	5,272	(24,420)	13,106	-
Subordinate direct placement revenue bonds	100,000	-	(50,000)	50,000	50,000
<b>Total</b>	<b>\$ 1,301,649</b>	<b>\$ 522,657</b>	<b>\$ (610,475)</b>	<b>\$ 1,213,831</b>	<b>\$ 79,295</b>

### **Refunded Debt**

On June 10, 2021, Grant PUD signed a subordinate direct placement bond purchase agreement with Bank of America, N.A., to issue a \$50.0 million variable rate Electric System refunding bond (2021-T). The bond refunded the \$50.0 million 2019-P issuance and has a floating interest rate of 100% of SIFMA plus 0.39% fee maturing on June 10, 2024.

On January 29, 2020 Grant PUD issued \$75.0 million of Series 2020-Q Electric System refunding bonds at an average coupon rate of 2.98% and final maturity date of January 1, 2041. The proceeds were used to refund the series 2013-J bonds. The difference between the reacquisition price and net carrying amount of the old debt of \$7.5 million is reported as a deferred outflow of resources and is being amortized over the remaining life of the debt. At time of issue the net present value savings, or economic gain, from the refunding was \$7.0 million.

On January 29, 2020 Grant PUD issued \$127.1 million of Series 2020-Z Priest Rapids Project refunding bonds at an average coupon rate of 2.99% and final maturity of January 1, 2043. The proceeds, combined with cash reserves, were used to refund and defease the six series 2010A, 2012A, 2013A, 2013Z, 2014B, and 2015B bonds. The refundings resulted in a difference between the reacquisition price and net carrying amount of the old debt of \$11.1 million and is reported as a deferred outflow of resources and is being amortized over the remaining life of the debt. The net present value savings, or economic gain, from the refunding is \$14.0 million. The defeasances resulted in a current accounting loss of \$3.2 million which is included in Amortization of debt related costs in the Statements of Revenues, Expenses and Changes in Net Position. At time of issue the net present value savings, or economic gain, from the defeasance was \$0.4 million.

On March 25, 2020 Grant PUD issued 2020-Z2 Priest Rapids Project bonds in the amount of \$220.1 million at an average coupon rate of 2.64% and final maturity of January 1, 2044. The proceeds were used to refund the series 2014A and 2015A bonds. The difference between the reacquisition price and net carrying amount of the old debt of \$15.0 million is reported as a deferred outflow of resources and is being amortized over the remaining life of the debt. At time of issue the net present value savings, or economic gain, from the refunding was \$7.7 million.

On September 1, 2020 Grant PUD issued the 2020-R and 2020-S Electric system bonds in the amounts of \$47.2 million and \$48.0 million at premiums of \$3.1 million and \$2.1 million, respectively. The proceeds were used to redeem the 2017-M and 2017-N bonds. The final maturity of the combined 2020-R&S series is January 1, 2044 with interest paid through January 1, 2035 at a combined yield of 0.59% and corresponding call dates of September 1, 2025 and September 1, 2023. The series 2020-R&S have mandatory tender dates of December 1, 2025 and December 1, 2023, after which time if not refunded the interest rate would move from the initial rate. The District intends to redeem the series 2020-R&S bonds between their call and mandatory tender dates.

### **Covenants**

Grant PUD's bond resolutions (senior lien parity bonds and subordinate lien bonds) contain various covenants that include requirements to maintain minimum annual debt service coverage ratios, stipulated minimum funding of revenue bond reserves for certain bonds, and various other requirements. These covenants require Grant PUD to establish, maintain and collect rates or charges for electric energy and all other commodities, services and facilities sold, furnished or supplied or through the Priest Rapids Project and Electric Systems to provide adequate net revenues in each system sufficient for the payment of principal and interest and all payments which the District is obligated to set aside in the bond funds in addition to operating costs. Costs of the Priest Rapids Project, including debt service and operating costs, are an obligation of the Electric system.

For the years ended December 31, 2021 and 2020, Grant PUD met the minimum debt service coverage of 1.15x and 1.25x for the Priest Rapids Project and Electric System senior bonds, respectively. The Electric System’s direct placed bank products are subordinate and have a coverage requirement of 1.10x.

**Collateral**

The principal and interest on Grant PUD’s revenue bonds are payable exclusively from, and are collateralized by a pledge of, the net revenues of Grant PUD. Neither the credit nor the taxing power of Grant PUD is pledged to the payment of the bonds.

**6. POWER PURCHASER COMMITMENTS**

**Priest Rapids Project**

Under the Priest Rapids Power Sales Contracts, the amount of net Priest Rapids Project power costs incurred by Grant PUD in serving its load changes on an annual basis in relation to its firm power requirements. Grant PUD incurred 87.5% and 83.6% of Priest Rapids Project power costs with the long-term contract power purchasers funding the remaining 12.5% and 16.4% for 2021 and 2020, respectively. Each purchaser is obligated to pay its share of the cost (excluding depreciation and amortization) of producing and delivering power, plus 115% of its share of the amounts required for debt service payments in accordance with the power purchase agreement.

**Bonneville Power Administration (BPA)**

Grant PUD is a statutory preference customer of BPA. Grant PUD signed a BPA preference contract during 2008 to serve its Grand Coulee load of approximately 5 average megawatts (“aMW”, defined as the continuous operation of one megawatt of capacity over a period of one year) that expires September 30, 2028. In addition, Grant PUD has purchased from BPA the transmission required to deliver the power associated with this load through September 30, 2028. Grant PUD has 12 megawatts (“MW”) of transmission for the delivery of power from the Nine Canyon Wind Project with a term expiring on October 1, 2030.

Grant PUD management estimates Grant PUD’s minimum commitments to BPA for the next five years are as follows:

**Estimated BPA Contractual Payments  
(amounts in thousands)**

2022	\$	2,456
2023		2,526
2024		2,599
2025		2,674
2026		2,750



## Nine Canyon Wind Power Purchase Agreement

Grant PUD participates in a power purchase agreement with Energy Northwest for Phase I of the Nine Canyon Wind Project (the “Project”) which consists of 37 wind turbines with an aggregate generating capacity of approximately 48 MW. Energy Northwest is a municipal corporation and a joint operating agency of the State of Washington (formerly known as the Washington Public Power Supply System).

The project was constructed in phases. Grant PUD is one of nine public agencies participating in the original project power purchase agreement for Phase I of the Project. Grant PUD’s purchaser share of Phase I of the project output was 25% of output up to a maximum of 12 MW. Since Grant PUD did not participate in either Phase II or Phase III of the Project, its amended share of the combined Project is 12.54% through the expiration of the agreement in 2030. In exchange for the output, Grant PUD pays its 12.54% share of certain Project costs and its 25% share of Phase I debt service (principal and interest) issued by Energy Northwest to finance the construction of the Project, which is estimated to be a total of \$1.3 million annually. Phase I debt is schedule to be paid off July 1, 2023. Grant PUD does not participate in the two other phases of the Project. The phases are operated together as a single project under an amended power purchase agreement.

Complete financial statements for Energy Northwest, including the Nine Canyon Project, is available from the Energy Northwest, PO Box 968, Richland, Washington, 99352-0968, and online at <http://www.energy-northwest.com>.

## Yakama Nation Agreement

In 2007, Grant PUD entered into an agreement with the Yakama Nation that provides mutual benefits to both parties. In exchange for physical benefits from the Priest Rapids Project, the Yakama Nation works collaboratively with Grant PUD on environmental issues affecting the project and in the development of new generation resources. The Yakama Nation is responsible to pay the costs associated with producing the benefit received.

A primary consideration for the agreement is an allocation of the benefit from the Priest Rapids Project to the Yakama Nation. The financial equivalent of 15 aMW was paid during 2010-2015 less the associated power costs. Per the agreement, the financial benefit will be 10 aMW net of cost of production from 2017 through the remainder of the agreement. The net payments to the Yakama Nation totaled \$2.7 million and \$0.1 million during 2021 and 2020, respectively. The agreement expires at the end of the FERC license term (2052).

The projected annual cost for this agreement is listed in the table below.

**Estimated Yakama Nation Contractual Payments  
(amounts in thousands)**

2022	\$	2,335
2023		2,656
2024		2,382
2025		2,207
2026		2,157

## Other Sources

Pursuant to agreements with three irrigation districts, Grant PUD constructed, operates, and maintains both the Quincy Chute and Potholes East Canal hydroelectric generation facilities in return for the right to all output from the projects. The construction costs of Quincy Chute and Potholes East Canal are included in Net utility plant and are being amortized over the terms of the agreements, which expire October 1, 2025, and September 1, 2030, respectively. The irrigation districts hold title to the project facilities.

## 7. NONPOWER COMMITMENTS

### Capital Projects

Grant PUD has contractual commitments relating to several Electric System capital improvement projects including the fiber buildout, electrical system upgrades, transformer purchases, power cable purchases, and substation and distribution line construction projects. As of December 31, 2021, the spent to date for these Electric System major capital contracts totaled \$119.9 million. The remaining commitment for these contracts as of December 31, 2021 was \$168.7 million.

Grant PUD's improvement programs for the Priest Rapids Project include restoration or replacement of generators, turbine upgrades, unit controls, the station service and substation circuit breakers, and replacing trunnion bearings and coating systems for spillway gates. Grant PUD also is committed to ongoing dam safety initiatives, which currently include Priest Rapids Dam's right embankment upgrade, assessment of Wanapum Dam's left embankment, and seismic evaluation of concrete structures at both dams. Grant PUD intends to, or has committed by contract or regulatory requirement to, fulfill these programs, which are projected to be substantially complete by 2029. As of December 31, 2021, the spent to date price for these Priest Rapid Project major capital contracts totaled \$365.3 million. The remaining commitments for these contracts as of December 31, 2021 was \$192.7 million.

### ASSET RETIREMENT OBLIGATIONS

An asset retirement obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. ARO's result from the normal operations of a tangible capital asset, whether acquired or constructed, and include legally enforceable liabilities associated with the retirement of a tangible capital asset, disposal of a replaced part that is a component of a tangible capital asset, environmental remediation associated with the retirement of a tangible capital asset that results from the normal operation of the asset.

Grant PUD has identified several assets with ARO's incurred but has determined the timing and extent of any liabilities associated with asset operations is not determinable at this time, as the assets are expected to operate in perpetuity. As of December 31, 2021 and 2020, no ARO's have been recorded. Assets identified are as follows:

**Distribution, Transmission and Fiber Optic Lines** - Grant PUD currently maintains 3,922 miles of overhead and underground distributions lines, 484 miles of transmission lines and 2,129 miles of fiber optic cable lines. Numerous licenses, permits, easements and leases exist allowing Grant PUD to construct these lines on various parcels of land. The removal of Grant PUD assets and site restoration is required upon termination of many of the agreements. Grant PUD expects to maintain these distribution, transmission and fiber optic lines for the foreseeable future and to renew land use agreements perpetually due to the essential nature of this infrastructure. As such, an obligation has not been calculated because the time frame and extent of the obligation under this statement was considered indeterminate. As a result, an ARO was not recorded; an ARO will be recorded if future events warrant a change.

**Wanapum and Priest Rapids Barge Landings** - Grant PUD has entered into aquatic lands leases with the Washington State Department of Natural Resources to operate and maintain public access and boat launch sites on the Columbia River. The leases each have terms of 12 years. Under the leases, Grant PUD made several leasehold improvements including replacing three boat launch ramps with new ramps, which are referred to as the Wanapum and Priest Rapids Barge Landings. Grant PUD maintains these boat launch sites for the public and occasionally uses them to launch District boats to support dive inspections for the dams. The barge landings would have significant environmental and cultural considerations if the agreements expired and removal was enforced. Grant PUD expects to maintain the barge landings for the foreseeable future and to renew the land use agreements perpetually. As such, an obligation has not been calculated because the time frame and extent of the obligation under this statement was considered indeterminate. As a result, an ARO was not recorded; an ARO will be recorded if future events warrant a change.

## ENVIRONMENTAL MATTERS

In 2006, Grant PUD entered into a Salmon and Steelhead Settlement Agreement (Agreement) with U.S. Fish and Wildlife Service (USFWS), the National Marine Fisheries Service of the National Oceanic and Atmospheric Administration (NOAA), the Washington Department of Fish and Wildlife (WDFW), Yakama Nation (YN), and the Confederated Tribes of the Colville Reservation (CCT) for the purpose of resolving all issues between Grant PUD and the other signatories related to anadromous salmonid fish species.

This agreement is intended to constitute a comprehensive and long-term adaptive management program for the protection, mitigation, and enhancement of anadromous fish (both listed and not listed species under the Endangered Species Act) that pass or may be affected by the Priest Rapids Project.

Under the Agreement, Grant PUD is obligated to establish a habitat conservation account and a no-net-impact fund (referred herein as "Habitat funds") into which Grant PUD deposits payments for further distribution in accordance with the requirements of the Salmon and Steelhead Agreement. The purpose of the Habitat funds are two-fold: (1) to establish and shepherd a habitat restoration program that promotes the rebuilding of self-sustaining and harvestable populations of anadromous species and to mitigate for a portion (2%) of unavoidable losses resulting from the Priest Rapids Project operations and (2) to provide near-term compensation for annual survivals that are less than the survival objectives in the performance standards for the Priest Rapids Project for spring Chinook, steelhead, summer Chinook, and sockeye. The parties that oversee the distribution of these funds include the signatories to the Priest Rapids Salmon and Steelhead Settlement Agreement (USFWS, NOAA Fisheries, WDFW, CCT, YN, and Grant PUD). Per the Agreement, when performance standards have been achieved on a species-by-species basis, the no-net-impact fund annual contributions for that species will be terminated.

Per the Priest Rapids Salmon and Steelhead Settlement Agreement, Grant PUD has achieved the condition of No-Net-Impact for spring Chinook, sockeye, and steelhead. Grant PUD has also achieved the No-Net-Impact requirement for coho salmon by providing hatchery compensation for the Upper Columbia at a rate equivalent to 14% (7% per development).

Currently, the no-net-impact requirements have not been achieved for subyearling summer Chinook nor has consensus been acquired from Priest Rapids Coordinating Committee regarding other potential means to achieve the no-net-impact standard for this species.

## Notes to the Financial Statements (cont.)

In addition to the Habitat funds discussed above, Grant PUD is obligated to establish a habitat account into which Grant PUD deposits payments for further distribution in accordance with the requirements of the NOAA Fisheries 2008 Biological Opinion (“2008 BiOp”) for the Priest Rapids Project. Funds from this account are used for habitat actions that directly benefit Upper Columbia River (“UCR”) spring-run Chinook salmon and UCR steelhead. The previous parties identified and the Confederated Tribes of the Umatilla Reservation have been identified in the 2008 BiOp as responsible for overseeing distribution of these funds.

The Habitat funds are restricted and cannot be spent without unanimous consent. Interest earned by the Habitat funds increases the balance of these funds and is not recognized as income by Grant PUD. Expenditures of these funds are made in accordance with the Agreement and the 2008 NOAA Fisheries BiOp for the protection and restoration of habitats along the mainstream and tributaries within the UCR watershed including the Okanogan, Methow, Entiat, and Wenatchee watersheds. Grant PUD anticipates funding these accounts up to and through the term of its FERC license.

In October 2006, Grant PUD filed a request for a 401 Water Quality Certification (“401 WQC”) from the Washington State Department of Ecology (“Ecology”), pursuant to the provisions of section 401 of the Clean Water Act. A 401 WQC for the operation of the Priest Rapids Project was issued by Ecology on April 3, 2007 and amended on March 6, 2008.

In order to fulfill requirements of the 401 WQC related to native resident fish, Grant PUD is required to provide funds to track native resident fish species diversity and provide mitigation for impacts to and loss of resident fish and harvest opportunities by compliance with Parts A and B. Grant PUD has met all requirements of Part A as of December 31, 2018. Part B requirements are described in further detail below. Under Part B (“Resident Fish Monitoring and Trout Purchase”), Grant PUD is obligated to establish and administer a fund for resident fish monitoring and fish purchase. Funds from Part B are specifically directed toward the monitoring of native resident fish species within the Priest Rapids Project area. Grant PUD is required to make contributions to the fund annually on or before February 15 of each year in the amount of \$0.1 million per year, based upon 2003 dollars and annually adjusted for inflation.

In a FERC Order (issued on August 31, 2010) approving the Wildlife Habitat Management Plan (Article 409), Grant PUD is required to assist the Washington Department of Fish and Wildlife in fire suppression by contributing \$40,000 annually to an account. Funds from the account are to be designated for: 1) revegetating burned areas; 2) revegetating areas known to burn frequently with species carrying lesser fuel loads; 3) creating fire breaks in appropriate locations; and 4) paying for firefighting activities.

## Notes to the Financial Statements (cont.)

Grant PUD's total contributions to these Habitat funds for the years ended December 31, 2021 and 2020 were \$2.4 and \$2.3 million each year, respectively. The following table shows Grant PUD's estimate of the remaining fixed contributions to the Habitat funds as of December 31, 2021, representing required contributions through the FERC License term (2052).

<b>Estimated Fixed Habitat Funding Commitments</b> <b>(amounts in thousands)</b>		
2022	\$	2,490
2023		2,563
2024		2,639
2025		2,717
2026		2,797
2027 through 2052		<u>110,539</u>
<b>Total</b>	<b>\$</b>	<b><u>123,745</u></b>

### 8. REGULATORY DEFERRALS

The Commission elected to invoke regulatory accounting for pensions for the year ended December 31, 2021, which results in differences between the recognition of pension expense for rate-making purposes and their treatment under generally accepted accounting principles of non-regulated entities. Pension expense is recognized in accordance with the required employer contributions rates set by the Washington state Pension Funding Council and the difference from the actuarially determined expense is recognized as a regulatory liability (See Note 9). The regulatory liability for pensions was \$24.6 million and \$0 for the years ended December 31, 2021 and 2020, respectively.

### 9. RETIREMENT AND DEFERRED COMPENSATION PLANS

The following table represents the aggregate pension amounts for all plans as of and for the years ended December 31, 2021 and 2020:

<b>Aggregate Pension Amounts - All Plans</b> <b>(amounts in thousands)</b>		
	<b>2021</b>	<b>2020</b>
Net Pension liabilities	\$ 6,298	\$ 25,727
Net Pension assets	65,195	-
Deferred outflows of resources	7,898	8,268
Deferred inflows of resources	67,372	7,752
Pension expense/expenditures	9,253	1,669



### **State Sponsored Pension Plans**

Substantially all Grant PUD's 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, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of 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 obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

Or the DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

### **Public Employees' Retirement System (PERS)**

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS comprises three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

**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 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least 5 years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and nonduty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of 5 years of eligible service. The plan was closed to new entrants on September 30, 1977.

### **Contributions**

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates.

**Notes to the Financial Statements (cont.)**

The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2021 and 2020 were as follows:

<b>PERS Plan 1</b>		<b>Employer</b>	<b>Employee</b>
<b>Actual Contribution Rates:</b>			
<b>2021</b>			
<b>January - June 2021</b>			
PERS Plan 1		7.92%	6.00%
PERS Plan 1 UAAL		4.87%	-
Administrative Fee		0.18%	-
<b>Total</b>		<b>12.97%</b>	<b>6.00%</b>
<b>July - December 2021</b>			
PERS Plan 1		6.36%	6.00%
PERS Plan 1 UAAL		3.71%	-
Administrative Fee		0.18%	-
<b>Total</b>		<b>10.25%</b>	<b>6.00%</b>
<b>2020</b>			
<b>January - August 2020</b>			
PERS Plan 1		7.92%	6.00%
PERS Plan 1 UAAL		4.76%	-
Administrative Fee		0.18%	-
<b>Total</b>		<b>12.86%</b>	<b>6.00%</b>
<b>September - December 2020</b>			
PERS Plan 1		7.92%	6.00%
PERS Plan 1 UAAL		4.87%	-
Administrative Fee		0.18%	-
<b>Total</b>		<b>12.97%</b>	<b>6.00%</b>

Grant PUD’s actual contributions to the plan were \$3.5 million and \$3.6 million for the years ended December 31, 2021 and 2020, respectively.

**PERS Plan 2/3** 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 for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member’s 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least 5 years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

With a benefit that is reduced by three percent for each year before age 65, or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

**PERS Plan 2/3** members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5% for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and nonduty disability payments, a cost-of-living allowance (based on the CPI), capped at 3% annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing 5 years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after 5 years of service if 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5% and escalate to 15% with a choice of 6 options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

### **Contributions**

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL) and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates.

**Notes to the Financial Statements (cont.)**

The **PERS Plan 2/3** required contribution rates (expressed as a percentage of covered payroll) for 2021 and 2020 were as follows:

<b>PERS Plan 2/3</b>	<b>Employer</b>	<b>Employee</b>
<b>Actual Contribution Rates:</b>		
<b>2021</b>		
<b>January - June 2021</b>		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	-
Administrative Fee	0.18%	-
Employee PERS Plan 3	-	varies
<b>Total</b>	<b>12.97%</b>	<b>7.90%</b>
<b>July - December 2021</b>		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	-
Administrative Fee	0.18%	-
Employee PERS Plan 3	-	varies
<b>Total</b>	<b>10.25%</b>	<b>6.36%</b>
<b>2020</b>		
<b>January - August 2020</b>		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	-
Administrative Fee	0.18%	-
Employee PERS Plan 3	-	varies
<b>Total</b>	<b>12.86%</b>	<b>7.90%</b>
<b>September - December 2020</b>		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	-
Administrative Fee	0.18%	-
Employee PERS Plan 3	-	varies
<b>Total</b>	<b>12.97%</b>	<b>7.90%</b>

Grant PUD’s actual contributions to the plan were \$5.8 million and \$5.9 million for the years ended December 31, 2021 and 2020, respectively.

### Actuarial Assumptions

The 2021 total pension liability/(asset) (TPL/A) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2019 Economic Experience Study*.

The 2020 total pension liability/(asset) (TPL/A) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional 2021 assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. Additional 2020 assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL/A was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021 and June 30, 2020. 2021 Plan liabilities/(assets) were rolled forward from June 30, 2020, to June 30, 2021, and 2020 Plan liabilities/(assets) were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

**Inflation:** 2.75% total economic inflation; 3.50% salary inflation

**Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

**Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status, as the base table. The 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 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 his or her lifetime.

There were no changes in assumptions between the 2021 and 2020 valuations. There were changes in methods between the 2021 and 2020 valuations.

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability/(asset) measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.



## Notes to the Financial Statements (cont.)

- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

There were changes in methods and assumptions between the 2020 and 2019 valuation.

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at [leg.wa.gov/osa](http://leg.wa.gov/osa).
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See [leg.wa.gov/osa](http://leg.wa.gov/osa) for more information on this method change.

### **Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.4%.

To determine that rate, an asset sufficiency test was completed to test whether 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 7.4% was used to determine the total liability/(asset).

### **Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.4% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various future times.

Notes to the Financial Statements (cont.)

*Estimated Rates of Return by Asset Class*

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation are summarized in the tables below. The inflation component used to create the table is 2.2 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>% Long-Term Expected Real Rate of Return Arithmetic</b>
<b>2021</b>		
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	<b>100%</b>	
<b>2020</b>		
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	<b>100%</b>	

**Notes to the Financial Statements (cont.)**

***Sensitivity of Net Pension Liability NPL/(Asset)***

The tables below present Grant PUD’s proportionate share of the net pension liability/(asset) calculated using the applicable discount rate, as well as what Grant PUD’s proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than applicable discount rate.

<b>2021</b>	<b>Current Discount</b>		
(amounts in thousands)	1% Decrease <b>(6.4%)</b>	Rate <b>(7.4%)</b>	1% Increase <b>(8.4%)</b>
PERS 1	\$ 10,728	\$ 6,298	\$ 2,434
PERS 2/3	(18,573)	(65,195)	(103,588)

<b>2020</b>	<b>Current Discount</b>		
(amounts in thousands)	1% Decrease <b>(6.4%)</b>	Rate <b>(7.4%)</b>	1% Increase <b>(8.4%)</b>
PERS 1	\$ 21,981	\$ 17,549	\$ 13,683
PERS 2/3	50,886	8,178	(26,992)

***Pension Plan Fiduciary Net Position***

Detailed information about the State’s pension plans’ fiduciary net position is available in the separately issued DRS financial report.

***Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At December 31, 2021 and 2020, Grant PUD reported a total pension liability (asset) for its proportionate share of the net pension liabilities/(assets) as follows (measured as of June 30, 2021 and 2020):

<b>Liability/(Asset)</b> (amounts in thousands)	<b>2021</b>	<b>2020</b>
PERS 1	\$ 6,298	\$ 17,549
PERS 2/3	(65,195)	8,178
<b>Total</b>	<b><u>\$ (58,897)</u></b>	<b><u>\$ 25,727</u></b>

**Notes to the Financial Statements (cont.)**

Grant PUD’s proportionate share of the collective net pension liabilities was as follows:

	<b>Proportionate Share 6/30/2020</b>	<b>Proportionate Share 6/30/2021</b>	<b>Change in Proportion</b>
PERS 1	0.497050%	0.515673%	0.018623%
PERS 2/3	0.639436%	0.654458%	0.015022%

	<b>Proportionate Share 6/30/2019</b>	<b>Proportionate Share 6/30/2020</b>	<b>Change in Proportion</b>
PERS 1	0.489144%	0.497050%	0.007906%
PERS 2/3	0.620593%	0.639436%	0.018843%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer’s proportionate share of the collective pension amounts reported by the DRS in the Schedules of *Employer and Nonemployer Allocations*.

**Pension Expense**

For the year ended December 31, 2021, the District invoked regulatory accounting to recognize the non-cash portion of pension expense in conjunction with the actual required employer contributions (See Note 8). Pension expense for the year ended December 31 2021 and 2020 were as follows:

<b>Pension Expense (amounts in thousands)</b>	<b>2020</b>	<b>2019</b>
PERS 1	\$ 3,497	\$ 1,046
PERS 2/3	5,756	623
<b>Total</b>	<b>\$ 9,253</b>	<b>\$ 1,669</b>

2021 contributions reflect the actual District contributions made, while 2020 reflects the actuarially determined pension expense prior to invoking regulatory accounting.

**Notes to the Financial Statements (cont.)**

***Deferred Outflows of Resources and Deferred Inflows of Resources***

At December 31, 2021 and 2020, respectively, Grant PUD recognized deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS Plan 1</b>	<b>2021</b>		<b>2020</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>(amounts in thousands)</b>				
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 6,988	\$ -	\$ 98
Contributions subsequent to measurement date	1,549	-	1,893	-
<b>Total</b>	<b>\$ 1,549</b>	<b>\$ 6,988</b>	<b>\$ 1,893</b>	<b>\$ 98</b>

<b>PERS Plan 2/3</b>	<b>2021</b>		<b>2020</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>(amounts in thousands)</b>				
Differences between expected and actual experience	\$ 3,166	\$ 799	\$ 2,928	\$ 1,025
Net difference between projected and actual investment earnings on pension plan investments	-	54,487	-	415
Changes of assumptions	95	4,630	116	5,586
Changes in proportion and differences between contributions and proportionate share of contributions	468	468	267	628
Contributions subsequent to measurement date	2,620	-	3,064	-
<b>Total</b>	<b>\$ 6,349</b>	<b>\$ 60,384</b>	<b>\$ 6,375</b>	<b>\$ 7,654</b>

## Notes to the Financial Statements (cont.)

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or an addition to the net pension asset in the following year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as an addition/reduction of the regulatory liability as follows:

(amounts in thousands)

Year ended December 31:

	PERS 1	PERS 2/3
2022	\$ (1,851)	\$ (14,978)
2023	(1,696)	(13,999)
2024	(1,604)	(13,352)
2025	(1,837)	(14,318)
2026	-	(92)
Thereafter	-	84
	<u>\$ (6,988)</u>	<u>\$ (56,655)</u>

### Deferred Compensation Plans

Grant PUD offers its employees a deferred compensation plan created under Internal Revenue Code Section 457(b), which permits employees to defer a portion of their compensation until future years. The plan is available to all active employees. Grant PUD has no liability for losses under the plan; it is completely funded with employee contributions.

Grant PUD also administers a 401(a) governmental money purchase plan and trust. Eligible employees are enrolled in the 401(a) defined contribution plan upon becoming eligible to receive the employer contribution. Employees may also elect to contribute to the plan and the election must be made at the time the employee becomes eligible to participate. Employee elections cannot be changed during the time of their employment. Eligible employees can also elect to contribute to the 457(b) plan as discussed above. Grant PUD contributed into employees' 401(a) 3% of straight-time wages for the pay period and contributions by the employee were not required. Grant PUD made contributions of approximately \$2.0 million and \$1.8 million as of December 31, 2021 and 2020, respectively.

### 10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB")

#### Plan Description

Grant PUD administers a single-employer defined benefit premium program ("the retiree subsidy plan"). The retiree subsidy plan may be amended through collective bargaining (for bargaining unit employees) and ratified by Grant PUD's Commission or changed without bargaining for non-bargaining unit employees. The retiree subsidy plan does not issue a publicly available financial report.



**Benefits Provided**

Grant PUD provides retirees two different subsidies: an explicit subsidy and an implicit subsidy.

The explicit subsidy results from premium payments made for certain retirees. Grant PUD pays a portion of the medical premiums for eligible retirees and their spouses from age 59 ½ until age 65. Retirees younger than 59 ½ may continue to receive coverage on a self-pay basis. The percentage of the medical premiums paid is based upon years of full-time service of the retirees. At the age of 59 ½, the retiree is eligible for a subsidy of 3% of their premium cost for each year of service (years x 3% x retiree premium). The subsidy cannot be more than the premium amount paid for active employees and is effective until the retiree turns 65. The monthly cap for 2020 was \$539.95 for employee coverage and \$1,241.85 for employee and spouse coverage. The monthly cap for 2021 was \$539.95 for employee coverage and \$1,241.85 for employee and spouse coverage. The monthly cap for 2022 is \$546.81 for employee coverage and \$1,257.62 for employee and spouse coverage.

The implicit subsidy is the difference between the total cost of medical benefits and the premiums. Retirees may seek COBRA coverage (subject to all COBRA provisions) through Grant PUD’s group health insurance plan, the Central Washington Public Utilities Unified Insurance Program Trust (Trust) or find independent coverage. However, in some cases the premium itself does not represent the full cost of covering these retirees since they are older than the active population and can be expected to generate higher medical claims and therefore higher premiums than the active population.

**Employees Covered by Benefit Terms**

At December 31, 2021 and 2020, the following employees were covered by the benefit terms:

	<b>2021</b>	<b>2020</b>
Inactive employees or beneficiaries currently receiving benefit payments	32	77
Inactive employees entitled to but not yet receiving benefit payments	-	-
Active employees	734	731
<b>Total number of participants</b>	<b>766</b>	<b>808</b>

**Funding Policy**

The plan is funded on a pay-as-you-go basis and there are no assets accumulating in a qualifying trust.

**Contributions**

Grant PUD paid approximately \$0.3 million and \$0.4 million in retiree subsidies for each of the years ended December 31, 2021 and 2020, respectively.

**Total OPEB Liability**

Grant PUD’s total OPEB liability as of December 31, 2021 was measured as of December 31, 2021 with an actuarial valuation date of December 31, 2021. The OPEB liability as of December 31, 2020 was determined by an actuarial valuation dated December 31, 2019, rolled forward to the December 31, 2020, measurement date.

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the years 2021 and 2020:

**Notes to the Financial Statements (cont.)**

**Aggregate OPEB Amounts - All Plans  
(amounts in thousands)**

	<b>2021</b>	<b>2020</b>
OPEB liabilities	\$ 8,956	\$ 10,364
Deferred Outflows of Resources	2,077	2,368
Deferred Inflows of Resources	1,712	-
OPEB expense	983	1,115

**Actuarial Assumptions and Other Inputs**

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2013-2018 Demographic Experience Study* and the *2019 Economic experience Study*.

Actuarial Cost Method:	Entry Age Normal
Discount Rate:	2.00% and 2.25% for 2021 and 2020, respectively (based on all years discounted at Bond Buyer 20-year Bond General Obligation Index)
General Inflation:	2.00 % and 2.50% per year for 2021 and 2020, respectively
Wage Growth:	2.75 and 3.0% per year for 2021 and 2020, respectively
Salary Merit Scale:	Total payroll increase is overall payroll growth plus the merit table below. Merit rates are as developed for the valuation of benefits under PERS plan 2:

<b>Service</b>	<b>Rate</b>	<b>Service</b>	<b>Rate</b>
1	6.00%	11	0.50%
2	4.50%	12	0.50%
3	3.70%	13	0.50%
4	3.00%	14	0.30%
5	2.20%	15	0.30%
6	1.70%	16	0.30%
7	1.50%	17	0.30%
8	1.00%	18	0.10%
9	1.00%	19	0.10%
10	0.70%	20	0.10%
		21+	0.00%

**Notes to the Financial Statements (cont.)**

Annual Premium Increase Rate: The assumed increases for medical plans are:

<b>Year</b>	<b>Rate</b>	<b>Year</b>	<b>Rate</b>
2022	6.50%	2032	5.50%
2023	6.40%	2033	5.40%
2024	6.30%	2034	5.30%
2025	6.20%	2035	5.20%
2026	6.10%	2036	5.10%
2027	6.00%	2037	5.00%
2028	5.90%	2038	4.90%
2029	5.80%	2039	4.80%
2030	5.70%	2040	4.70%
2031	5.60%	2041	4.60%
		2042+	4.50%

The initial rates in the table above are based in part on the 2022 Segal Health Plan Cost Trend Survey. Rates are trended down in subsequent years in accordance with prevalent actuarial practice, based in part on the Society of Actuaries – Getzen Long-Term Healthcare Trends Resource Model, as updated October 2020.

Mortality Rates:

General Service active employees: PUB 2010 Employee Tables for General Employees, sex distinct, projected generationally.

General Service healthy retirees: PUB 2010 Retiree Tables for General Employees, sex distinct, projected generationally.

Beneficiaries: For beneficiaries less than 70 years old, PUB 2010 Retiree Tables for General Employees. For beneficiaries 80 years or older, PUB 2010 Retiree Tables for Contingent Annuitants. For beneficiaries 70 – 79 years old, linear interpolation between the two above published tables. Rates for all ages are sex distinct and projected generationally.

Improvement scale: Long-term MP-2017 rate of improvement.

Turnover Rates

Generally as developed for the valuation of benefits under Washington PERS. Examples of turnover rates are as follows:

<b>Service</b>	<b>Rate</b>
0	26.00%
5	6.00%
10	4.00%
15	3.00%
20	2.00%
25	1.50%
30+	1.00%

**Notes to the Financial Statements (cont.)**

Disability Rates

As developed for the valuation of benefits under Washington PERS. Sample rates are as follows:

<b>Age</b>	<b>Rate</b>
20 - 24	0.00%
40 - 44	0.02%
60 - 64	0.60%
80+	0.00%

Retirement Rates

Eligible Employees are assumed to delay retirement until reaching the eligibility requirements for the Retiree Subsidy. Employees participating in PERS are assumed to delay retirement until reaching PERS eligibility, if later. Rates are as developed for the valuation of benefits under Plan 2 of PERS:

**Hired Before May 1, 2013**

<b>Age</b>	<b>Years of Service</b>	
	<b>&lt;30</b>	<b>30+</b>
<55	0.00%	0.00%
55	1.00%	8.00%
56	1.00%	8.00%
57	2.00%	8.00%
58	2.00%	8.00%
59	4.00%	10.00%
60	5.00%	15.00%
61	8.00%	20.00%
62	15.00%	40.00%
63	20.00%	30.00%
64	40.00%	35.00%
65	35.00%	45.00%
66	30.00%	40.00%
67	27.00%	30.00%
68 - 79	25.00%	30.00%
80	100.00%	100.00%

Hired After May 1, 2013

Age	Years of Service	
	<30	30+
<55	0.00%	0.00%
55	1.00%	1.00%
56	1.00%	2.00%
57	2.00%	3.00%
58	2.00%	3.00%
59	4.00%	6.00%
60	5.00%	10.00%
61	8.00%	12.00%
62	15.00%	20.00%
63	20.00%	25.00%
64	40.00%	35.00%
65	35.00%	45.00%
66	30.00%	40.00%
67	27.00%	30.00%
68 - 79	25.00%	30.00%
80	100.00%	100.00%

Participation	<p>100% of actives eligible for Grant PUD-paid medical benefits are assumed to be enrolled in a medical plan at retirement.</p> <p>75% of retirement-eligible activities are assumed to remain on UIP medical insurance through COBRA coverage.</p>
Plan Enrollment	Current and future retirees are assumed to remain enrolled in the plans in which they are currently enrolled, if any.
Marital Status	65% of future retirees electing coverage are assumed to cover a spouse as well. Males are assumed to be three years older than their female spouses. Actual marital status and ages as of the valuation date are used for current retirees, if available.
Coverage of Eligible Children	We have assumed no impact of dependent children on the implicit rate subsidy.
Health Care Claims Costs	2022 claim costs for an age 64 retiree or spouse are assumed to be \$14,470 for PPO and \$10,343 for CDHP.

**Notes to the Financial Statements (cont.)**

**Aging Factors**

Aging factors are used to adjust the age 64 per capita claims cost. Percentages shown below age 64 reduce the claim costs.

<b>Attained Age</b>	<b>Factor</b>
Under 40	4.00% per year
40-44	3.75% per year
45-49	3.50% per year
50-54	3.00% per year
55-64	3.25% per year

**Dental and Vision Costs**

We have assumed no implicit subsidy due to dental or vision costs.

**Change in Assumptions and Methods**

Actuarial results reflect the following changes in assumptions and methods since the prior valuation:

- The interest rate for discounting future liabilities was lowered to reflect current municipal bond rates, as outlined in GASB Statement 75.
- General inflation rates were modified to better reflect general actuarial practice, and to reflect current premiums and plan enrollment.
- Premium increases were modified to reflect anticipated experience.
- Payroll growth, salary merit and demographic assumptions were revised to match those developed in the most recent experience study for PERS.

**Changes in Total OPEB Liability**

<b>(amounts in thousands)</b>	<b>2021</b>	<b>2020</b>
	<b>Increase</b>	<b>Increase</b>
	<b>(Decrease) Total</b>	<b>(Decrease) Total</b>
	<b>OPEB Liability</b>	<b>OPEB Liability</b>
Total OPEB Liability at January 1	\$ 10,364	\$ 9,705
Service Cost	620	550
Interest	243	274
Changes of benefit terms	-	-
Differences between expected and actual experience	(1,350)	-
Changes of assumptions	(534)	368
Benefit payments	(387)	(533)
Net change in total OPEB liability	(1,408)	659
<b>Total OPEB Liability at December 31</b>	<b>\$ 8,956</b>	<b>\$ 10,364</b>



**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of Grant PUD calculated using the discount rate of 2.00 percent and 2.25 percent as of December 31, 2021 and 2020, respectively, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

<b>2021 (amounts in thousands)</b>	<b>1% Decrease 1.00%</b>	<b>Current Discount Rate 2.00%</b>	<b>1% Increase 3.00%</b>
Total OPEB liability	\$ 9,689	\$ 8,956	\$ 8,254
<b>2020 (amounts in thousands)</b>	<b>1% Decrease 1.25%</b>	<b>Current Discount Rate 2.25%</b>	<b>1% Increase 3.25%</b>
Total OPEB liability	\$ 11,200	\$ 10,364	\$ 9,569

**Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates**

The following presents the total OPEB liability of Grant PUD calculated using the current healthcare cost trend rate of 6.5 percent and 6.3 percent as of December 31, 2021 and 2020, respectively, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

<b>2021 (amounts in thousands)</b>	<b>1% Decrease 5.50% Graded Down to 3.50%</b>	<b>Current Discount Rate 6.50% Graded Down to 4.50%</b>	<b>1% Increase 7.50% Graded Down to 5.50%</b>
Total OPEB liability	\$ 7,854	\$ 8,956	\$ 10,269
<b>2020 (amounts in thousands)</b>	<b>1% Decrease 5.30% Graded Down to 3.50%</b>	<b>Current Discount Rate 6.30% Graded Down to 4.50%</b>	<b>1% Increase 7.30% Graded Down to 5.00%</b>
Total OPEB liability	\$ 9,054	\$ 10,364	\$ 11,937

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

As of December 31, 2021 and 2020, Grant PUD reported a liability of \$9.0 million and \$10.4 million, respectively. The total OPEB liability is based on the present value of the portion of future expected benefit payments that is considered to have been already earned by the participants. In future years, changes in the total OPEB liability due to actuarial gains or losses or changes in assumptions will be amortized over the average expected future working lifetime of participants, with unamortized amounts treated as deferred outflows or inflows of resources.

## Notes to the Financial Statements (cont.)

### Deferred Outflows of Resources and Deferred Inflows of Resources

As of December 31, 2021 and 2020, Grant PUD recognized deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

(amounts in thousands)	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 179	\$ 1,226	\$ 204	\$ -
Change in assumptions	1,898	486	2,164	-
<b>Total</b>	<b>\$ 2,077</b>	<b>\$ 1,712</b>	<b>\$ 2,368</b>	<b>\$ -</b>

The deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

(amounts in thousands)	
Year ended December 31:	
2022	\$ 120
2023	120
2024	120
2025	120
2026	121
Thereafter	(236)
<b>Total</b>	<b>\$ 365</b>

### OPEB Expense

Grant PUD’s annual OPEB cost (expense) is equal to the change in total OPEB liability, plus or minus changes in deferred outflows or inflows, plus employer contributions. For the years ended December 31, 2021 and 2020, Grant PUD recognized OPEB expense of \$1.0 million and \$1.1 million, respectively.

## 11. CONTINGENCIES

Grant PUD is involved in various claims arising in the normal course of business. Grant PUD does not believe that the ultimate outcome of these matters will have a material impact on its financial position, results of operations, or cash flows.

## 12. WHOLESALE FIBER OPTIC NETWORK

Grant PUD is installing a wholesale fiber optic network to the premises in its service area. This fiber optic network is interconnected with multiple regional and national telecommunications carriers. The wholesale fiber optic network is available to retail and wholesale providers of Internet, telephone, and video services. Grant PUD has also implemented a wholesale wireless network which is available to retail wireless providers.

The following is a summary of the results of operations of the wholesale fiber optic and wireless networks, and the related utility plant balances and related additions, as of and for the years ended December 31, 2021 and 2020:

(amounts in thousands)	<u>2021</u>	<u>2020</u>
Operating revenues		
Wholesale fiber services	\$ 11,385	\$ 9,962
Dark fiber revenue	612	627
Wireless fiber revenue	49	82
<b>Total operating revenues</b>	<b><u>\$ 12,046</u></b>	<b><u>\$ 10,671</u></b>
Operating expenses		
Administrative and general	\$ 1,219	\$ 992
Repairs and maintenance	1,553	1,264
Depreciation	10,702	9,595
<b>Total operating expenses</b>	<b><u>\$ 13,474</u></b>	<b><u>\$ 11,851</u></b>
Nonoperating revenues		
Contributions in aid of construction	\$ 769	\$ 34
Utility plant		
Additions to utility plant	\$ 29,410	\$ 27,489
Utility plant, net of accumulated depreciation	132,371	113,663

### 13. SEGMENTS

Grant PUD has outstanding revenue bonds used to finance the Electric System and the Priest Rapids Project. As described in Note 5, all the outstanding bond issues are secured by a pledge of the net revenues of Grant PUD. The Electric System has committed to cover, without limitation, any costs incurred by the Priest Rapids Project that are not covered by purchasers other than Grant PUD.

Each system is required to be accounted for separately according to external contractual requirements. The following condensed financial statements of the operating segments of Grant PUD include the Electric System and the Priest Rapids Project. Grant PUD's Service System, as well as eliminating internal transactions, is presented as "Other" in order to reconcile to the consolidated Grant PUD's results. "Other" is not considered a segment of Grant PUD.

**Notes to the Financial Statements (cont.)**

**CONDENSED STATEMENT OF NET POSITION**

<b>DECEMBER 31, 2021</b> <b>(AMOUNTS IN THOUSANDS)</b>	Electric System	Priest Rapids Project	Other	Total
<b>ASSETS</b>				
Other current assets	\$ 122,760	\$ 88,256	\$ 9,076	\$ 220,092
Intersystem receivables	428	99	(527)	-
Intersystem loan receivable	36,626	-	(36,626)	-
Utility plant, net	689,347	1,596,222	-	2,285,569
Noncurrent intersystem loan receivable	463,345	-	(463,345)	-
Other noncurrent assets	131,309	253,903	-	385,212
<b>TOTAL ASSETS</b>	<b>1,443,815</b>	<b>1,938,480</b>	<b>(491,422)</b>	<b>2,890,873</b>
Deferred outflows of resources	21,882	29,713	(11,827)	39,768
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,465,697</b>	<b>1,968,193</b>	<b>(503,249)</b>	<b>2,930,641</b>
<b>LIABILITIES</b>				
Other current liabilities	64,166	81,726	16,328	162,220
Intersystem payables	5,441	2,379	(7,820)	-
Accrued interest intersystem loan payable	-	7,916	(7,916)	-
Intersystem loan payable	-	9,075	(9,075)	-
Noncurrent intersystem loan payable	-	482,980	(482,980)	-
Other noncurrent liabilities	326,928	957,853	-	1,284,781
<b>TOTAL LIABILITIES</b>	<b>396,535</b>	<b>1,541,929</b>	<b>(491,463)</b>	<b>1,447,001</b>
Deferred Inflows of resources	27,067	53,844	(11,827)	69,084
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>423,602</b>	<b>1,595,773</b>	<b>(503,290)</b>	<b>1,516,085</b>
<b>NET POSITION</b>				
Net investment in capital assets	391,656	220,424	492,994	1,105,074
Restricted	124,429	182,267	9,280	315,976
Unrestricted	526,010	(30,271)	(502,233)	(6,494)
<b>TOTAL NET POSITION</b>	<b>1,042,095</b>	<b>372,420</b>	<b>41</b>	<b>1,414,556</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 1,465,697</b>	<b>\$ 1,968,193</b>	<b>\$ (503,249)</b>	<b>\$ 2,930,641</b>

*(Internal transactions are eliminated based on Generally Accepted Accounting Principles)*

## Notes to the Financial Statements (cont.)

### CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2021 (amounts in thousands)	Electric System	Priest Rapids Project	Other	Total
<b>OPERATING REVENUES</b>				
Retail energy sales	\$ 231,938	\$ -	\$ -	\$ 231,938
Wholesale revenues, net	57,474	-	32,937	90,411
Sales to power purchasers at cost	-	185,538	(161,954)	23,584
Other	13,804	-	-	13,804
Total operating revenues	<b>303,216</b>	<b>185,538</b>	<b>(129,017)</b>	<b>359,737</b>
<b>OPERATING EXPENSES</b>				
Depreciation and amortization	43,736	35,813	-	79,549
Other operating expenses	216,723	98,064	(129,017)	185,770
Total operating expenses	<b>260,459</b>	<b>133,877</b>	<b>(129,017)</b>	<b>265,319</b>
NET OPERATING INCOME	<b>42,757</b>	<b>51,661</b>	<b>-</b>	<b>94,418</b>
<b>OTHER REVENUES (EXPENSES)</b>				
Interest and other income	15,025	1,858	(14,305)	2,578
Interest on revenue bonds and other, net	(7,405)	(53,158)	15,706	(44,857)
Federal rebates on revenue bonds	-	10,484	-	10,484
Amortization of debt related costs	1,373	(1,578)	(1,447)	(1,652)
Cost of debt issuance	(130)	-	-	(130)
Total other revenues (expenses)	<b>8,863</b>	<b>(42,394)</b>	<b>(46)</b>	<b>(33,577)</b>
CONTRIBUTIONS IN AID OF CONSTRUCTION	14,110	-	-	14,110
CHANGE IN NET POSITION	<b>65,730</b>	<b>9,267</b>	<b>(46)</b>	<b>74,951</b>
<b>NET POSITION</b>				
Beginning of year	976,365	363,153	87	1,339,605
End of year	<b>\$ 1,042,095</b>	<b>\$ 372,420</b>	<b>\$ 41</b>	<b>\$ 1,414,556</b>

*(Internal transactions are eliminated based on Generally Accepted Accounting Principles)*



**Notes to the Financial Statements (cont.)**

**CONDENSED STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2021**

**(amounts in thousands)**

	Electric System	Priest Rapids Project	Other	Total
Net cash provided by (used in) operating activities	\$ 96,587	\$ 84,431	\$ 198	\$ 181,216
Net cash provided by (used in) capital and related financing activities	(132,818)	(53,133)	764	(185,187)
Net cash provided by (used in) investing activities	34,312	(31,032)	(2,069)	1,211
<b>NET INCREASE/(DECREASE) IN CASH</b>	<b>\$ (1,919)</b>	<b>\$ 266</b>	<b>\$ (1,107)</b>	<b>\$ (2,760)</b>
CASH AT END OF YEAR	\$ 938	\$ 3,342	\$ 1,393	\$ 5,673
CASH AT BEGINNING OF YEAR	2,857	3,076	2,500	8,433
<b>NET INCREASE/(DECREASE) IN CASH</b>	<b>\$ (1,919)</b>	<b>\$ 266</b>	<b>\$ (1,107)</b>	<b>\$ (2,760)</b>

*(Internal transactions are eliminated based on Generally Accepted Accounting Principles)*

## Notes to the Financial Statements (cont.)

DECEMBER 31, 2020 (amounts in thousands)	Electric System	Priest Rapids Project	Other	Total
<b>ASSETS</b>				
Other current assets	\$ 138,561	\$ 83,611	\$ 11,517	\$ 233,689
Intersystem receivables	19	9	(28)	-
Intersystem loan receivable	37,036	-	(37,036)	-
Utility plant, net	640,516	1,554,889	-	2,195,405
Noncurrent intersystem loan receivable	392,420	-	(392,420)	-
Other noncurrent assets	109,310	189,785	-	299,095
<b>TOTAL ASSETS</b>	<b>1,317,862</b>	<b>1,828,294</b>	<b>(417,967)</b>	<b>2,728,189</b>
Deferred outflows of resources	27,400	33,221	(16,104)	44,517
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,345,262</b>	<b>1,861,515</b>	<b>(434,071)</b>	<b>2,772,706</b>
<b>LIABILITIES</b>				
Other current liabilities	95,444	82,442	15,111	192,997
Intersystem payables	2,167	1,542	(3,709)	-
Accrued interest intersystem loan payable	-	7,724	(7,724)	-
Intersystem loan payable	-	8,190	(8,190)	-
Noncurrent intersystem loan payable	-	413,542	(413,542)	-
Other noncurrent liabilities	268,249	964,103	-	1,232,352
<b>TOTAL LIABILITIES</b>	<b>365,860</b>	<b>1,477,543</b>	<b>(418,054)</b>	<b>1,425,349</b>
Deferred inflows of resources	3,037	20,819	(16,104)	7,752
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>368,897</b>	<b>1,498,362</b>	<b>(434,158)</b>	<b>1,433,101</b>
<b>NET POSITION</b>				
Net investment in capital assets	338,442	219,141	423,426	981,009
Restricted	119,185	178,070	9,939	307,194
Unrestricted	518,738	(34,058)	(433,278)	51,402
<b>TOTAL NET POSITION</b>	<b>976,365</b>	<b>363,153</b>	<b>87</b>	<b>1,339,605</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 1,345,262</b>	<b>\$ 1,861,515</b>	<b>\$ (434,071)</b>	<b>\$ 2,772,706</b>

*(Internal transactions are eliminated based on Generally Accepted Accounting Principles)*

## Notes to the Financial Statements (cont.)

YEAR ENDED DECEMBER 31, 2020 (amounts in thousands)	Electric System	Priest Rapids Project	Other	Total
<b>OPERATING REVENUES</b>				
Retail energy sales	\$ 209,777	\$ -	\$ -	\$ 209,777
Wholesale revenues, net	48,153	-	33,821	81,974
Sales to power purchasers at cost	-	174,892	(146,984)	27,908
Other	12,385	-	-	12,385
<b>Total operating revenues</b>	<b>270,315</b>	<b>174,892</b>	<b>(113,163)</b>	<b>332,044</b>
<b>OPERATING EXPENSES</b>				
Depreciation and amortization	43,113	35,564	-	78,677
Other operating expenses	184,470	81,085	(113,163)	152,392
<b>Total operating expenses</b>	<b>227,583</b>	<b>116,649</b>	<b>(113,163)</b>	<b>231,069</b>
<b>NET OPERATING INCOME</b>	<b>42,732</b>	<b>58,243</b>	<b>-</b>	<b>100,975</b>
<b>OTHER REVENUES (EXPENSES)</b>				
Interest and other income	22,861	10,325	(13,617)	19,569
Interest on revenue bonds and other, net	(7,231)	(52,320)	15,384	(44,167)
Federal rebates on revenue bonds	-	10,616	-	10,616
Amortization of debt related costs	1,144	(3,779)	(1,771)	(4,406)
Cost of debt issuance	(1,141)	(1,796)	-	(2,937)
<b>Total other revenues (expenses)</b>	<b>15,633</b>	<b>(36,954)</b>	<b>(4)</b>	<b>(21,325)</b>
<b>CONTRIBUTIONS IN AID OF CONSTRUCTION</b>	<b>13,957</b>	<b>-</b>	<b>-</b>	<b>13,957</b>
<b>CHANGE IN NET POSITION</b>	<b>72,322</b>	<b>21,289</b>	<b>(4)</b>	<b>93,607</b>
<b>NET POSITION</b>				
Beginning of year	904,043	341,864	91	1,245,998
<b>End of year</b>	<b>\$ 976,365</b>	<b>\$ 363,153</b>	<b>\$ 87</b>	<b>\$ 1,339,605</b>

*(Internal transactions are eliminated based on Generally Accepted Accounting Principles)*

## Notes to the Financial Statements (cont.)

### CONDENSED STATEMENT OF CASH FLOWS

**YEAR ENDED DECEMBER 31, 2020**  
(amounts in thousands)

	Electric System	Priest Rapids Project	Other	Total
Net cash provided by (used in) operating activities	\$ 85,056	\$ 77,427	\$ 3,665	\$ 166,148
Net cash provided by (used in) capital and related financing activities	(120,596)	(155,743)	1,196	(275,143)
Net cash provided by (used in) investing activities	35,877	68,390	11,506	115,773
<b>NET INCREASE/(DECREASE) IN CASH</b>	<b>\$ 337</b>	<b>\$ (9,926)</b>	<b>\$ 16,367</b>	<b>\$ 6,778</b>
CASH AT END OF YEAR	\$ 2,857	\$ 3,076	\$ 2,500	\$ 8,433
CASH AT BEGINNING OF YEAR	2,520	13,002	(13,867)	1,655
<b>NET INCREASE/(DECREASE) IN CASH</b>	<b>\$ 337</b>	<b>\$ (9,926)</b>	<b>\$ 16,367</b>	<b>\$ 6,778</b>

*(Internal transactions are eliminated based on Generally Accepted Accounting Principles)*

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## Required Supplementary Information (Unaudited)

### Schedule of the District's Proportionate Share of the Net Pension Liability (amounts in thousands)

Measurement Date Ended June 30	PERS 1							
	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.515673%	0.497050%	0.489144%	0.493735%	0.509107%	0.524928%	0.544648%	0.574446%
Proportionate share of the net pension liability	\$ 6,298	\$ 17,549	\$ 18,809	\$ 22,050	\$ 24,158	\$ 28,191	\$ 28,490	\$ 28,938
Covered-employee payroll	78,618	72,226	68,079	65,002	63,510	61,646	56,606	63,970
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	8.01%	24.30%	27.63%	33.92%	38.04%	45.73%	50.33%	45.24%
Plan fiduciary net position as a percentage of the total pension liability	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%
	PERS 2/3							
Measurement Date Ended June 30	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.654458%	0.639436%	0.620593%	0.622917%	0.639308%	0.650080%	0.679264%	0.706321%
Proportionate share of the net pension liability(asset)	\$ (65,195)	\$ 8,178	\$ 6,028	\$ 10,636	\$ 22,213	\$ 32,731	\$ 24,271	\$ 14,277
Covered-employee payroll	78,278	71,878	67,595	64,541	62,862	60,733	55,717	62,709
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	-83.29%	11.38%	8.92%	16.48%	35.34%	53.89%	43.56%	22.77%
Plan fiduciary net position as a percentage of the total pension liability	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%

### Notes to Schedule

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, Grant PUD will present information for only those years for which information is available.

Grant PUD implemented GASB 68 effective January 1, 2014.



## Required Supplementary Information (Unaudited)

### Schedule of the District's Contributions (amounts in thousands)

	PERS 1									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 3,497	\$ 3,645	\$ 3,510	\$ 3,385	\$ 3,222	\$ 2,985	\$ 2,653	\$ 2,535	\$ 2,043	\$ 883
Contributions in Relation to the Contractually Required Contribution Subtotal	<u>(3,497)</u>	<u>(3,645)</u>	<u>(3,510)</u>	<u>(3,385)</u>	<u>(3,222)</u>	<u>(2,985)</u>	<u>(2,653)</u>	<u>(2,535)</u>	<u>(2,043)</u>	<u>(883)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$80,806	\$75,385	\$70,371	\$66,174	\$64,999	\$61,575	\$59,113	\$61,536	\$61,088	\$59,498
Contributions as a Percentage of Covered Employee Payroll	4.33%	4.84%	4.99%	5.12%	4.96%	4.85%	4.49%	4.12%	3.34%	1.48%
	PERS 2/3									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 5,756	\$ 5,942	\$ 5,403	\$ 4,927	\$ 4,418	\$ 3,788	\$ 3,293	\$ 3,022	\$ 2,873	\$ 3,297
Contributions in Relation to the Contractually Required Contribution	<u>(5,756)</u>	<u>(5,942)</u>	<u>(5,403)</u>	<u>(4,927)</u>	<u>(4,418)</u>	<u>(3,788)</u>	<u>(3,293)</u>	<u>(3,022)</u>	<u>(2,873)</u>	<u>(3,297)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$80,480	\$75,031	\$69,956	\$65,702	\$64,444	\$60,809	\$58,216	\$60,489	\$59,776	\$57,410
Contributions as a Percentage of Covered Employee Payroll	7.15%	7.92%	7.72%	7.50%	6.86%	6.23%	5.66%	5.00%	4.81%	5.74%

## Required Supplementary Information (Unaudited)

### Schedule of Changes in Total OPEB Liability and Related Ratios (amounts in thousands)

	2021	2020	2019	2018	2017
Total OPEB Liability - beginning	\$ 10,364	\$ 9,705	\$ 6,977	\$ 6,806	\$ 6,525
Service Cost	620	550	372	362	351
Interest	243	274	249	237	229
Changes of Benefit Terms	-	-	-	-	-
Differences between expected and actual experience	(1,350)	-	255	-	-
Changes of assumptions or other input	(534)	368	2,291	-	-
Benefit Payments	(387)	(533)	(439)	(428)	(299)
Net Change in Total OPEB Liability	(1,408)	659	2,728	171	281
Total OPEB Liability - Ending	<u>\$ 8,956</u>	<u>\$ 10,364</u>	<u>\$ 9,705</u>	<u>\$ 6,977</u>	<u>\$ 6,806</u>
Estimated Covered-Employee Payroll	\$ 80,806	\$ 69,978	\$ 67,940	\$ 68,629	\$ 66,630
Total OPEB Liability as a Percentage of Covered-Employee Payroll	11.08%	14.81%	14.28%	10.17%	10.21%

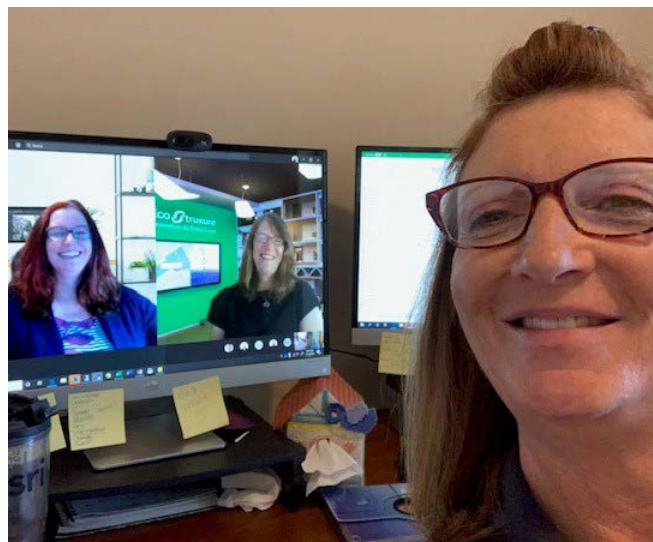
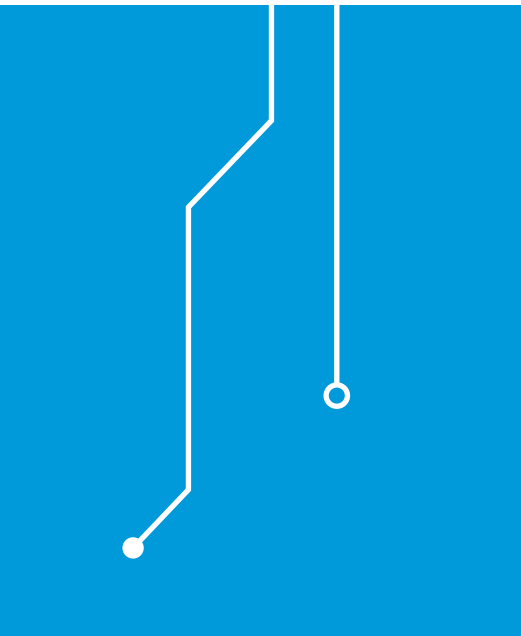
### Notes to Schedule

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, Grant PUD will present information for only those years for which information is available.

During fiscal year 2019, assumptions pertaining specifically to the implicit medical benefit (participation, coverage of eligible children, health care claims costs, and aging factor) were introduced.

Grant PUD implemented GASB 75 effective January 1, 2017.

There are no assets accumulated in a qualified trust to provide benefits under the plan.







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