

2019 Budget Presentation

Our plan for delivering value to our customers



Powering our way of life.

Topics covered

1. Budget Process
2. Summary of Results – Base
3. Scenarios





Key Takeaways:

- Dedicated to increasing value for Grant PUD customers.
- Improved financial health provides the opportunity to reduce future rate trajectory.
- Preserving and improving financial health increases value for current and future customers:
 - Investment in assets to maintain low-cost, reliable power.
 - Investment in technology is key to future delivering efficiencies.
 - Continued focus on containing controllable costs.

01

**2019 Budget Process & Major
Budget Initiatives**



2019 Budget aligned with customers' top priorities:

- Providing reliable electric power with few outages.
- Keeping electric prices as low as possible.
- Providing real-time information on energy, use and outages.

Source: 2017 Customer Satisfaction Survey





Major budget initiatives undertaken in 2018:

1. Financial Position:
 - District Leverage – Intergenerational Fairness Study
 - Reserve Requirements – Liquidity Study
2. Detailed 10-year Budget View
3. Technology Roadmap

Technology Roadmap Project

Goal

- Create a multi-year technology investment roadmap to achieve commission and business goals while considering financial and personnel constraints.
- Prioritize projects to address needs while considering operational priorities, business value, and risk-reduction impacts within an efficient and cost effective technology architecture.

Accomplished

- Technology road map and prioritization complete including financial cost estimates.



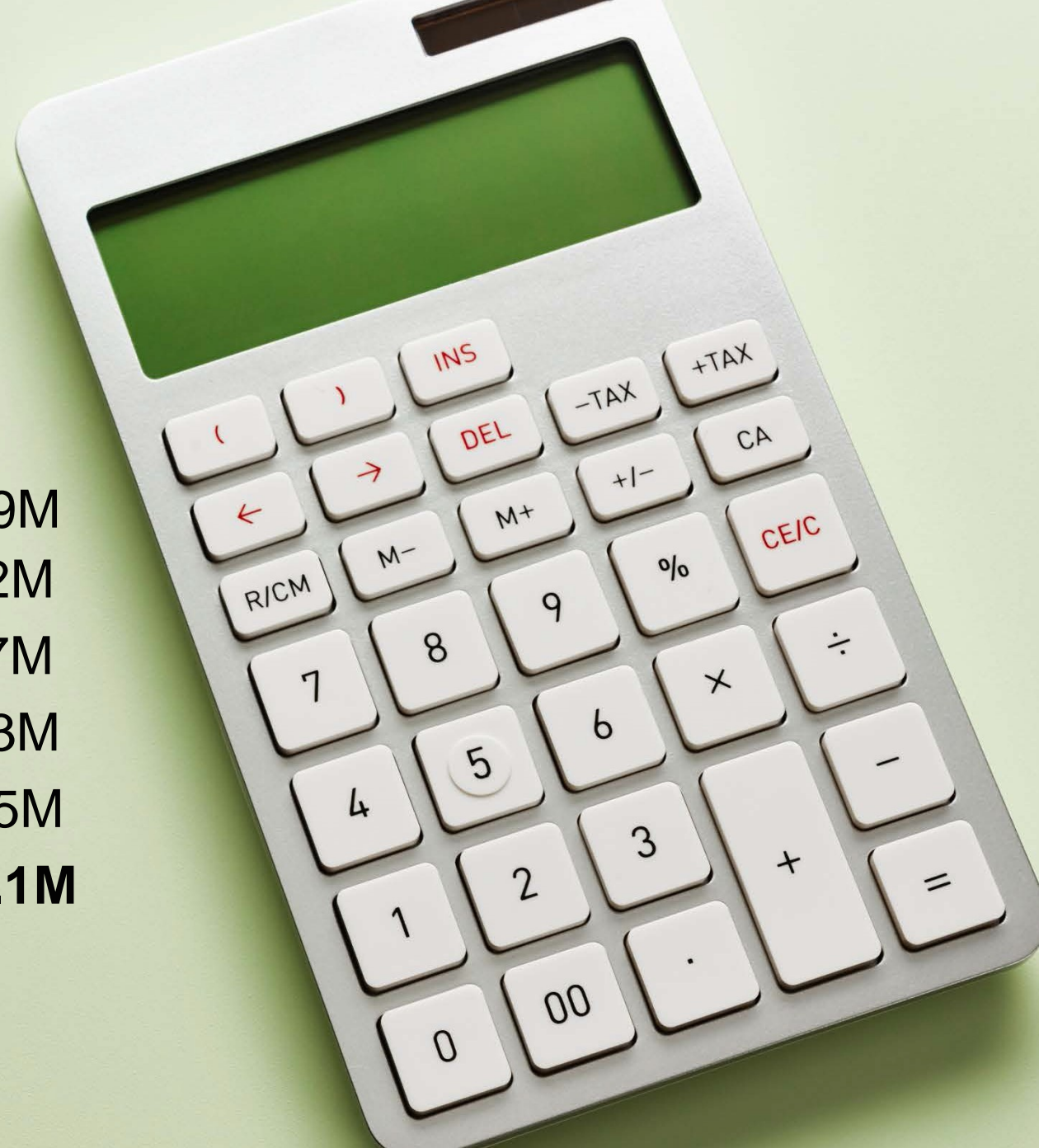
02

Summary of Results

The background features a series of overlapping, curved, abstract shapes in shades of blue and grey, creating a dynamic, layered effect. The shapes are primarily on the right side of the slide, with some extending towards the center. The overall aesthetic is modern and professional.

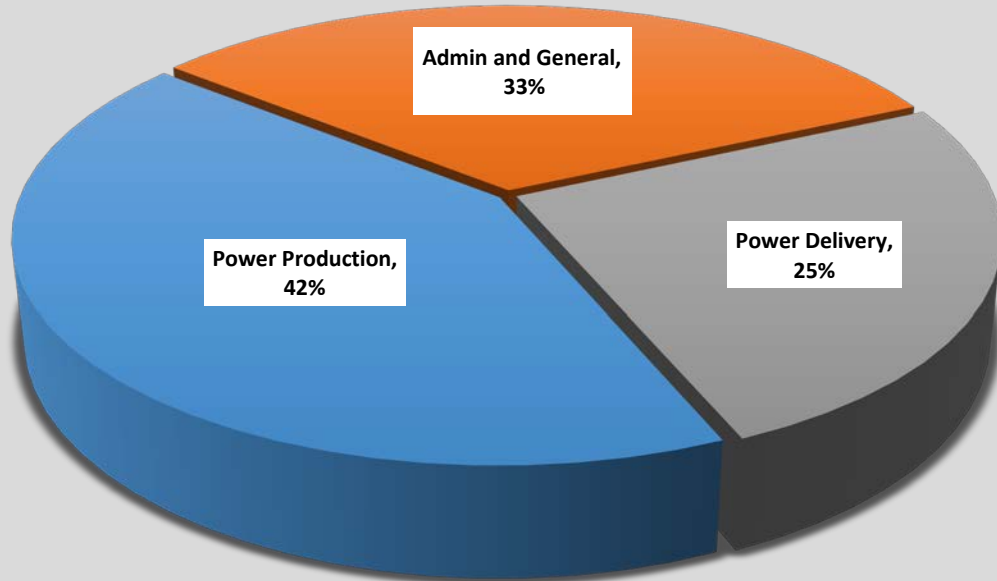
Total expenses for 2019 (before offsets)

1. Operations & Maintenance.....	\$121.9M
2. Taxes.....	\$17.2M
3. Electric System Capital.....	\$50.7M
4. Priest Rapids Project Capital.....	\$81.3M
5. Debt Service (net of rebates).....	\$87.5M
Total.....	\$359.1M

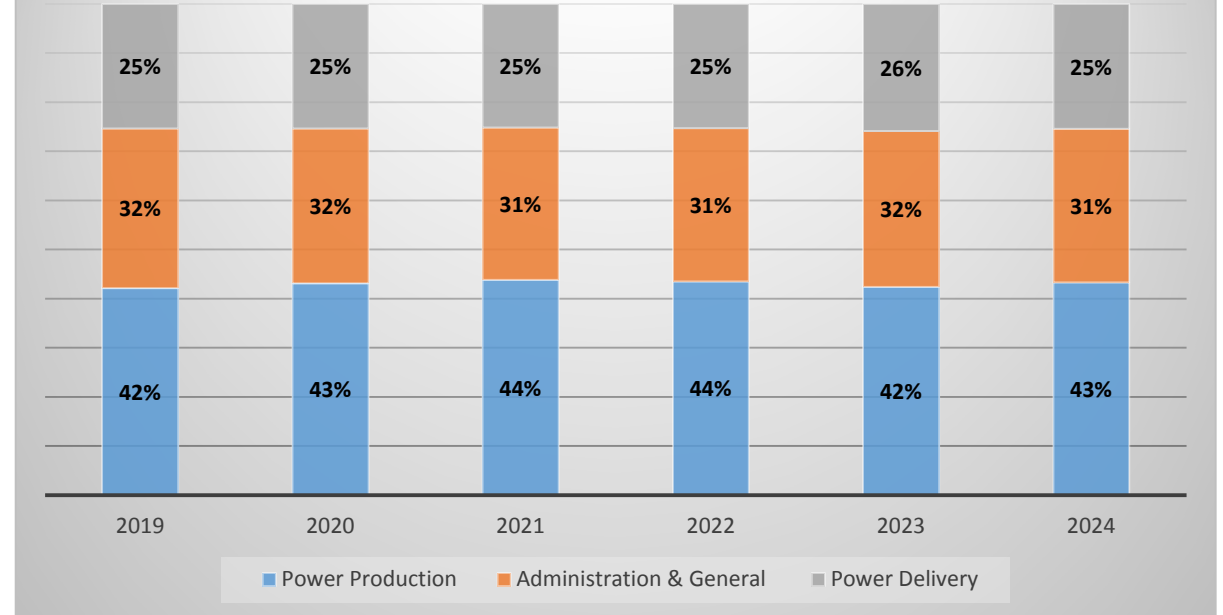


Operations and Maintenance Expense

2019 O&M Splits by Org



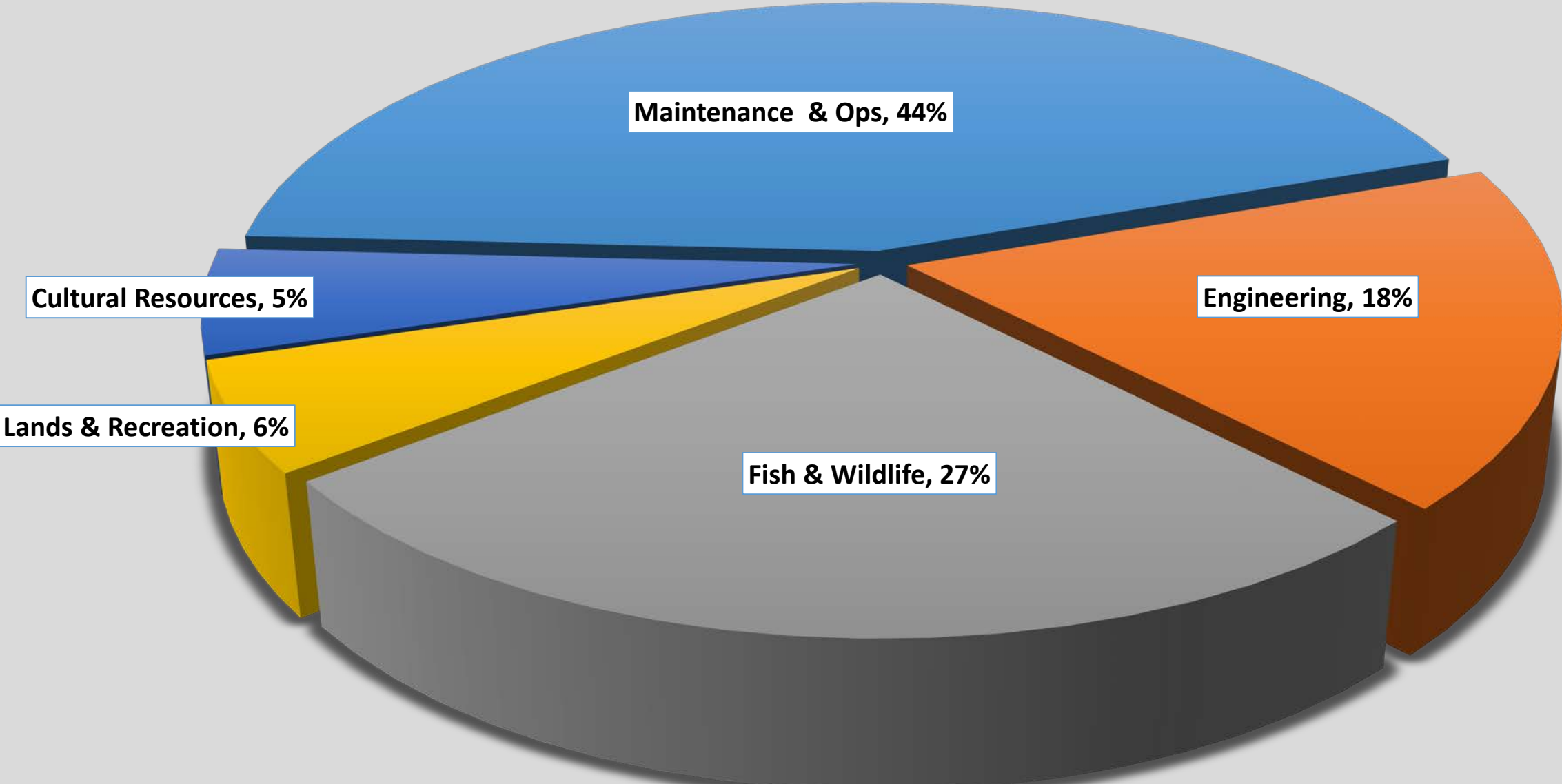
5 Year O&M Splits by Program



- Operations and maintenance (O&M) expense includes both labor and operating expenses, net of labor to capital.
- Total 2019 O&M of \$121.9M can be reviewed programmatically in three categories.
- Split by program over a five-year period remains largely unchanged.

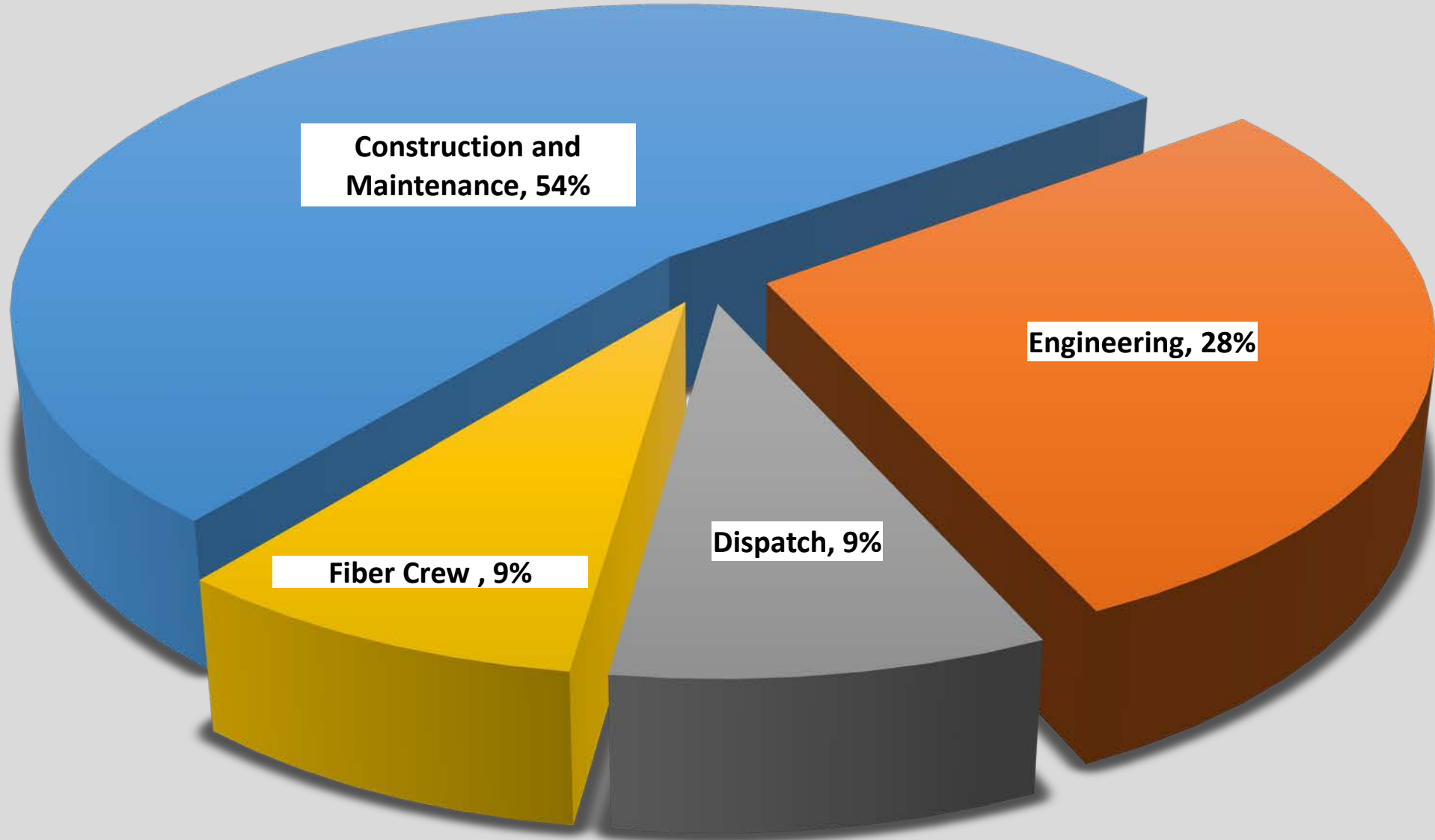
2019 Power Production - O&M Program Splits

Directs



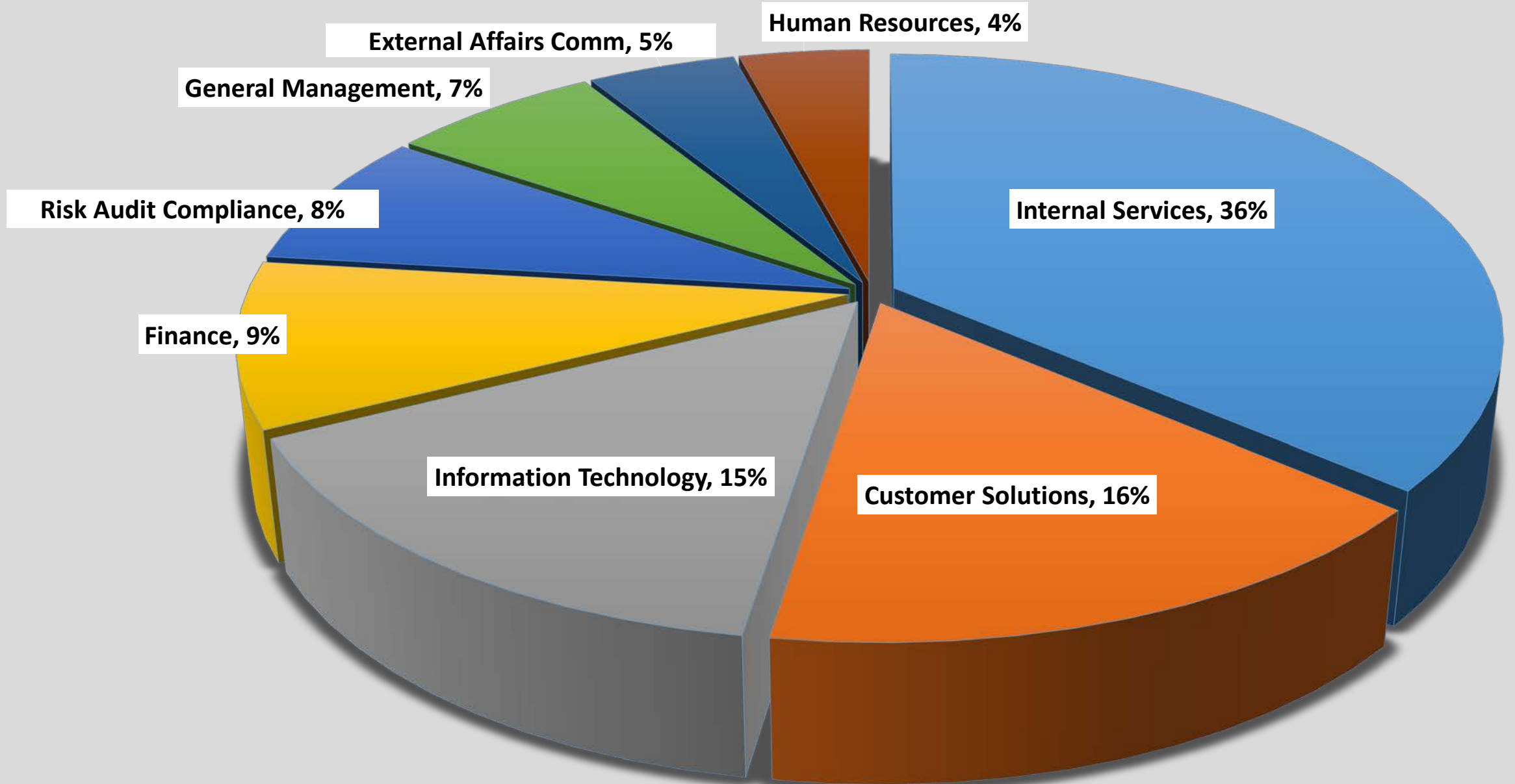
2019 Power Delivery - O&M Program Splits

Directs



2019 Admin & General - O&M Program Splits

Directs



The background image shows two utility workers in high-visibility yellow-green shirts and white hard hats working on a power line tower. They are positioned in a white bucket lift. The tower is a dark metal structure with cross-arms. Several power lines are visible, some with insulators. The sky is clear and blue. The number '1509' is visible on the side of the bucket lift.

Electric System Capital:

\$50.7 million in 2019 Includes:

1. Substations expansion (\$10.7M)*
2. Fiber customers connections and expansion (\$5.8M)
3. Enterprise technology (\$7.2M)
4. Fleet replacement program (\$2.8M)
5. Distribution feeder lines (\$2.8M)

Note: Individual project costs exclude Internal Labor



Priest Rapids Project Capital:

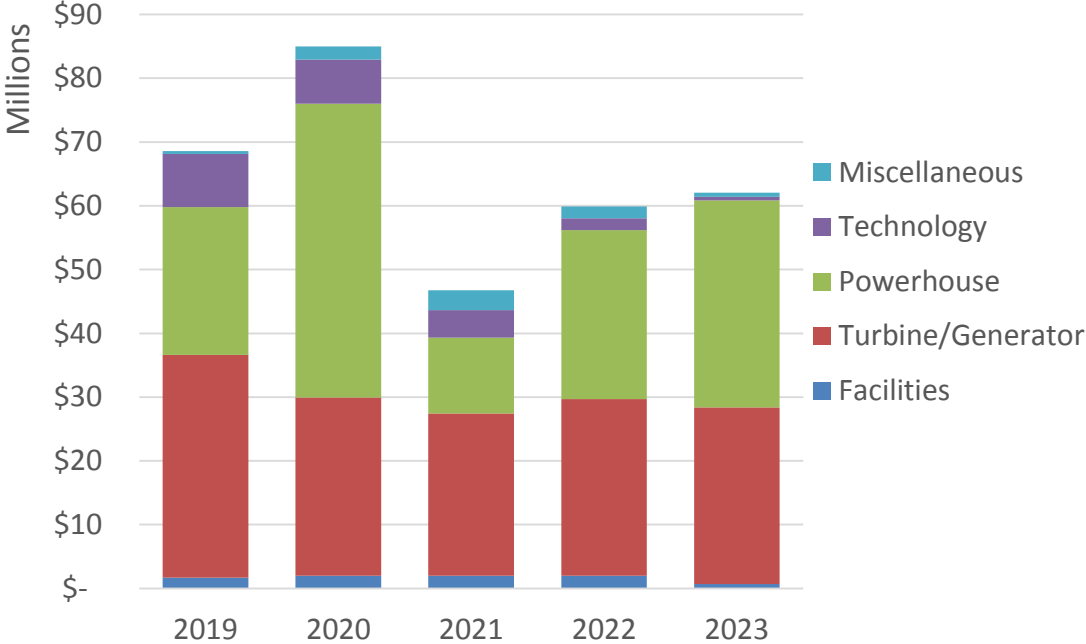
\$81.3 million in 2019 Includes
items such as:

1. Priest Rapids turbine upgrade (\$18.0M)
2. Wanapum & Priest Rapids generator upgrade (\$16.8M)
3. Priest Rapids embankment improvements (\$8.8M)
4. Priest Rapids spillway improvements (\$5.6M)
5. Priest Rapids Dam unit controls (\$1.7M)

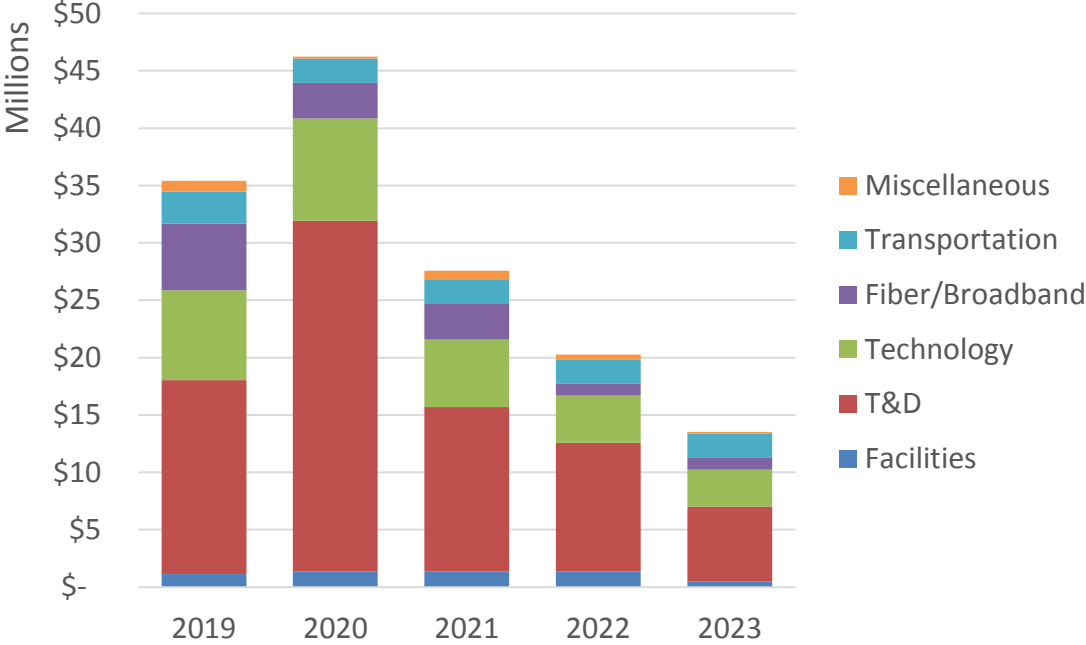
Note: Individual project costs exclude Internal Labor

5-Year Capital Plan by System

PRP



ELEC



2019-2023 Capital Expenditures (Directs in \$M)	
Uses of Funds	
Facilities (3%)	9
Turbine/Generator (45%)	152
Powerhouse/Spillway (43%)	149
Technology (7%)	23
Miscellaneous (3%)	9
Total	\$341

2019-2023 Capital Expenditures (Directs in \$M)	
Uses of Funds	
Facilities (4%)	6
T&D (56%)	83
Technology (21%)	31
Fiber/Broadband (10%)	15
Transportation (8%)	12
Miscellaneous (2%)	3
Total	\$150

Note: T&D Category is adjusted for estimated CIAC to reflect PUD portion of cost, \$'s reflect direct Costs excludes capitalized labor)



Debt Service (net of rebates):

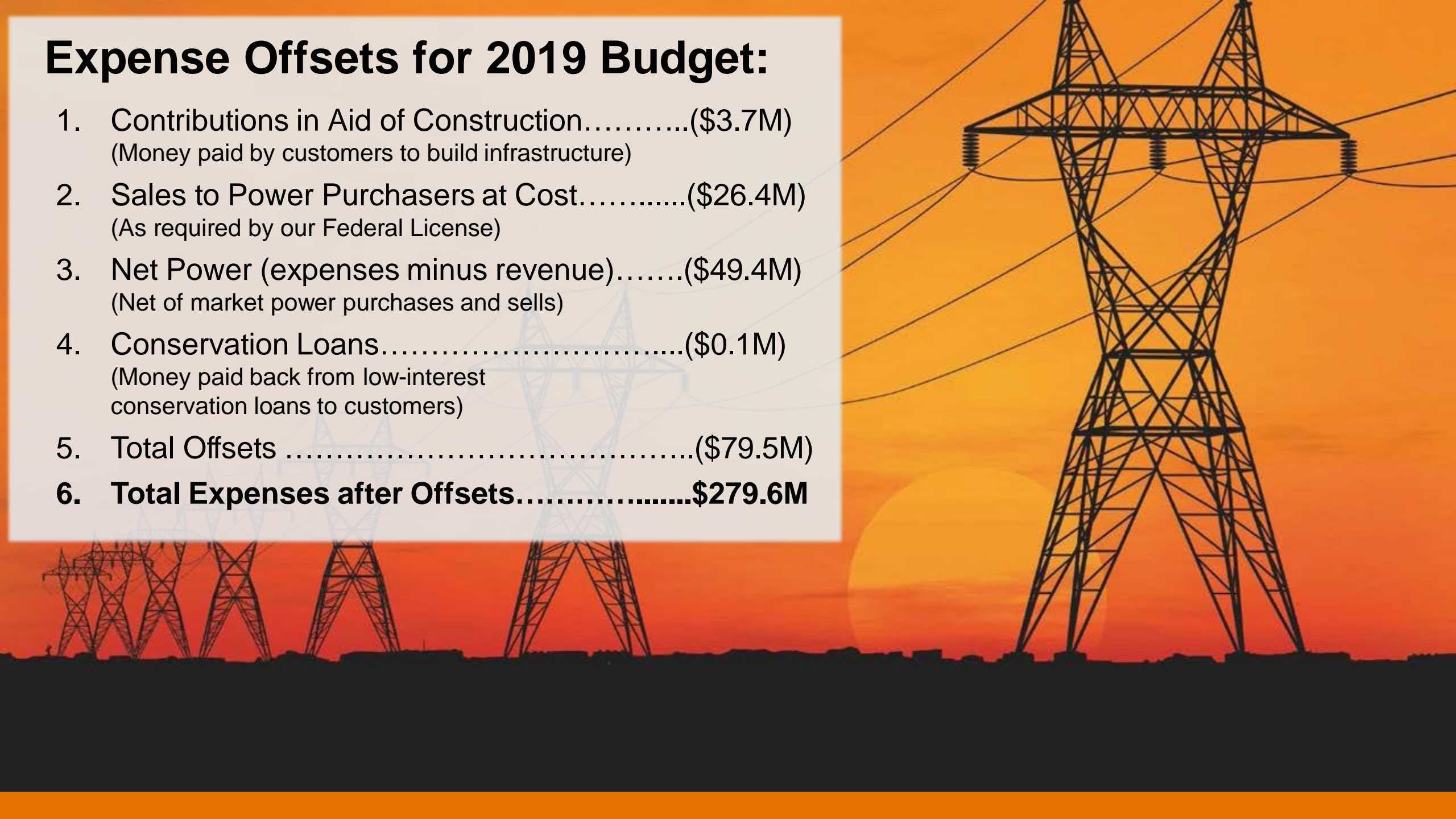
- \$87.5 million in 2019

Taxes:

- \$17.7 Million in 2019

Expense Offsets for 2019 Budget:

1. Contributions in Aid of Construction.....(\$3.7M)
(Money paid by customers to build infrastructure)
2. Sales to Power Purchasers at Cost.....(\$26.4M)
(As required by our Federal License)
3. Net Power (expenses minus revenue).....(\$49.4M)
(Net of market power purchases and sells)
4. Conservation Loans.....(\$0.1M)
(Money paid back from low-interest
conservation loans to customers)
5. Total Offsets(\$79.5M)
6. **Total Expenses after Offsets.....\$279.6M**



Preliminary Budget Summary – Total Expenditures

<i>\$'s in millions</i>	Actuals	Forecast					
	2017	2018	2019	2020	2021	2022	2023
TOTAL O&M	116,324	114,766	121,945	127,639	131,305	134,752	136,157
TAXES	16,283	16,698	17,712	18,679	19,355	19,979	20,479
ELECTRIC CAPITAL	55,525	43,517	50,676	63,437	45,524	38,889	32,664
PRP CAPITAL	105,630	84,007	81,278	100,737	63,140	79,413	84,395
DEBT SERVICE (net of rebates)	89,328	87,266	87,533	89,223	91,977	91,678	87,379
TOTAL EXPENDITURES	383,091	346,254	359,143	399,716	351,302	364,710	361,073
Expenditure offsets for deduction							
Contributions in Aid of Construction	(10,649)	(11,104)	(3,652)	(1,202)	(1,207)	(1,212)	(1,218)
Sales to Power Purchasers at Cost	(41,790)	(24,870)	(26,379)	(22,086)	(16,479)	(15,075)	(14,820)
Net Power (+ Expense, - Revenue)	(54,753)	(58,403)	(49,383)	(47,999)	(61,536)	(58,838)	(54,000)
Conservation Loans	(47)	(125)	(125)	(125)	(125)	(125)	(125)
TOTAL EXPENDITURE OFFSETS	(107,239)	(94,502)	(79,539)	(71,411)	(79,347)	(75,251)	(70,163)
TOTAL BUDGETED EXPENDITURES	275,852	251,752	279,604	328,305	271,955	289,459	290,910

Preliminary Budget Summary – Net Position & Key Metrics

<i>\$'s in millions</i>	Actuals	Forecast					
	2017	2018	2019	2020	2021	2022	2023
CONSOLIDATED OPERATIONAL PERFORMANCE							
Sales to Power Purchasers at Cost	41,790	24,870	26,379	22,086	16,479	15,075	14,820
Retail Energy Sales	188,473	197,502	211,334	226,071	236,465	246,004	253,525
Net Power (Net Wholesale+Other Power Revenue)	54,753	58,403	49,383	47,999	61,536	58,838	54,000
Fiber Optic Network Sales	6,860	7,832	8,781	9,332	9,804	10,114	10,313
Other Revenues	2,034	1,793	1,809	1,825	1,841	1,857	1,873
Operating Expenses	(116,324)	(114,766)	(121,945)	(127,639)	(131,305)	(134,752)	(136,157)
Taxes	(16,283)	(16,698)	(17,712)	(18,679)	(19,355)	(19,979)	(20,479)
Net Operating Income(Loss) Before Depreciation	161,303	158,937	158,028	160,994	175,464	177,158	177,896
Depreciation and amortization	(66,206)	(69,755)	(73,352)	(75,541)	(77,530)	(78,097)	(79,097)
Net Operating Income (Loss)	95,097	89,182	84,676	85,453	97,934	99,061	98,800
Other Revenues (Expenses)							
Interest, debt and other income	(29,609)	(37,190)	(29,829)	(30,261)	(35,378)	(34,553)	(33,629)
CIAC	10,649	11,104	3,652	1,202	1,207	1,212	1,218
Change in Net Position	76,137	63,096	58,499	56,394	63,763	65,721	66,388
	Actuals	Forecast					
	2017	2018	2019	2020	2021	2022	2023
NET INCOME	76,137	63,096	58,499	56,394	63,763	65,721	66,388
LIQUIDITY (measured at year end)							
Elect System Liquidity (Rev + R&C)	157,031	158,988	111,386	114,781	117,598	120,550	123,526
Excess Liquid Cash	17,263	58,840	63,382	63,321	64,858	68,945	74,480
Days Cash On Hand	621	740	588	569	391	432	430
LEVERAGE							
Consolidated DSC	1.77	1.91	1.91	1.90	2.00	1.97	2.00
Consolidated Debt/Plant Ratio	65%	62%	60%	59%	58%	57%	56%
PROFITABILITY							
Cons. Return on Net Assets (chg. in net assets / net plant)	3.7%	3.0%	2.7%	2.5%	2.8%	2.8%	2.8%
Retail Op Ratio (assumes baseline capital)	105%	111%	107%	106%	107%	106%	102%

2019 Priorities:

- Dedicated to focus on long-term value for all customers.
- Investing in assets ensures access to long-term, low-cost Priest Rapids Project resource.
- Investing in technology provides access to operational and customer service improvements.
- Retail electric price increase, needed for financial stability.
 - 2019 – 2.0%
 - 2020 – 1.0%
 - 2021-forward – Lower projected rate increases
- Strong financial position ensures maintenance of favorable credit rating.



Flash Back to 2016 - 2016 Financing Long-term Assets

- \$1.8 billion net book value of assets.
- Assets are maintained and replaced to produce reliable, low cost energy.
- The amount of debt is \$1.3 billion, which is a high (debt / plant) ratio of 72%.
- Focused on decreasing debt to be no more than 60% of plant steady state.
 - Equity financing reduces future rates by decreasing debt interest costs.
- Restructured long-term debt in 2013 reduced annual price increases from 8% down to 2%.
- Maintaining a strong credit rating allows the District to borrow at low interest rates that helps keep rates low.



03 Scenarios

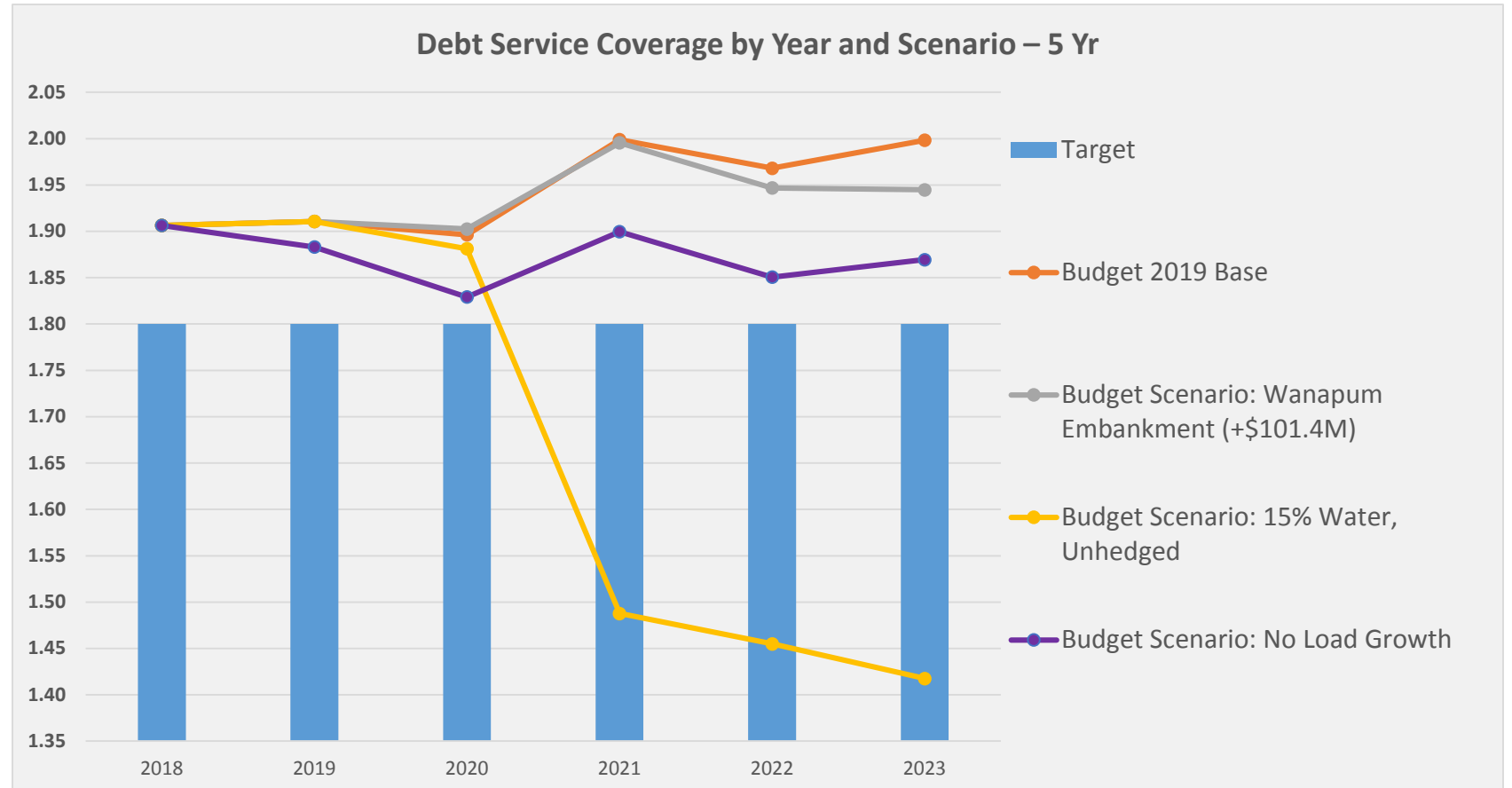
Items that could have a significant impact on budget

Financial Scenarios – Comparison to Base Budget

Three Scenarios

1. Wanapum Left Embankment (+\$100M)
2. No Future Load Growth
3. No Slicing Contracts with critical water years

- Chart and table convey impact to debt service coverage (DSC)
- Similar magnitude of metric degradation observed on Return on Net Assets and Retail Operating Ratio metrics



Scenarios - Debt Service Coverage	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Target	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80
Budget 2019 Base	1.91	1.91	1.90	2.00	1.97	2.00	2.09	2.00	1.90	1.88	1.76
Budget Scenario: Wanapum Embankment (+\$100M)	1.91	1.91	1.90	2.00	1.95	1.94	2.00	1.92	1.87	1.85	1.74
Budget Scenario: 15% Water, Unhedged	1.91	1.91	1.88	1.49	1.46	1.42	1.48	1.34	1.29	1.19	1.11
Budget Scenario: No Load Growth	1.91	1.88	1.83	1.90	1.85	1.87	1.95	1.89	1.85	1.86	1.72