

RESOLUTION NO. _____

A RESOLUTION AUTHORIZING THE GENERAL
MANAGER TO ENTER INTO AN EXTENDED
DURATION POWER SALES AGREEMENT

FACTUAL BACKGROUND AND REASONS FOR ACTION

The District is authorized to purchase and sell electric energy and capacity pursuant to RCW 54.16.040 and other applicable laws. RCW 54.16.040 provides that the contracts shall extend over such period of years and contain such terms and conditions as determined appropriate by the Commission. RCW 54.16.040 also requires that the Commission, prior to selling energy to other entities, shall first make adequate provision for the needs of the District, actual and prospective. RCW 54.16.040 further requires that a resolution authorizing such transactions must be introduced at a Commission meeting at least ten (10) days prior to the adoption of the resolution.

The District has existing power sales agreements with terms longer than 15 years, authorized by Resolution No. 06-12830, Resolution No. 08-13352, and Resolution No. 21-14619. Continuing to enter into extended duration sales agreements, as part of the District's long-term marketing strategy, is beneficial to the District and its customer-owners.

In Resolution No. 06-12830, adopted January 30, 2006, the Commission directed District staff to use the power sales agreement approved by that resolution as a template for future discussions with other parties on similarly structured power sales. District staff used that agreement as the basis for a modernized template contract for negotiations on future extended duration power sales agreements. The modernized template agreement has been discussed with and provided to the Board of Commissioners and is on file in the offices of the District.

Using this template, and with guidance from the General Manager, staff has negotiated to sell an amount of surplus energy, capacity, and environmental attributes consistent with the Long-Term Marketing Strategy Principles and Cost-Plus Template Concepts presented to and discussed with the Board on March 15, 2021, and July 6, 2021 (Long-Term Marketing Strategy Updates). The proposed contract would have a delivery term of twenty (20) years, with deliveries beginning on November 1, 2031, and running through October 31, 2051. The total amount of output to be sold through this contract is contemplated at twenty-five percent (25%) of the output of Rocky Reach and Rock Island hydroelectric projects. A draft of the proposed contract has been provided to the Board and is on file in the offices of the District.

The proposed contract is surplus to the actual and prospective needs of the District, and does not increase the District's stream flow or outage risks. Contract pricing is based on the District's cost of production, along with price adders for the additional value provided from the output, including from environmental attributes and capacity. The terms and conditions of the proposed Contract are consistent with the principles and template concepts presented to the Board during the Long-Term Marketing Strategy Updates. The Board approved a similar contract, also on terms

and conditions consistent with these principles and template concepts, in Resolution No. 21-14619, adopted December 30, 2021.

Staff recommends that it is in the best interest of the District to enter into the extended duration power sales agreement consistent with the principles provided to the Board in the Long-Term Marketing Strategy Updates. The General Manager has reviewed staff’s recommendation and concurs in the same.

ACTION

IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON, as follows:

Section 1. At a public meeting on January 23, 2023, this Resolution was introduced to the Commission seeking authorization to enter into a proposed Power Sales Agreement consistent with the principles and template concepts that were presented to and reviewed with the Commission as part of the Long-Term Marketing Strategy Updates. Pursuant to RCW 54.16.040, the Commission delayed action on whether to approve the proposed Resolution to allow ten (10) calendar days to pass.

Section 2. The Commission hereby approves the Resolution and authorizes and directs the General Manager (or designee) to execute the proposed Power Sales Agreement on behalf of the District on terms and conditions consistent with the principles and template concepts set out in the Long-Term Marketing Strategy Updates.

Section 3. The Commission also authorizes the General Manager (or designee) to execute on behalf of the District any necessary or appropriate agreements and to take actions necessary to effectuate this Resolution and the Power Sales Agreement on behalf of the District.

DATED this 6th day of February 2023.

President

ATTEST:

Vice President

Secretary

Commissioner

Commissioner

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