COVER SHEET ELECTIONS

applicable to the

COLLATERAL ANNEX

**to the**

AGREEMENT(S)

This Cover Sheet Elections applicable to the Collateral Annex to the Agreement(s) (“Cover Sheet Elections”) between: Public Utility District No. 1 of Chelan County, Washington (“Party A”) and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (“Party B”) (each a “Party” and, collectively, the “Parties”).

This Cover Sheet Elections shall be effective as of March XX, 2023 (the “Elections Effective Date”).

This Cover Sheet Elections sets forth the Parties’ agreements to supplement the Collateral Annex and, as the Parties may determine, vary the terms and conditions of the Collateral Annex. To the extent there are any inconsistencies between the terms and conditions of the Collateral Annex, excluding the Cover Sheet Elections, and these Cover Sheet Elections, the Cover Sheet Elections shall prevail.

Terms that are capitalized for reasons other than grammatical reasons shall have the meanings assigned to them in Section 1 of the Collateral Annex.

The Collateral Threshold, Independent Amount, Minimum Transfer Amount and Rounding Amount, shall each be zero (0) unless a different amount is stated below.

**I. Collateral Threshold.**

**A. Party A Collateral Threshold.**

The Collateral Threshold for Party A shall be the amount set forth in the chart below under the heading “Collateral Threshold” opposite the Credit Rating for Party A on the relevant date of determination, and if such Credit Ratings shall not be equivalent, the lower Credit Rating shall govern:

|  |  |  |  |
| --- | --- | --- | --- |
| **Collateral Threshold** | **S&P**  **Credit Rating** | **Moody’s**  **Credit Rating** | **Fitch**  **Credit Rating** |
| $ Unlimited | AAA (or above) | Aaa (or above) | AAA(or above) |
| $ Unlimited | AA+ | Aa1 | AA+ |
| $ Unlimited | AA | Aa2 | AA |
| $ Unlimited  $ Unlimited  $ Unlimited  $ Unlimited  $ Unlimited  $ Unlimited | AA-  A+  A  A-  BBB-  Below BBB- | Aa3  A1  A2  A3  Baa3  Below Baa3 | AA-  A+  A  A-  BBB-  Below BBB- |

**B. Party B Collateral Threshold.**

The Collateral Threshold for Party B, or its Guarantor, shall be (a) the amount set forth in the chart below under the heading “Collateral Threshold” opposite the Credit Rating for Party B, or its Guarantor, on the relevant date of determination, and if such Credit Ratings shall not be equivalent, the lower Credit Rating shall govern, or (b) zero if on the relevant date of determination none of the rating agencies specified below has a Credit Rating in effect with respect to Party B, or its Guarantor, or in the event of a Material Adverse Change as defined in Part II hereof with respect to Party B. Party B’s Collateral Threshold table is contingent upon the guarantee provided by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for the benefit of Party B. Termination or reduction of the guarantee may result in a change to the Collateral Threshold table provided below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Collateral Threshold** | **S&P**  **Credit Rating** | **Moody’s**  **Credit Rating** | **Fitch**  **Credit Rating** |
| TBD |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

1. **Material Adverse Change.**

**A. Party A**

A Material Adverse Change shall occur with respect to Party A in the following circumstances:

Not applicable.

**B. Party B**

A Material Adverse Change shall occur with respect to Party B in the following circumstances:

An Event of Default shall have occurred and is continuing where Party B is the Defaulting Party, or a Potential Event of Default has occurred where Party B is the potentially Defaulting Party, or an Early Termination has occurred or been designated with respect to Party B for which Party B has not satisfied its Obligations.

1. **General Credit Assurances.**

Section 27 of the WSPP Agreement does not apply; Sections 27 and Section 22.1(d) of the WSPP Agreement are inapplicable to WSPP Agreement transactions between the Parties.

1. **Independent Amount.**
2. Party A Independent Amount: $\_\_\_\_\_\_\_\_\_\_\_ N/A\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

B. Party B Independent Amount: $\_\_\_\_\_\_\_\_\_\_\_\_TBD\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

If Party B has entered into multiple Agreements with Party A, the Independent Amount to be posted by Party B will be reviewed by Party A upon execution of a new Agreement and upon termination or expiration of any Agreement between the Parties.

1. **Minimum Transfer Amount.**

A. Party A Minimum Transfer Amount: $\_\_\_\_\_\_\_100,000\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

B. Party B Minimum Transfer Amount: $\_\_\_\_\_\_\_100,000\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**VI. Rounding Amount.**

A. Party A Rounding Amount: $\_\_\_\_\_\_\_\_\_\_10,000\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

B. Party B Rounding Amount: $\_\_\_\_\_\_\_\_\_\_10,000\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**VII. Administration of Collateral.**

**A. Posting Deadline for Collateral Requirement**

Party B shall be required to provide Performance Assurance to cover an outstanding Collateral Requirement under Section 4 of the Collateral Annex no later than 5:00 pm Pacific prevailing time of the same Business Day after receipt of a Demand Notice (the “Posting Deadline”), provided, that if the Demand Notice is sent/received after such time as specified in the Collateral Annex, then the Posting Deadline shall be 24 hours later; further provided that if Party B requests Performance Assurance from an LC Issuer by the Posting Deadline but the Performance Assurance is not issued by the Posting Deadline, then the Posting Deadline shall be 24 hours later. Party B may provide an electronic version of a signed Letter of Credit, or signed Amendment to an existing Letter of Credit, to meet the established deadline so long as Party A receives the executed original by mail the following Business Day.

**B. Reduction Deadline for Transfer of Excess Performance Assurance**

Party A shall be required to transfer Excess Performance Assurance to the Posting Party, or LC Issuer in the case of a Letter of Credit, under Section 5 of the Collateral Annex no later than 5:00 pm Pacific prevailing time two Business Days after receipt of a demand therefor (the “Reduction Deadline”), provided, that if the demand is sent/received after such time as specified in the Collateral Annex, then the Reduction Deadline shall be 24 hours later. Party A may provide an electronic version of a signed and accepted Amendment to an existing Letter of Credit to meet the established deadline.

**C. Performance Assurance in the Form of Cash**

Performance Assurance shall be accepted in the form of Cash at the District’s discretion. The District has the right to request that Cash postings be replaced at a later date with a Letter of Credit issue from an LC Issuer approved by the District.

**D. Interest Rate**

Federal Funds Effective Rate – the rate for that day opposite the caption “Federal Funds (Effective)” as set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Board of Governors of the Federal Reserve System.

**VIII. Letters of Credit**

**A. Definition of LC Issuer:**

Maximum amount per LC Issuer: $\_\_\_\_\_\_$35,000,000\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

If the Parties agree that a specific entity shall be an LC Issuer even if it may not satisfy the credit rating specified in the definition of LC Issuer set forth in the Collateral Annex, identify such entity here:

If the Parties agree to a different definition of LC Issuer than the definition specified in the Collateral Annex, state such definition here:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_N/A\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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**B. Definition of Letter of Credit**

“Letter of Credit” means an irrevocable, non-transferable, standby letter of credit, issued by an LC Issuer, or other issuer to which the Parties may agree in writing, in a form consistent with the Parties’ agreements and otherwise reasonably acceptable to Party A , including, without limitation, terms giving Party A the right to draw on the letter of credit upon the occurrence of the earlier of (a) a payment default by Party B; (b) an Event of Default by Party B; and (c) the commencement of a bankruptcy, receivership, or other proceeding under any applicable law relating to insolvency or corporate reorganization with respect to Party B.

The Parties may specify here additional terms and conditions that a Letter of Credit shall contain:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_N/A\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**IX. Notice and other Communications Under Section 9(h) of Collateral Annex**

Each calculation, demand, notice, consent, agreement, approval or other communication required or permitted to be given from one Party to the other Party under the Collateral Annex shall be submitted to the recipient Party at the following physical address:

**Party A:**

Attention: Credit Manager

Entity: Chelan County PUD

Street: 327 N. Wenatchee Ave

City, State, Zip Code: Wenatchee, WA 98801

Email: collateral@chelanpud.og

Phone No.: 509-661-4347

**Party B:**

Attention: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Entity: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Street: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

City, State, Zip Code: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Email: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Phone No.: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

With a copy to:

Attn: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Entity: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Street: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

City, State, Zip Code: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Email: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Phone: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

If electronic notification by internet email is the chosen means of communications under the Collateral Annex, the following protocol shall apply:

A. The email shall be addressed to at least two designated employees or agents of the recipient, as listed below or as the same may be changed from time to time by written notice in accordance with the terms hereof and the Collateral Annex.

B. The sender shall have received a reply confirmation of receipt from at least one of the recipients acknowledging receipt of the email within two (2) hours (excluding all non-Business Day hours) of the email delivery (the “*Acknowledgement Delivery Time*”).

C. If an acknowledgment of receipt is not received by the sender by the Acknowledgement Delivery Time, email notification shall not apply to that communication and other means for the delivery of notices as set forth above and in the Collateral Annex shall be followed.

D. Initially, the contacts entitled to receive email notifications under the Collateral Annex are as follows:

For Party A: collateral@chelanpud.org

Sue.Wiersma@chelanpud.org

Jayme.Mitchell@chelanpud.org

For Party B: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

E. Either Party may, upon due notice to the other Party, terminate this email delivery protocol upon not less than five (5) Business Days notice to the other Party, in which event the rules for delivery of notices other than email as reflected in the Collateral Annex shall apply.

**Execution of Cover Sheet Elections:**

**Party A Party B**

Public Utility District No. 1 of Chelan County \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name of Party: Name of Party

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

[Sign here] [Sign here]

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

[Print name] [Print name]

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title Title

Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_