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WA-18

Renewable Natural Gas Agreement Brings Long-Term Value and Stability

You may have seen the recent press release that we signed a 20-year renewable natural gas (RNG) agreement with Puget Sound Energy. If you haven't seen it, check out Page 4. I am really excited about this deal.

We will continue to supply British Petroleum a fixed volume of our production under the original fixed-price contract for 3 ½ more years. That will pay off our RNG debt. The deal with Puget Sound Energy is for the RNG not sold to British Petroleum in the next 3 ½ years, and all of the RNG produced thereafter until 2041.

We estimate the value of this contract to exceed \$400 million during the 20-year term. The actual value will depend on the landfill gas output from Republic Service's Roosevelt landfill and the reliability of our plant. Republic Services remains an extremely important partner to the PUD. We have put great trust in them and value their support.

This is the single-largest contract executed by Klickitat PUD in its 80-year history. For perspective, our current Bonneville Power Administration wholesale power contract will cost about \$300 million over its 20-year term, which ends in 2028. The contract with PSE and the operation of the H.W. Hill Renewable Natural Gas Facility allows Klickitat PUD to reduce our long-term debt at an accelerated rate. It also provides long-term value and rate stability to our communities and our customers for many, many years.

Our original interest in a long-term contract was to reduce our market risk so that we could extend our planning horizon to keep our rates stabilized. It turned out that we increased our revenues and reduced our risk at the same time, which does not happen very often. The contract is for the RNG "as produced," so if we cannot or do not produce, we do not have to deliver. There is also no exposure to regulatory or legislative changes. The price is fixed regardless of the value of RNG in the future.

I encourage you to read more about our facility and our partnerships and watch a YouTube video of the plant. All of this can be found on the KPUD website at www.klickitatpud.com/yourPUD/projects/rng.

I am extremely proud of the many PUD employees who made this project a reality. I would like to specifically mention Kevin Ricks, who led an experienced team of engineers and local plant operators to get the plant designed, built and operating. I would also like to mention Mike DeMott and his team, which completed the contracts with both British Petroleum and Puget Sound Energy. Congratulations, everyone.

If you have any questions, please reach out to us. In the meantime, stay safe everyone and I hope to actually be able to see you soon.



Jim Smith
General Manager