



September 9, 2024

Dear Bondowner:

Thank you for supporting Public Utility District No. 1 of Klickitat County, Washington (the "District") through your investment in our electric system revenue bonds listed in Appendix A (collectively, the "Target Bonds").

You are receiving this letter because the District is offering *to purchase your Target Bonds for cash* in connection with a potential refinancing of certain of the District's outstanding debt (the "Tender Offer") as more fully described in the Invitation to Tender Bonds for Purchase, dated September 9, 2024 (the "Invitation"). *Please see below for directions regarding how to access the Invitation and related documents via the web.*

Background

The Tender Offer is part of a plan of finance to use a portion of the proceeds from the sale of the District's Electric System Revenue and Refunding Bonds, Series 2024 (the "2024 Bonds"), to retire and refinance a portion of the Target Bonds by purchasing them pursuant to the Invitation.

How Does The Offer Process Work?

The District is inviting each Bondholder to offer to sell to the District (an "Offer"), for payment in cash, all or part of its beneficial ownership interests in the Target Bonds that are eligible for tender under the Invitation. The District will determine the Offers for the Target Bonds to be purchased by a "Modified Dutch Auction Procedure" as described in the Invitation. If the District determines to purchase any Target Bonds of a CUSIP, the single purchase price (each, a "Purchase Price") at which all Target Bonds of a CUSIP will be purchased will be based on a fixed spread (each, a "Purchase Spread"), representing the spread added to the relevant Adjusted Treasury Yield (as further described in the Invitation) to arrive at a yield used to calculate the Purchase Price for the Target Bonds of each CUSIP. The yields on the applicable Reference Treasury Securities (as defined in the Invitation) will be determined on September 26, 2024.

How Can Bondholders Participate?

Should you choose to participate, Offers can be submitted using one of the following two methods:

- ❖ ***Offers of Target Bonds at an Offer Spread ("Competitive Offer").*** You may Offer to sell all or a portion of your Target Bonds of a particular CUSIP to the District at a spread (each, an "Offer Spread") to be added to the applicable yield of the applicable Reference Treasury Security plus a yield adjustment corresponding to such CUSIP (a "Competitive Offer"). At the conclusion of the offer period, the District will set the Purchase Spread at which it intends to purchase Target Bonds of each CUSIP. If the Purchase Spread is equal to or below the Offer Spread that you submit for a particular CUSIP, your Target Bonds of that CUSIP may be purchased. In fact, if the District sets a Purchase Spread less than your Offer Spread for a particular CUSIP, you would receive the benefit of the lower spread (and higher price). If the Purchase Spread is greater than your Offer Spread for a particular CUSIP, your Target Bonds of that CUSIP will not be purchased.

- ❖ ***Offers of Target Bonds without an Offer Spread (“Non-Competitive Offer”).*** Alternatively, you may Offer to sell all or a portion of your Target Bonds of a particular CUSIP in a par amount of your choosing by offering such Target Bonds without specifying an Offer Spread (a “Non-Competitive Offer”). Bondholders whose Target Bonds are offered without a specified Offer Spread will receive the same spread (and price) paid to all other Bondholders whose Offers of Target Bonds of the same CUSIP are accepted, subject to the terms of the Invitation. If a particular CUSIP does not receive any Competitive Offers, then the District may determine a Purchase Spread for any Non-Competitive Offers received for such CUSIP which is no greater than the Offer Spread Guidance for the particular CUSIP as specified in the Invitation. In no event will a Purchase Spread for Target Bonds of a CUSIP in which the District has received a Non-Competitive Offer and at least one Competitive Offer for the CUSIP exceed the Offer Spread Guidance for the particular CUSIP by more than 25 basis points.

The District will review all Offers and may, in its sole discretion, determine a Purchase Spread for each CUSIP which is greater than, less than, or equal to the Offer Spread Guidance.

For reference, we have included in the attached Appendix A illustrative prices (excluding any accrued interest, which will be added to the purchase price on the Settlement Date) based on the Offer Spread Guidance relative to the yield on the applicable Reference Treasury Securities as of the close of business on September 5, 2024.

What Happens if I Choose Not to Participate?

Holders of Target Bonds who do not accept the Tender Offer, as well as holders of Target Bonds who tender Bonds for purchase pursuant to an Offer that the District chooses not to accept, will continue to hold such Target Bonds in their account unchanged and will be returned and will remain payable and secured pursuant to their terms. The District may refund, or offer to purchase in the future, some or all of the Target Bonds which the District does not purchase pursuant to the Invitation.

If you wish to submit an Offer, you must do so by contacting your bank, broker or financial advisor. **Please forward your instructions in time to submit Offers prior to the Expiration Date (5:00 p.m., New York City Time, on September 24, 2024).**

The Invitation along with the Preliminary Official Statement are available electronically on the website of the Information Agent at www.globic.com/klickitatpud, as well as the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access website, currently located at <http://emma.msrb.org>, using the CUSIP numbers for the Target Bonds listed in Appendix A hereto. Upon expiration of the Invitation, the District will post notices.

Institutional investors with questions about the Invitation should contact the Dealer Manager at:

Dealer Manager:

Barclays Capital Inc.

Attn: Municipal Syndicate Desk

Tel: (212) 528-1061 Email: munisyndicate@barclays.com

Individual investors and their brokers, account executives, financial advisors and/or other appropriate professionals with questions about the Invitation should contact the Information and Tender Agent at:

Tender Agent:

Globic Advisors Inc.

Attention: Robert Stevens

Tel: (212) 227-9622 E-Mail: rstevens@globic.com

Please note that the District retains the right to modify or withdraw the Invitation at any time through and including the Expiration Date (unless earlier terminated or extended), as more fully described in the Invitation.

Thank you for taking the time to consider the Invitation.

PUBLIC UTILITY DISTRICT NO. 1 OF KLICKITAT
COUNTY, WASHINGTON

APPENDIX A
PUBLIC UTILITY DISTRICT NO. 1 OF KLICKITAT COUNTY, WASHINGTON

TARGET BONDS SUBJECT TO THE TENDER OFFER SOLICITED BY MODIFIED DUTCH AUCTION PROCEDURES BASED UPON OFFER SPREADS⁽¹⁾

ELECTRIC SYSTEM REVENUE REFUNDING BONDS, SERIES 2019B (TAXABLE)

| CUSIP ⁽²⁾ (498622) | Maturity (December 1) | Interest Rate | Outstanding Principal Amount | Maximum Principal Amount to be Accepted for Purchase if Tendered | Par Call (December 1) ⁽³⁾ | Reference Treasury Security ⁽⁴⁾ | Reference Treasury Yield as of COB on September 5, 2024 | Yield Adjustment to Reference Treasury Security in basis points ⁽⁵⁾ | Offer Spread Guidance in basis points ⁽⁶⁾ | Illustrative Purchase Yield/Price Resulting from Offer Spread Guidance ⁽⁷⁾ |
|----------------------------------|--------------------------|------------------|------------------------------------|--|---|--|--|--|--|---|
| KL2 | 2025 | 2.563% | \$ 890,000 | \$ 240,000 | N/A | UST 3.750% due 08/31/26 CUSIP: 91282CLH2 | 3.746% | -100.0 | +110.0 | 3.846% / 98.594 |
| KM0 | 2026 | 2.663 | 835,000 | 225,000 | N/A | UST 3.750% due 08/31/26 CUSIP: 91282CLH2 | 3.746 | -100.0 | +90.0 | 3.646% / 98.002 |
| KN8 | 2027 | 2.743 | 2,660,000 | 720,000 | N/A | UST 3.750% due 08/15/27 CUSIP: 91282CLG4 | 3.611 | -100.0 | +100.0 | 3.611% / 97.452 |
| KP3 | 2028 | 2.773 | 3,095,000 | 840,000 | N/A | UST 3.625% due 08/31/29 CUSIP: 91282CLK5 | 3.539 | -100.0 | +105.0 | 3.589% / 96.892 |
| KQ1 | 2029 | 2.803 | 3,190,000 | 865,000 | N/A | UST 3.625% due 08/31/29 CUSIP: 91282CLK5 | 3.539 | -100.0 | +105.0 | 3.589% / 96.346 |
| KR9 | 2030 | 2.903 | 3,285,000 | 890,000 | 2029 | UST 3.750% due 08/31/31 CUSIP: 91282CLJ8 | 3.627 | -100.0 | +105.0 | 3.677% / 95.785 |
| KS7 | 2031 | 3.003 | 3,390,000 | 920,000 | 2029 | UST 3.750% due 08/31/31 CUSIP: 91282CLJ8 | 3.627 | -100.0 | +110.0 | 3.727% / 95.501 |
| KT5 | 2038 ⁽⁸⁾ | 3.688 | 7,050,000 | 1,915,000 | 2029 | UST 3.875% due 08/15/34 CUSIP: 91282CLF6 | 3.729 | 0.0 | +50.0 | 4.229% / 94.543 |

- (1) A Bondholder may make an Offer to sell Target Bonds of a CUSIP number in an amount of its choosing up to the principal amount of Target Bonds owned by the Bondholder expressed as the principal amount of such Target Bonds (in Authorized Denominations) and the Offer Spread to be added to the yield on the relevant Reference Treasury Security plus the relevant yield adjustment set forth above used in establishing the Purchase Price for such Target Bonds. An Offer Spread must be expressed as a number of basis points and contain no more than one number to the right of the decimal point. Any Offer Spread containing more than one number to the right of the decimal point will be truncated to one number, without rounding. See “TERMS OF THIS INVITATION – Offers of Target Bonds at an Offer Spread” in the Invitation.
- (2) CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP service. CUSIP numbers are provided for convenience of reference only. None of the District, the Dealer Manager, or the Information Tender Agent, nor their respective agents or counsel assumes responsibility for the accuracy of such numbers.
- (3) A portion of the Target Bonds are subject to optional redemption at the option of the District, as a whole or in part on any date on or after December 1, 2029 at a redemption price equal to 100 percent of the principal amount thereof, plus interest accrued to the date fixed for redemption, and are subject to redemption at the option of the District as a whole or in part on any date prior to December 1, 2029, at a “Make-Whole Redemption Price” described in the Official Statement for the Target Bonds.
- (4) Each Reference Treasury Security will be the most recently auctioned “on-the-run” United State Treasury Security for the maturity indicated as of the date and time that each Target Bond’s Purchase Price is set, currently expected to be September 26, 2024. The yields on the Reference Treasury Securities to be used in establishing the Purchase Prices of the Target Bonds will be based on the bid-side price of the U.S. Reference Treasuries as quoted on the Bloomberg Bond Trader FIT series of pages at approximately 10:00 a.m., New York City Time, on September 26, 2024. See “TERMS OF THIS INVITATION – Determination of the Purchase Spread” in the Invitation.
- (5) Bondholders who desire to submit an offer of 0.0 basis points or an offer at a negative spread to the Reference Treasury Security that would result in such Target Bonds being effectively offered at or below the yield of the relevant Reference Treasury Security, a Bondholder’s Offer Spread will be added to the relevant Adjusted Treasury Yield.
- (6) The Offer Spread Guidance is provided solely for the purpose of assisting Bondholders in formulating offers for their Target Bonds. See “TERMS OF THIS INVITATION – Offer Spread Guidance” in the Invitation.
- (7) Illustrative Price excludes accrued but unpaid interest and is based on yields for Reference Treasury Securities plus the relevant yield adjustment set forth above as of the close of business on September 5 2024. The Illustrative Price is provided for informational purposes only. The Purchase Price of a CUSIP number will be determined based on numerous factors described herein. Bondholders are not permitted to submit offers based on a specific price. Illustrative Price Resulting from Offer Spread Guidance is in \$ per \$100 principal amount.
- (8) The Target Bond maturing on December 1, 2038 is a term Bond subject to sinking fund redemption payments on December 1 in 2037 and 2038, and its purchase price will be calculated assuming its average life date of January 23, 2038 as its maturity date. See “TERMS OF THIS INVITATION – Determination of Purchase Price” in the Invitation.