



Moody's Investors Service

99 Church Street
New York, NY

December 13, 2006

MBIA Insurance Corporation
113 King Street
Armonk, NY 10504

To Whom It May Concern:

Moody's Investors Service has assigned the rating of **Aaa** (MBIA Insurance Corporation Insured - Policy No. 488721) to the **\$24,770,000.00, Public Utility District No. 2 of Grant County, Washington - Priest Rapids Hydroelectric Development Revenue and Refunding Bonds, 2006 Series A (Not Subject to AMT)**, dated December 13, 2006 which sold through negotiation on November 30, 2006. The rating is based upon an insurance policy provided by MBIA Insurance Corporation.

Should you have any questions regarding the above, please do not hesitate to contact Karen Malkowski at (201) 395-6370.

Sincerely yours,

Joann Hempel

Joann Hempel
Vice President / Senior Credit

Officer

JH / DC



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To Whom It May Concern:

Moody's Investors Service has assigned the rating of **Aaa** (MBIA Insurance Corporation Insured - Policy No. 488631) to the **\$5,470,000.00, Public Utility District No. 2 of Grant County, Washington - Priest Rapids Hydroelectric Development Revenue and Refunding Bonds, 2006 Series B (Subject to AMT)**, dated December 13, 2006 which sold through negotiation on November 30, 2006. The rating is based upon an insurance policy provided by MBIA Insurance Corporation.

Should you have any questions regarding the above, please do not hesitate to contact Karen Malkowski at (201) 395-6370.

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To Whom It May Concern:

Moody's Investors Service has assigned the rating of Aaa (MBIA Insurance Corporation Insured - Policy No. 488641) to the \$36,370,000.00, **Public Utility District No. 2 Of Grant County, Washington - Priest Rapids Hydroelectric Development Revenue and Refunding Bonds, 2006 Series Z (Taxable)**, dated December 13, 2006 which sold through negotiation on November 30, 2006. The rating is based upon an insurance policy provided by MBIA Insurance Corporation.

Should you have any questions regarding the above, please do not hesitate to contact Karen Malkowski at (201) 395-6370.

Sincerely yours,

Joann Hempel

Joann Hempel
Vice President / Senior Credit

Officer

JH / DC

**STANDARD
& POOR'S**

55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2074
reference no.: 805258

December 12, 2006

MBIA Insurance Corporation
113 King Street
Armonk, NY 10504
Attention: Mr. Adam Carta, Assistant Vice President

Re: *\$24,770,000 Public Utility District No. 2 of Grant County, Washington,
Priest Rapids Hydroelectric Development, Revenue and Refunding Bonds, 2006 Series A
(Not Subject to AMT), dated: Date of Delivery, due: January 1, 2008-2026, Term Bonds
due: January 1, 2032, January 1, 2036, (POLICY #488721)*

Dear Mr. Carta:

Standard & Poor's has reviewed the rating on the above-referenced obligations. After such review, we have changed the rating to "AAA" from "AA-". The rating reflects our assessment of the likelihood of repayment of principal and interest based on the bond insurance policy your company is providing. Therefore, rating adjustments may result from changes in the financial position of your company or from alterations in the documents governing the issue.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

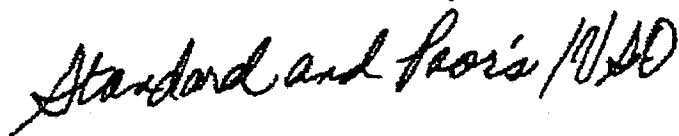
Standard & Poor's relies on the issuer and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

**STANDARD
& POOR'S**

Standard & Poor's is pleased to be of service to you. For more information please visit our website at www.standardandpoors.com. If we can be of help in any other way, please contact us. Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
a division of The McGraw-Hill Companies, Inc.

A handwritten signature in black ink that reads "Standard and Poor's" followed by a stylized monogram, possibly "SP" or "S&P".

kb

**STANDARD
& POOR'S**

55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2074
reference no.: 805259

December 12, 2006

MBIA Insurance Corporation
113 King Street
Armonk, NY 10504
Attention: Mr. Adam Carta, Assistant Vice President

Re: *\$5,470,000 Public Utility District No. 2 of Grant County, Washington,
Priest Rapids Hydroelectric Development, Revenue and Refunding Bonds, 2006 Series B
(Subject to AMT), dated: Date of Delivery, due: January 1, 2010-2017, (POLICY #488631)*

Dear Mr. Carta:

Standard & Poor's has reviewed the rating on the above-referenced obligations. After such review, we have changed the rating to "AAA" from "AA-". The rating reflects our assessment of the likelihood of repayment of principal and interest based on the bond insurance policy your company is providing. Therefore, rating adjustments may result from changes in the financial position of your company or from alterations in the documents governing the issue.

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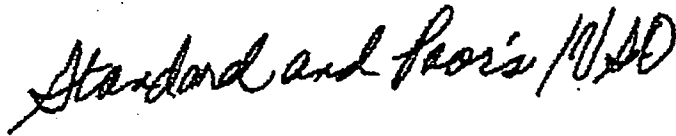
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kb

**STANDARD
& POOR'S**

55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2074
reference no.: 805260

December 12, 2006

MBIA Insurance Corporation
113 King Street
Armonk, NY 10504
Attention: Mr. Adam Carta, Assistant Vice President

Re: *\$36,370,000 Public Utility District No. 2 of Grant County, Washington,
Priest Rapids Hydroelectric Development, Revenue and Refunding Bonds, 2006 Series Z
(Taxable), dated: Date of Delivery, Term Bonds due: January 1, 2017, January 1, 2036,
(POLICY #488641)*

Dear Mr. Carta:

Standard & Poor's has reviewed the rating on the above-referenced obligations. After such review, we have changed the rating to "AAA" from "AA-". The rating reflects our assessment of the likelihood of repayment of principal and interest based on the bond insurance policy your company is providing. Therefore, rating adjustments may result from changes in the financial position of your company or from alterations in the documents governing the issue.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

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Standard & Poor's relies on the issuer and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

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Sincerely yours,

Standard & Poor's Ratings Services
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FitchRatings

1201 East 7th Street
Fowell, WY 82435

T 307 754 2012 / 800 85 FITCH
www.fitchratings.com

December 12, 2006

Ms. Lisa Wilson
MBIA Insurance Corp.
113 King Street
Armonk, NY 10504

Re: Grant County Public Utility District No. 2 (WA) / Policy # 488721

Dear Ms. Wilson:

Fitch Ratings has assigned one or more ratings and/or otherwise taken rating action(s), as detailed on the attached Notice of Rating Action.

Ratings assigned by Fitch are based on documents and information provided to us by issuers, obligors, and/or their experts and agents, and are subject to receipt of the final closing documents. Fitch does not audit or verify the truth or accuracy of such information.


It is important that Fitch be provided with all information that may be material to its ratings so that they continue to accurately reflect the status of the rated issues. Ratings may be changed, withdrawn, suspended or placed on Rating Watch due to changes in, additions to or the inadequacy of information.

Ratings are not recommendations to buy, sell or hold securities. Ratings do not comment on the adequacy of market prices, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect of any security.

The assignment of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement or other filing under U.S., U.K., or any other relevant securities laws.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please feel free to contact us at any time.

Sincerely,



Dey Lynn Stobner
Insured Ratings Manager
U.S. Public Finance

DLS/bs

Enc: Notice of Rating Action
(Doc ID: 60890)

Notice of Rating Action

<u>Bond Description</u>	<u>Rating Type</u>	<u>Action</u>	<u>Rating</u>	<u>Outlook/ Watch</u>	<u>Eff Date</u>	<u>Notes</u>
Grant County Public Utility District No. 2 (WA) (Priest Rapids Hydroelectric Development) rev & rfdg bonds (non-AMT) ser 2006A (Insured: MBIA Insurance Corp.)	Long Term	Upgrade	AAA	RO:Sta	12-Dec-2006	1

Key: RO: Rating Outlook, RW: Rating Watch; Pos: Positive, Neg: Negative, Sta: Stable, Evo: Evolving

Notes

- 1 The rating is based solely on credit enhancement provided by a bond insurance policy issued by MBIA Insurance Corp., which has an Insurer Financial Strength rating of 'AAA'.
-

Fitch Ratings

1201 East 7th Street
Powell, WY 82435

T 307 754 2012 / 800 85 FITCH
www.fitchratings.com

December 12, 2006

Ms. Lisa Wilson
MBIA Insurance Corp.
113 King Street
Armonk, NY 10504

Re: Grant County Public Utility District No. 2 (WA) / Policy # 488631

Dear Ms. Wilson:

Fitch Ratings has assigned one or more ratings and/or otherwise taken rating action(s), as detailed on the attached Notice of Rating Action.

Ratings assigned by Fitch are based on documents and information provided to us by issuers, obligors, and/or their experts and agents, and are subject to receipt of the final closing documents. Fitch does not audit or verify the truth or accuracy of such information.

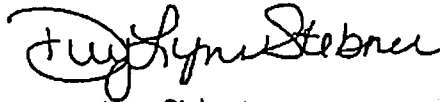
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Sincerely,



Dey Lynn Stebner
Insured Ratings Manager
U.S. Public Finance

DLS/bs

Enc: Notice of Rating Action
(Doc ID: 60891)

Notice of Rating Action

<u>Bond Description</u>	<u>Rating Type</u>	<u>Action</u>	<u>Rating</u>	<u>Outlook/ Watch</u>	<u>Eff Date</u>	<u>Notes</u>
Grant County Public Utility District No. 2 (WA) (Priest Rapids Hydroelectric Development) rev & rdg bonds (AMT) ser 2006B (insured: MBIA Insurance Corp.)	Long Term	Upgrade	AAA	RO:Sta	12-Dec-2006	1

Key: RO: Rating Outlook, RW: Rating Watch; Pos: Positive, Neg: Negative, Sta: Stable, Evo: Evolving

Notes

- 1 The rating is based solely on credit enhancement provided by a bond insurance policy issued by MBIA Insurance Corp., which has an Insurer Financial Strength rating of 'AAA'.
-

FitchRatings

1201 East 7th Street
Powell, WY 82425

T 307 264 2012 / B00 85 F.TCH
www.fitchratings.com

December 12, 2006

Ms. Lisa Wilson
MBIA Insurance Corp.
113 King Street
Armonk, NY 10504

Re: Grant County Public Utility District No. 2 (WA) / Policy # 488641

Dear Ms. Wilson:

Fitch Ratings has assigned one or more ratings and/or otherwise taken rating action(s), as detailed on the attached Notice of Rating Action.

Ratings assigned by Fitch are based on documents and information provided to us by issuers, obligors, and/or their experts and agents, and are subject to receipt of the final closing documents. Fitch does not audit or verify the truth or accuracy of such information.

It is important that Fitch be provided with all information that may be material to its ratings so that they continue to accurately reflect the status of the rated issues. Ratings may be changed, withdrawn, suspended or placed on Rating Watch due to changes in, additions to or the inadequacy of information.

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Sincerely,



Dey Lynn Stebner
Insured Ratings Manager
U.S. Public Finance

DLS/bs

Enc: Notice of Rating Action
(Doc ID: 60892)

Notice of Rating Action

<u>Bond Description</u>	<u>Rating Type</u>	<u>Action</u>	<u>Rating</u>	<u>Outlook/ Watch</u>	<u>Eff Date</u>	<u>Notes</u>
Grant County Public Utility District No. 2 (WA) (Priest Rapids Hydroelectric Development) rev & ref bonds (taxable) ser 2006Z (Insured: MBIA Insurance Corp.)	Long Term	Upgrade	AAA	RO:Sta	12-Dec-2006	1

Key: RO: Rating Outlook, RW: Rating Watch; Pos: Positive, Neg: Negative, Sta: Stable, Evo: Evolving

Notes

- 1 The rating is based solely on credit enhancement provided by a bond insurance policy issued by MBIA Insurance Corp., which has an Insurer Financial Strength rating of 'AAA'.
-



Moody's Investors Service

Global Credit Research

New Issue

22 NOV 2006

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New Issue: Grant County Public Utility District 2, WA

MOODY'S UPGRADES GRANT COUNTY P.U.D. [WA] ELECTRIC SYSTEM AND HYDROELECTRIC REVENUE BONDS TO Aa2 FROM Aa3

Rating Outlook is Stable

Electric Utilities
WA

Moody's Rating

ISSUE		RATING
Priest Rapids Hydroelectric Revenue and Refunding Bonds, Series A (Not subject to AMT)		Aa2
Sale Amount	\$23,995,000	
Expected Sale Date	11/27/06	
Rating Description	Revenue	
Priest Rapids Hydroelectric Revenue and Refunding Bonds, Series B (Subject to AMT)		Aa2
Sale Amount	\$5,160,000	
Expected Sale Date	11/27/06	
Rating Description	Revenue	
Priest Rapids Hydroelectric Revenue and Refunding Bonds, Series C (Taxable)		Aa2
Sale Amount	\$36,545,000	
Expected Sale Date	11/27/06	
Rating Description	Revenue	
Wanapum Hydroelectric Development Revenue and Refunding Bonds, 2006 Series A (Not Subject to AMT)		Aa2
Sale Amount	\$71,750,000	
Expected Sale Date	11/27/06	
Rating Description	Revenue	
Wanapum Hydroelectric Development Revenue and Refunding Bonds, 2006 Series B (Subject to AMT)		Aa2
Sale Amount	\$17,385,000	
Expected Sale Date	11/27/06	
Rating Description	Revenue	
Wanapum Hydroelectric Development Revenue and Refunding Bonds, 2006 Series C (Taxable)		Aa2
Sale Amount	\$96,890,000	
Expected Sale Date	11/27/06	
Rating Description	Revenue	

Moody's Outlook Stable

Opinion

NEW YORK, Nov 22, 2006 – Moody's Investors Service has upgraded to Aa2/stable from Aa3/positive the ratings on Grant County Public Utility District's Priest Rapids and Wanapum Hydroelectric Development revenue bonds. At the same time, Moody's has upgraded to Aa2/stable from Aa3/positive the rating on the District's Electric System Revenue Bonds. The current credit review was conducted in conjunction with the upcoming offering of Priest Rapids Hydroelectric Development Revenue and Refunding Bonds, 2006 Series

A (Not Subject to AMT), Series B (Subject to AMT) and Series Z (Taxable) and Wanapum Hydroelectric Development Revenue and Refunding Bonds, 2006 Series A (Not Subject to AMT), Series B (Subject to AMT) and Series Z (Taxable). Proceeds will be used primarily to finance capital improvements at the hydroelectric developments and to refund a portion of the district's outstanding hydroelectric development revenue bonds. The rating actions affect approximately \$216.1 million of the district's outstanding Electric System revenue bonds, \$432.7 million of the district's Wanapum revenue bonds (including the current offering) and \$258.9 million of the district's Priest Rapids revenue bonds (including the current offering). The upgrade of the district's electric system bonds to Aa2/stable is based primarily on the utility's competitive cost structure, improving financial operations which have strengthened considerably since the 2001 drought and energy crisis, and the district's growing loads and customers in its service area. The upgrade of the district's Priest Rapids and Wanapum hydroelectric project bonds to Aa2/stable primarily reflects the competitive cost structure of both developments, the easy marketability of surplus power, well-maintained financial operations, and the near completion of the project relicensing process. Stable rating outlooks for the electric system and both hydroelectric project bonds primarily reflect Moody's expectation that the utility will continue to benefit substantially from the implementation of new hydroelectric project power purchase contracts and that efforts to relicense the projects will soon be completed.

HYDROELECTRIC PROJECTS PRODUCE LOW COST POWER

The district's fundamental credit strength is in its highly competitive cost structure; power output from the developments has been reliable and is among the least expensive in the nation. The district owns and operates two major hydroelectric projects with nearly 2,000 MW of generation capacity: Wanapum (1,038 MW) and Priest Rapids (956 MW), which are both run of the river dams on the mid-Columbia River. The district's cost of power has historically been well below regional averages. In 2005, average power costs were low at \$8.58 and \$8.10 per MWh for Wanapum and Priest Rapids, respectively. Although power costs are expected to modestly increase over time, projected power costs should remain well below market levels for the foreseeable future. While the district has several large wholesale customers, the risk to the utility is manageable given that little revenue margins are earned from these contracts. Power is sold through cost-of-service contracts that allow for 1.15 times debt service coverage on the project bonds. Additional security is provided by the easy marketability of power throughout the western states should surplus power become available. Moody's believes the very competitive prices charged for the capacity and energy ensures wholesale customer retention.

STABLE HYDROELECTRIC PROJECT FINANCES REFLECT LOW REVENUE REQUIREMENTS

Financial operations remain stable as low costs translate into similarly low revenue requirements for the projects. Although revenue requirements are expected to increase over time as capital improvement projects move ahead, the cost of project power will remain comparatively low ensuring its continued marketability. Debt service coverage has been maintained at the required 1.15 times established by the rate covenant, and is projected to remain at that level going forward.

NEW POWER PURCHASE CONTRACTS PROVIDE ADDITIONAL LOW COST PROJECT POWER TO GRANT PUD

The district recently entered into a new power purchase contract for the Priest Rapids project to replace the original contract which expired on October 31, 2005; a similar contract is expected to replace the existing Wanapum contract when it expires on October 31, 2009. Under the new contract, the district receives up to 70% of the "reserved portion" of power output from its own projects, at cost, to meet the electric system's energy requirements. The remaining 30% "reasonable portion" of project output is sold in the market and the net revenues from such sales are allocated to the original twelve purchasers and ten Idaho co-ops. The district's 70% "reserved portion" allocation represents a significant increase in low cost project power available to meet the district's native load, up from only 36.5% of the hydroelectric projects' output under the old contracts. Moody's views this new contract as significantly beneficial to Grant County PUD's electric system as it essentially ensures that the utility will be able to more than meet its own energy requirements with low cost system-owned hydroelectric power for the foreseeable future, without reliance on market purchases even in low water years.

RELICENSING PROCESS NEARING COMPLETION

The district is in the final stages of the process of relicensing its two hydroelectric developments, which are together considered the Priest Rapids project for licensing purposes. The original license was issued in 1955 and expired on October 31, 2005. When completed, the relicensing process will have spanned a period of approximately six years. FERC has accepted the district's license application as complete and district officials anticipate full resolution of the relicensing process sometime in 2007. The district reports that its water quality certification for the Washington Department of Ecology is nearly completed, with a draft issued on November 9, 2006; this is a crucial final step in the relicensing process. The district believes that under current federal law and FERC practice, its license will be renewed due primarily to the following: it is now too late for a competing application to be filed; current laws include a preference for the incumbent operator; the district's sound management of the projects in the past; and the district's responsiveness to fish and wildlife concerns. Moody's believes that the district will likely prevail in its relicensing efforts and should maintain access to significant low cost output from the hydroelectric projects to serve the electric system.

ELECTRIC SYSTEM BENEFITS FROM COMPETITIVE COST STRUCTURE

Moody's believes that the electric system should continue to benefit from a competitive cost structure based on the ample availability of low cost hydroelectric power in all but the most severe drought conditions. In the past, frequent rate increases and decisive cost management have enabled the district to maintain healthy debt service coverage margins well in excess of its 2.0 times policy level. Due to poor water conditions and reduced output from its own hydroelectric projects, however, the district was forced to purchase high cost power to meet system requirements in late 2000 and early 2001. As a result, the electric system's average cost of power increased substantially from \$9.50/MWh in 1999 to \$84.60/MWh in 2001. In order to maintain its 2.0 times policy level of coverage, the district utilized FAS 71 accounting treatment to defer a portion of these costs through 2006. As a result, debt service coverage declined from 9.84 times in fiscal 1999 to only 1.35 times in fiscal 2000 and 1.27 times in fiscal 2001. Coverage levels in the 2003 through 2005 period ranged between 1.26 times and 1.75 times, respectively. Excluding FAS 71 adjustments, coverage over the same period was well above the district's 2.0 times planning target. Projections for the nearly completed 2006 fiscal year indicate that coverage, as well as the district's cash position, are expected to strengthen substantially; coverage levels between 3.25 times and 8.60 times are projected between 2006 and 2009 due in large part to the electric system's greater share of its own project power for resale. Officials also maintain satisfactory net working capital and cash reserves in the electric system and both of the generating systems.

The district's service area encompasses all of Grant County, a primarily agricultural area in central Washington. Industrial expansion, particularly in food processing and high technology, is linked to the district's low industrial rates and accounts for the majority of the growth in energy sales over the past decade. New technology industry customers include Yahoo! and Microsoft, both of which are installing server farms in the district.

Outlook

Stable rating outlooks for the electric system and both hydroelectric project bonds primarily reflect Moody's expectation that the utility will continue to benefit substantially from the implementation of new hydroelectric project power purchase contracts and that efforts to relicense the projects will soon be completed.

KEY STATISTICS:

Priest Rapids Hydroelectric Project, 2005:

Operating ratio: 60.6%

Debt service coverage: 1.15 times

Net working capital as % of gross revenues: 135.9%

Debt ratio: 95.3%

Wanapum Hydroelectric Project, 2005:

Operating ratio: 51.3%

Debt service coverage: 1.15 times

Net working capital as % of gross revenues: 221.1%

Debt ratio: 79.4%

Electric System, 2005:

Operating ratio: 92.6%

Debt service coverage: 1.33 times

Debt service coverage (without FAS 71): 5.30 times

Net working capital as % of gross revenues: 50.1%

Debt ratio: 51.2%

Analysts

Matthew Jones
Analyst
Public Finance Group
Moody's Investors Service

Patrick Ford
Backup Analyst
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
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