

2026 PROPOSED BUDGET HEARING

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October 14th 2025

TERRAH BICONDOVA | BUDGET & REPORTING MANAGER

BRYNDON ECKLUND | MANAGER OF FORECASTING & PLANNING



Powering our way of life.

# Agenda

**Presentation of the Proposed 2026 Budget** and opening the public comment period, giving the community an opportunity to provide input per **RCW 54.16.080**.

- **2026 Key Priorities**
- **Budget Summary**
- **Financial Forecast**

# 2026 Key Priorities

- ✓ Financial Strategy
- ✓ Focused Growth
- ✓ Community Impact & Public Engagement

# Financial Strategy

Our mission is to **safely, efficiently, and reliably** provide electric power and fiber optic broadband services to our customers.

To support this mission, our 2026 Financial strategy focuses on:

- **Proactive Planning**
- **Continuous Engagement**
- **Resource Optimization**



# Focused Growth

In 2026, we're investing in reliability, operational excellence, and programs that directly benefit our customers.



# Community Impact & Public Engagement

## Investing in Community Needs

- Customer incentive programs, facility upgrades and service expansion

## Listening to Our Community

- Public meetings, outreach and focused efforts to improve customer experience

## Delivering Value to Ratepayers

- Efficient funding for reliable, low-cost service



**October 14** | Public Hearings | Ephrata HQ at 2:00 PM & 6:00PM (*Remote attendance available – see website*)

**December 9** | Anticipated Adoption of 2026 Budget

*Rate change reviews occur separately from the budget process.*

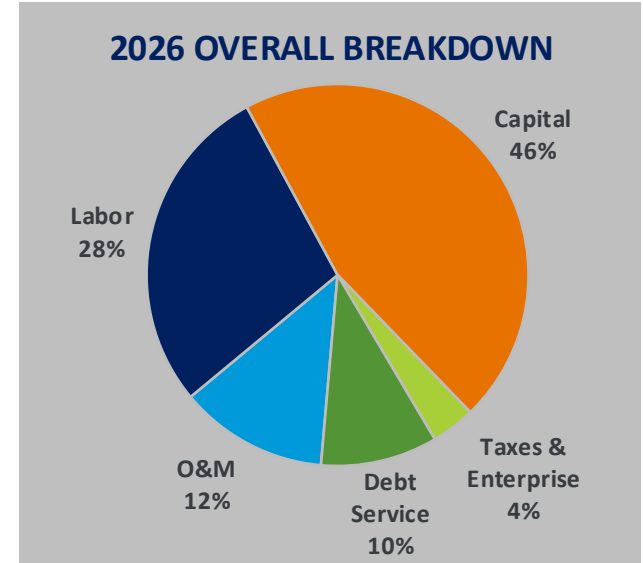
# 2026 Proposed Budget

- ✓ Total Expenses
- ✓ O&M
- ✓ Labor
- ✓ Capital
- ✓ Taxes & Debt

# Total Expenses (\$ in thousands)

TYPE	2025	2026	Variance	Variance
O&M	\$85.2M	<b>\$88.9M</b>	\$3.7M	4%
Labor	\$171.5M	<b>\$198.6M</b>	\$27.1M	16%
Capital	\$225.6M	<b>\$322.3M</b>	\$96.7M	43%
Taxes	\$24.0M	<b>\$24.5M</b>	\$0.5M	2%
Enterprise	(\$2.8M)	<b>\$1.8M</b>	\$4.6M	164%
Debt Service	\$73.1M	<b>\$69.9M</b>	(\$3.2M)	(4%)
<b>TOTAL</b>	<b>\$577.0M</b>	<b>\$706.0M</b>	<b>\$129.0M</b>	<b>22%</b>

TOTAL EXPENSES	OFFSETS	NET BUDGET
\$706.0M	\$292.6M	<b>\$413.4M</b>





# Net Budget (\$ in thousands)

NET BUDGET	2025 BUDGET	2026 BUDGET
Operations & Maintenance (Includes adjustments)	\$236.5 M	\$264.0 M
Taxes	\$24.0 M	\$24.5 M
Electric System Capital	\$180.0 M	\$257.9 M
Priest Rapids Project Capital	\$63.4 M	\$89.7 M
Total Capital	\$243.3 M	\$347.6 M
Debt Service	\$73.1 M	\$69.9 M
Total Gross Expenses	<u>\$577.0 M</u>	<u>\$706.0 M</u>
<b>EXPENSE OFFSETS</b>		
Contributions in Aid of Construction	(\$16.6 M)	(\$13.2 M)
Sales to Power Purchasers at Cost	(\$19.1 M)	(\$34.0 M)
Net Power (+ Expense, - Revenue)	(\$229.1 M)	(\$245.4 M)
Total Offsets	<u>(\$264.8 M)</u>	<u>(\$292.6 M)</u>
<b>TOTAL EXPENSES AFTER OFFSETS</b>	<b><u>\$312.2 M</u></b>	<b><u>\$413.4 M</u></b>

*All figures rounded to the nearest 100,000th.*

**Labor Costs Reflected Within O&M and Capital Budgets Respectively**

# Operations & Maintenance (\$ in thousands)

COST CATEGORY TYPE	2025	2026	Variance	Variance
Purchased Services	\$43.0M	<b>\$42.0M</b>	(\$1.0M)	(2%)
General & Administrative	\$13.1M	<b>\$15.1M</b>	\$2.0M	15%
Operating Materials & Equip	\$11.9M	<b>\$12.4M</b>	\$0.5M	4%
Technology	\$9.4M	<b>\$9.5M</b>	\$0.1M	1%
Risk	\$5.2M	<b>\$6.5M</b>	\$1.3M	25%
Transportation	\$1.6M	<b>\$1.7M</b>	\$0.1M	6%
Utilities	\$1.0M	<b>\$1.7M</b>	\$0.7M	70%
<b>TOTAL</b>	<b>\$85.2M</b>	<b>\$88.9M</b>	<b>\$3.7M</b>	<b>4%</b>

## G&A

+\$798K for Customer Incentive Programs  
+\$544K Regulatory costs

## Risk

+\$1.3M for Insurance Premiums Increases

## Utility vs Purchases Services shift

Budget Category Type Adjustments



# Labor (\$ in thousands)

TYPE	2025	2026	Variance	Variance
Salaries & Wages	\$112.4M	<b>\$131.0M</b>	\$18.6M	17%
Benefits	\$47.8M	<b>\$55.7M</b>	\$7.9M	17%
Overtime	\$8.0M	<b>\$8.6M</b>	\$0.6M	8%
Other Labor	\$0.9M	<b>\$0.9M</b>	\$0.0M	0%
Leave Cashouts	\$2.4M	<b>\$2.5M</b>	\$0.1M	4%
<b>TOTAL</b>	<b>\$171.5M</b>	<b>\$198.6M</b>	<b>\$27.1M</b>	<b>16%</b>

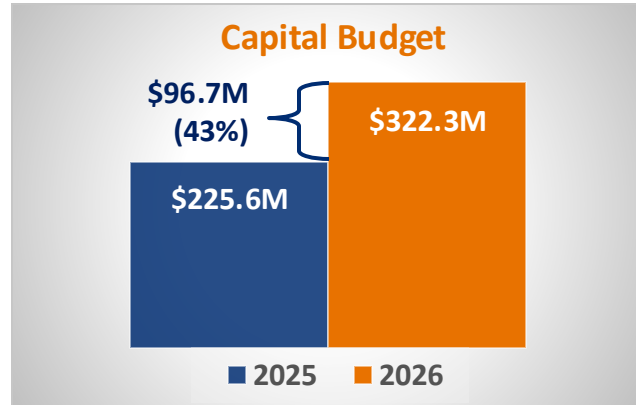
**Inflation:** Economic adjustment to attract and retain qualified employees.

**Workforce Growth:** Expanding strategically to improve performance and capability. Eighty-eight additional positions planned for 2026.



# Capital (\$ in thousands)

TYPE	2025	2026
Capital	\$225.6M	<b>\$322.3M</b>



Outside of the top 10 projects listed, the remaining budget may be allocated to approximately **130 additional projects**.

TOP PROJECTS	2026
Quincy Transmission Expansion Plan	\$97.3M
New Service Center (Facilities Master Plan Implementation)	\$86.9M
Turbine Generator Program	\$44.5M
Priest Rapids Spillway Stability Improvements	\$31.4M
Ancient Lakes, Frenchman Hills Transmission Rebuild	\$17.6M
IQ7 Grey Bobcat Solar (Customer Funded)	\$9.8M
Fleet Replacement Program	\$5.7M
Larson Stratford 115kV Relocation	\$5.4M
IQ5 SR Quincy Valley (Customer Funded)	\$5.3M
IQ1 Invenergy (Customer Funded)	\$5.1M
<b>TOTAL</b>	<b>\$309.0M</b>

# Capital (\$ in thousands)

- Increase is driven by major infrastructure investments in **Power Delivery, Power Production, and Facilities Modernization.**
- Over 85% of the 2026 budget is allocated to projects in the **execution or planning phase**, ensuring delivery of critical system upgrades and reliability improvements.
- **Strategic Priorities:**
  - ✓ Grid modernization and transmission rebuilds
  - ✓ Hydropower asset renewal and spillway stability
  - ✓ Facility and fleet upgrades to support operational resilience
  - ✓ Continued investment in solar interconnections and customer-driven CIAC projects. (Contributions in Aid of Construction)



# Capital - Top projects for 2026

**Priest Rapids Spillway:** 38 anchors to stabilize spillway (for Asset Stewardship); construction starts 2026, approx. 3-year duration.

**New Ephrata Service Center:** Design-Build project in Grant PUD's Facilities Master Plan; replaces aging infrastructure, supports growth, with Phase I design completing Oct 2025.

**Priest Rapids Turbine Upgrade:** Multi-year project to modernize 10 units for improved reliability and efficiency; Unit 7 currently in rehab, with outage completion targeted for April 2026.

**Quincy Transmission Expansion (QTEP):** 10 projects; adds 650 MW capacity, redundancy, and grid flexibility.

**Ancient Lake–Frenchman Hills Rebuild:** 24.83-mile rebuild; line hits 97% capacity by 2025; urgent reliability upgrade.

# Financial Forecast

- ✓ Exhibit A
- ✓ Exhibit B
- ✓ Key Metrics
- ✓ Scenarios

# Exhibit A

## Combined Financial Results Plan

### Exhibit A - \$ in thousands

Budgeted Items	Budget 2025	Forecast 2025	Proposed Budget Forecast 2026	Forecast 2027	Forecast 2028	Forecast 2029	Forecast 2030
<b>Total O&amp;M</b>	\$ 236,487	\$ 224,333	\$ 264,034	\$ 293,329	\$ 320,295	\$ 335,801	\$ 352,542
<b>Taxes</b>	\$ 24,048	\$ 23,625	\$ 24,505	\$ 24,972	\$ 25,448	\$ 25,933	\$ 26,452
<b>Electric Capital</b>	\$ 179,964	\$ 180,979	\$ 257,922	\$ 222,860	\$ 178,701	\$ 133,773	\$ 142,819
<b>PRP Capital</b>	\$ 63,384	\$ 67,130	\$ 89,724	\$ 107,314	\$ 88,752	\$ 70,014	\$ 97,597
<b>Total Capital</b>	\$ 243,348	\$ 248,108	\$ 347,646	\$ 330,174	\$ 267,453	\$ 203,787	\$ 240,416
<b>Debt Service - (net of Rebates)</b>	\$ 73,146	\$ 167,524	\$ 69,857	\$ 159,311	\$ 83,293	\$ 88,686	\$ 94,429
<b>Total Expenditures</b>	\$ 577,028	\$ 663,590	\$ 706,042	\$ 807,786	\$ 696,490	\$ 654,207	\$ 713,839
<b>Expenditures offsets for deduction</b>							
Contributions in Aid of Construction	\$ (16,550)	\$ (14,566)	\$ (13,240)	\$ (12,136)	\$ (11,033)	\$ (11,033)	\$ (15,000)
Sales to Power Purchasers at Cost	\$ (19,125)	\$ (28,623)	\$ (34,005)	\$ (22,014)	\$ (19,252)	\$ (19,845)	\$ (20,583)
Net Power (+ Expense, -Revenue)	\$ (229,133)	\$ (349,090)	\$ (245,396)	\$ (204,589)	\$ (89,291)	\$ (114,580)	\$ (67,049)
<b>Total Expenditures Offset</b>	\$ (264,808)	\$ (392,279)	\$ (292,640)	\$ (238,739)	\$ (119,575)	\$ (145,458)	\$ (102,633)
<b>Total Budgeted Expenditures</b>	\$ 312,220	\$ 271,311	\$ 413,402	\$ 569,047	\$ 576,914	\$ 508,750	\$ 611,206

**\*Note:** The 2025 debt service figure includes the planned defeasance of two short-term debt issuances totaling \$96.5 million. In 2027, debt service reflects a \$90 million bullet payment, with amounts through 2026 including cash contributions to the sinking fund established to fund this payment.



# Exhibit B

## Combined Financial Results

### Exhibit B - \$ in thousands

Plan	Budget 2025	Forecast 2025	Proposed Budget Forecast 2026	Forecast 2027	Forecast 2028	Forecast 2029	Forecast 2030
<b>CONSOLIDATED OPERATIONAL PERFORMANCE</b>							
Sales to Power Purchasers at Cost	\$ 19,125	\$ 28,623	\$ 34,005	\$ 22,014	\$ 19,252	\$ 19,845	\$ 20,583
Retail Energy Sales	\$ 324,494	\$ 294,246	\$ 320,032	\$ 347,618	\$ 406,900	\$ 450,309	\$ 497,340
Net Power (Net Wholesale + Other Power Revenue)	\$ 229,133	\$ 349,090	\$ 245,396	\$ 204,589	\$ 89,291	\$ 114,580	\$ 67,049
Fiber Optic Network Sales	\$ 13,793	\$ 15,270	\$ 14,069	\$ 14,350	\$ 14,637	\$ 14,930	\$ 15,229
Other Revenues	\$ 3,023	\$ 3,453	\$ 4,051	\$ 4,071	\$ 4,092	\$ 4,114	\$ 4,136
Operating Expenses	\$ (236,487)	\$ (224,333)	\$ (264,034)	\$ (293,329)	\$ (320,295)	\$ (335,801)	\$ (352,542)
Taxes	\$ (24,048)	\$ (23,625)	\$ (24,505)	\$ (24,972)	\$ (25,448)	\$ (25,933)	\$ (26,452)
<b>Net Operating Income (Loss) Before Depreciation</b>	<b>\$ 329,034</b>	<b>\$ 442,723</b>	<b>\$ 329,013</b>	<b>\$ 274,341</b>	<b>\$ 188,429</b>	<b>\$ 242,043</b>	<b>\$ 225,343</b>
Depreciation and Amortization	\$ (101,742)	\$ (90,037)	\$ (90,258)	\$ (95,979)	\$ (101,615)	\$ (110,568)	\$ (120,495)
<b>Net Operating Income (Loss)</b>	<b>\$ 227,292</b>	<b>\$ 352,686</b>	<b>\$ 238,756</b>	<b>\$ 178,362</b>	<b>\$ 86,814</b>	<b>\$ 131,475</b>	<b>\$ 104,848</b>
Interest, debt and other income	\$ (6,027)	\$ 9,032	\$ (78)	\$ (1,053)	\$ (4,441)	\$ (4,818)	\$ (6,476)
Contributions in aid of construction	\$ 16,550	\$ 14,566	\$ 13,240	\$ 12,136	\$ 11,033	\$ 11,033	\$ 15,000
<b>Change in Net Position</b>	<b>\$ 237,815</b>	<b>\$ 376,285</b>	<b>\$ 251,918</b>	<b>\$ 189,444</b>	<b>\$ 93,405</b>	<b>\$ 137,690</b>	<b>\$ 113,372</b>

# Key Metrics

## Combined Financial Results

Financial Metrics	Target	Proposed Budget						
		Budget 2025	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028	Forecast 2029	Forecast 2030
<b><u>Change in Net Position</u></b>		\$ 237,815	\$ 376,285	\$ 251,918	\$ 189,444	\$ 93,405	\$ 137,690	\$ 113,372
<b><u>Liquidity</u></b>								
Elect System Liquidity (Rev + R&C)	<b>\$150 MM</b>	\$ 401,825	\$ 431,807	\$ 416,492	\$ 442,796	\$ 435,176	\$ 527,988	\$ 593,837
Days Cash On Hand	<b>&gt; 250</b>	480	662	526	521	453	528	533
<b><u>Leverage</u></b>								
Consolidated DSC	<b>&gt;1.8x</b>	4.76	6.91	5.54	4.53	4.05	4.26	4.07
Consolidated Debt/Plant Ratio	<b>&lt;= 60%</b>	38%	34%	35%	28%	29%	31%	28%
<b><u>Profitability</u></b>								
Consolidated Return on Net Assets	<b>&gt;4%</b>	8.8%	14.0%	8.6%	5.9%	2.8%	4.0%	3.2%
Retail Operating Ratio	<b>&lt;=100%</b>	110%	118%	125%	125%	106%	103%	102%

# Rate Trajectory Scenario

**Rate unbundling efforts aim to moderate rate increases and minimize rate shock for both core and non-core customers.**

## **Key Drivers for Proactive Planning:**

- ✓ Transitioning from Slice and Pooling Agreements
- ✓ Rising Energy, Transmission and Distribution Costs
- ✓ Compliance and Capacity Cost Pressures

# Market Drivers of Power Supply Costs

- ✓ Priest Rapid Project (PRP) & Estimated Unmet District Load (EUDL)
- ✓ Western Resource Adequacy Program (WRAP)
- ✓ Clean Energy Transition Act (CETA)
- ✓ New Resources to serve load

## GROWTH

- Increasing obligations
  - Energy
  - Capacity
  - Clean energy
- Likely Reaching Limit to Financial 30% of PRP
- New Resources to replace EUDL Market Purchases



# Scenario Overview

		2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>Base Scenario</b>	Core	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
	NonCore	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
	Rate 18 % of NonCore	0.0%	0.0%	14.7%	25.2%	34.5%	41.9%	48.9%	54.6%	61.5%
	Change in Net Position	\$252m	\$189m	\$93m	\$138m	\$113m	\$59m	(\$54m)	(\$89m)	(\$127m)
<b>Scenario 1</b>	Core	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	NonCore	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
	Change in Net Position	\$261m	\$212m	\$96m	\$124m	\$91m	\$33m	(\$81m)	(\$112m)	(\$138m)
<b>Scenario 2</b>	Core	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
	NonCore	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
	Change in Net Position	\$262m	\$215m	\$102m	\$137m	\$107m	\$52m	(\$58m)	(\$85m)	(\$106m)
<b>Scenario 3</b>	Core	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
	NonCore	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
	Change in Net Position	\$265m	\$222m	\$115m	\$156m	\$133m	\$86m	(\$15m)	(\$32m)	(\$41m)
<b>Scenario 4</b>	Core	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
	NonCore	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
	Change in Net Position	\$279m	\$240m	\$137m	\$182m	\$164m	\$124m	\$30m	\$23m	\$23m

# Scenario 4 – Exhibit A

## Combined Financial Results

Exhibit A - \$ in thousands

Budgeted Items	Proposed Budget					
	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028	Forecast 2029	Forecast 2030
<b>Total O&amp;M</b>	\$ 224,333	\$ 264,034	\$ 293,329	\$ 320,295	\$ 335,801	\$ 352,542
<b>Taxes</b>	\$ 23,625	\$ 24,505	\$ 24,972	\$ 25,448	\$ 25,933	\$ 26,452
<b>Electric Capital</b>	\$ 180,979	\$ 257,922	\$ 222,860	\$ 178,701	\$ 133,773	\$ 142,819
<b>PRP Capital</b>	\$ 67,130	\$ 89,724	\$ 107,314	\$ 88,752	\$ 70,014	\$ 97,597
<b>Total Capital</b>	\$ 248,108	\$ 347,646	\$ 330,174	\$ 267,453	\$ 203,787	\$ 240,416
<b>Debt Service - (net of Rebates)</b>	\$ 167,524	\$ 69,857	\$ 159,311	\$ 83,293	\$ 88,686	\$ 94,429
<b>Total Expenditures</b>	\$ 663,590	\$ 706,042	\$ 807,786	\$ 696,490	\$ 654,207	\$ 713,839
<b>Expenditures offsets for deduction</b>						
Contributions in Aid of Construction	\$ (14,566)	\$ (13,240)	\$ (12,136)	\$ (11,033)	\$ (11,033)	\$ (15,000)
Sales to Power Purchasers at Cost	\$ (28,623)	\$ (34,005)	\$ (22,014)	\$ (19,252)	\$ (19,845)	\$ (20,583)
Net Power (+ Expense, -Revenue)	\$ (349,090)	\$ (245,396)	\$ (204,589)	\$ (89,291)	\$ (114,580)	\$ (67,049)
<b>Total Expenditures Offset</b>	\$ (392,279)	\$ (292,640)	\$ (238,739)	\$ (119,575)	\$ (145,458)	\$ (102,633)
<b>Total Budgeted Expenditures</b>	\$ 271,311	\$ 413,402	\$ 569,047	\$ 576,914	\$ 508,750	\$ 611,206



# Scenario 4 – Exhibit B

## Combined Financial Results

### Exhibit B - \$ in thousands

	Proposed Budget					
	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028	Forecast 2029	Forecast 2030
<b>CONSOLIDATED OPERATIONAL PERFORMANCE</b>						
Sales to Power Purchasers at Cost	\$ 28,623	\$ 34,005	\$ 22,014	\$ 19,252	\$ 19,845	\$ 20,583
Retail Energy Sales	\$ 299,699	\$ 347,145	\$ 398,534	\$ 450,715	\$ 495,068	\$ 548,295
Net Power (Net Wholesale + Other Power Revenue)	\$ 349,090	\$ 245,396	\$ 204,589	\$ 89,291	\$ 114,580	\$ 67,049
Fiber Optic Network Sales	\$ 15,270	\$ 14,069	\$ 14,350	\$ 14,637	\$ 14,930	\$ 15,229
Other Revenues	\$ 3,453	\$ 4,051	\$ 4,071	\$ 4,092	\$ 4,114	\$ 4,136
Operating Expenses	\$ (224,333)	\$ (264,034)	\$ (293,329)	\$ (320,295)	\$ (335,801)	\$ (352,542)
Taxes	\$ (23,625)	\$ (24,505)	\$ (24,972)	\$ (25,448)	\$ (25,933)	\$ (26,452)
<b>Net Operating Income (Loss) Before Depreciation</b>	<b>\$ 448,177</b>	<b>\$ 356,126</b>	<b>\$ 325,257</b>	<b>\$ 232,244</b>	<b>\$ 286,802</b>	<b>\$ 276,298</b>
Depreciation and Amortization	\$ (90,037)	\$ (90,258)	\$ (95,979)	\$ (101,615)	\$ (110,568)	\$ (120,495)
<b>Net Operating Income (Loss)</b>	<b>\$ 358,140</b>	<b>\$ 265,868</b>	<b>\$ 229,278</b>	<b>\$ 130,629</b>	<b>\$ 176,234</b>	<b>\$ 155,803</b>
Interest, debt and other income	\$ 9,032	\$ (78)	\$ (1,053)	\$ (4,441)	\$ (4,818)	\$ (6,476)
Contributions in aid of construction	\$ 14,566	\$ 13,240	\$ 12,136	\$ 11,033	\$ 11,033	\$ 15,000
<b>Change in Net Position</b>	<b>\$ 381,738</b>	<b>\$ 279,031</b>	<b>\$ 240,361</b>	<b>\$ 137,220</b>	<b>\$ 182,449</b>	<b>\$ 164,327</b>

# Scenario 4 – Key Metrics

All Funds, Scenario 4 Scenario

	2025	2026	2027	2028	2029	2030
<i>Change in Net Position (in thousands)</i>	\$ 381,738	\$ 279,031	\$ 240,361	\$ 137,220	\$ 182,449	\$ 164,327

## Liquidity

<i>Elect System Liquidity (Rev + R&amp;C)(in thousands)</i>	\$ 437,261	\$ 449,058	\$ 526,279	\$ 562,473	\$ 700,045	\$ 816,849
<i>Days Cash On Hand</i>	670	565	613	577	690	722

## Leverage

<i>Consolidated DSC</i>	7.23	6.14	5.38	4.72	4.89	4.72
<i>Consolidated Debt/Plant Ratio</i>	34%	35%	28%	29%	31%	28%

## Profitability

<i>Consolidated Return on Net Assets</i>	14.2%	9.5%	7.5%	4.1%	5.3%	4.6%
<i>Retail Operating Ratio</i>	115%	115%	109%	96%	93%	89%



# Questions?



Powering our way of life.

# Thank you!

