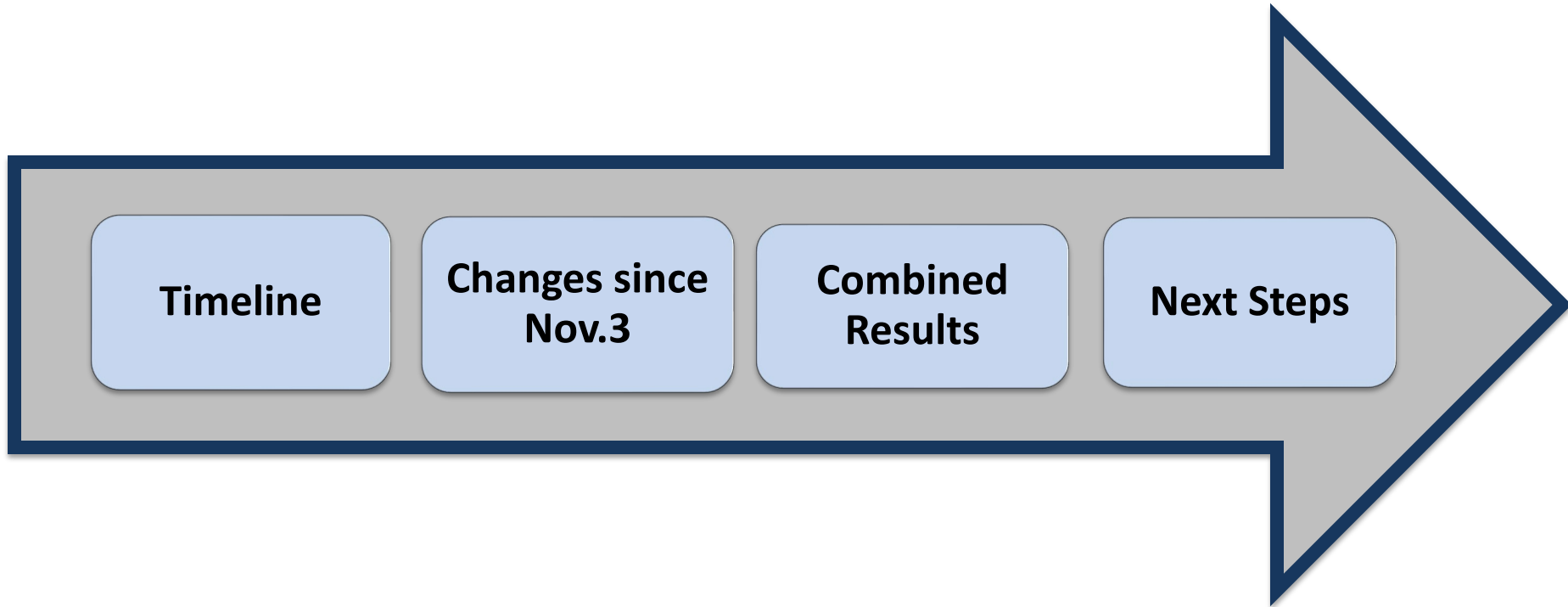


Chelan County PUD



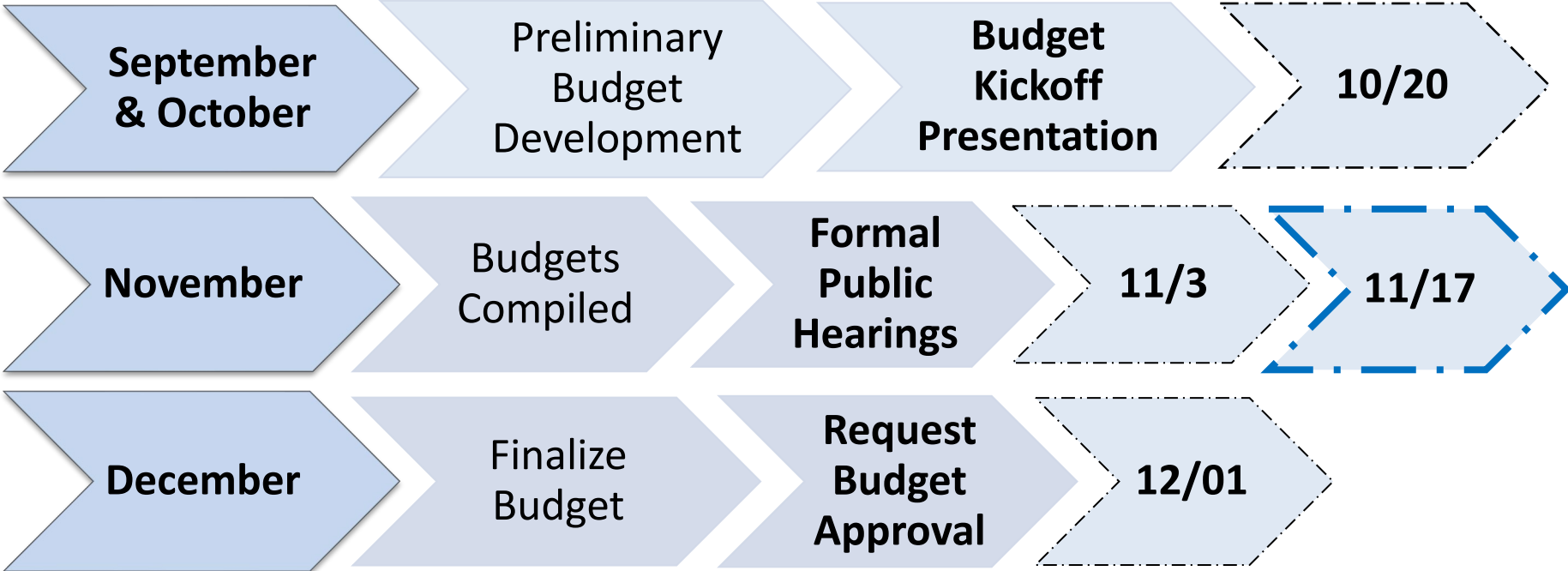
2026 Preliminary Budget Public Hearing
David Nelson –Strategic Financial Planning
November 17, 2025

What we will cover today



No Board Action Required

Budget Timeline



Indicates Board Meetings

Summary of Changes Since Nov. 3

2026 Budget Impacts

↓ **Bottom line decreased \$5M**

↓ **Operating revenues decreased \$6M**

- ↑ Service Revenue up \$1.9M – increased High Density Load
- ↓ Net Surplus Energy Revenue down \$6.7M - lower market prices, shift to Service Revenue, and reduced specified sources sales budget
- ↓ LT Hydro Contract revenue down \$0.7M – reduced Hydro operating costs
- ↓ Other Operating Revenue down \$1.5M – reduced estimate of CCA allowance proceeds

↓ **Operating expenses decreased \$1M**

- ↓ Labor cost refinements – down \$1M

Summary of Changes Since Nov. 3 2026 Budget Impacts

↑ 2026 Net Capital & Regulatory Assets increased \$6M

- ↑ Leavenworth 1&2 Substation Rebuild (+\$7.9M) – revised schedule
- ↑ Castlerock Substation (+\$2.5M) – revised schedule
- ↓ Plain & Lake Wen Resiliency (-\$2.0M) – revised schedule
- ↓ Wenatchee Substation Capacity (-\$1.2M) – revised schedule
- ↓ Other project adjustments (-\$1.5M) – updated schedules

Changes to Total Capital Project Budget Requests

- ↑ Leavenworth 1&2 Substation Rebuild increased to \$23M to reflect updated cost forecast
- ↑ Castlerock Substation increased to \$9M to reflect updated cost forecast

Combined Financials 2026

(in 000's)	Prelim Budget 2026	Adopted Budget 2025	\$ Change	% Change
Service Revenue	98,625	93,089	5,536	5.9%
Net Surplus Energy Revenue	338,180	381,137	(42,957)	-11.3%
Other Operating Revenue	40,596	28,100	12,497	44.5%
Operating Expense	(291,627)	(268,836)	(22,791)	8.5%
Depreciation & Tax Expense	(82,203)	(82,460)	256	-0.3%
Net Operating Income	103,571	151,030	(47,459)	-31.4%
Non-Operating Activity	19,627	6,689	12,938	>100%
Combined "Bottom-Line"	123,198	157,719	(34,521)	-21.9%

Nov. 3 Budget Presentation	128,388
% change since Nov. 3	-4.0%

Capital Expenditures

Total Capital	162,849	206,928	(44,079)	
Less: Contributions	(7,046)	(7,186)	140	<i>Capital paid by others</i>
Regulatory Liability Contributions In Aid of Construction (CIAC)	(11,974)	(17,739)	5,765	<i>Jumpoff Ridge Switchyard and Capital paid by others</i>
Fiber Make Ready Offset	(3,166)	(2,925)	(241)	<i>Make ready costs: intersystem</i>
Regulatory Assets & Other	22,589	25,081	(2,492)	<i>Conservation, license obligations, extended warranty, Subscription-Based Information Technology Arrangements (SBITA)</i>
Net Capital & Reg. Assets	163,252	204,160		
Nov. 3 Budget Presentation	157,404			
% Change since Nov. 3	3.7%			

Combined District Expenditures

(in 000's)	Preliminary 2026 Budget	Adopted 2025 Budget	%
Operating Expense	291,627	268,836	8.5%
Tax Expense	12,806	15,549	-17.6%
Non-Operating Exp/(Inc) - excludes CIAC	(9,939)	2,778	NA
Net Capital & Reg Assets	163,252	204,160	-20.0%
Total Expenditures	457,746	491,323	-6.8%

Net Debt Principal Payments	40,675	59,474	-31.6%
Total Expenditures & Net Debt Reduction	498,421	550,797	-9.5%

Nov. 4 Budget Presentation	493,907
% Change since Nov. 3	0.9%

Primary Drivers of decrease compared to 2025 budget:

Decreased net capital and debt principal payments; offset by increased operating expense.

Combined Financial Policies

2026 Preliminary Budget

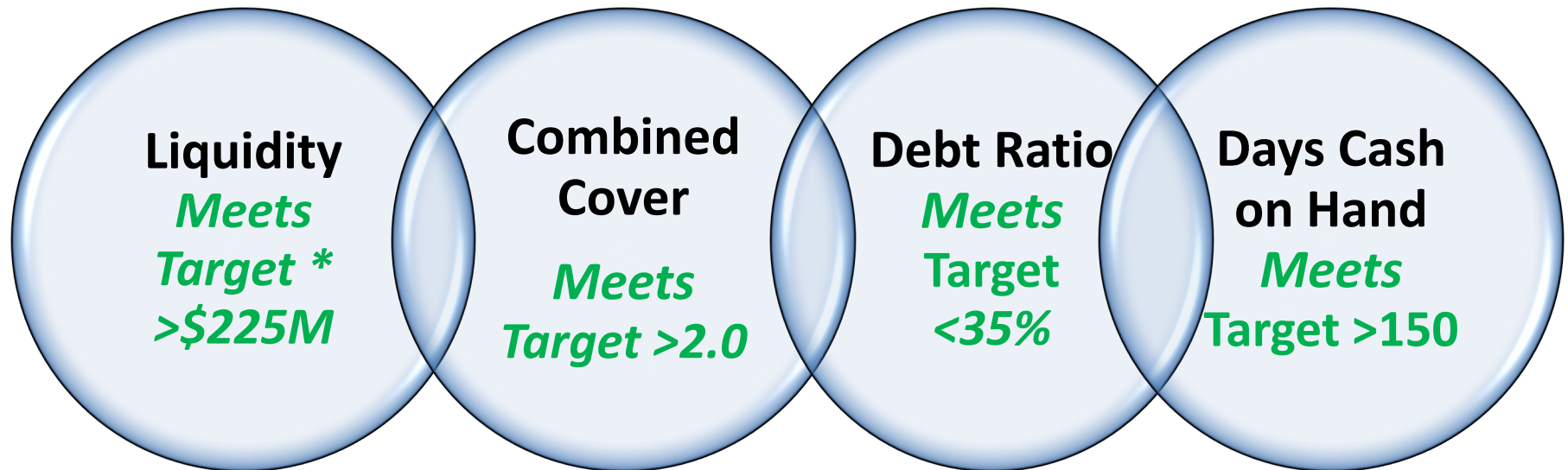
	Financial Liquidity	Combined Cover	Debt Ratio	Days Cash on Hand
Base Case – expected	\$443M	3.71	8.7%	307
<i>Target</i>	<i>> \$227M</i>	<i>> 2.0x</i>	<i>< 35%</i>	<i>> 150</i>
Base Case – unusual	\$423M	3.36	8.8%	289
<i>Target</i>	<i>> \$227M</i>	<i>> 1.25x</i>	<i>< 35%</i>	<i>> 150</i>

As of October 31, 2025 forecast.



On track

2026-2030 Plans Meet District Financial Policies



Results based on expected conditions (based on October 31, 2025 forecast)

*Liquidity target: the greater of \$225M or methodology calculation - approximately \$227M in 2026.

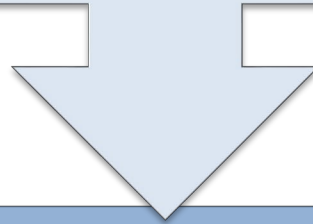
We have a Board reporting requirement to provide an action plan when metrics come within 10% of the target. Based on the preliminary budget, no metrics fall within that 10% threshold under expected conditions.

Budget Next Steps

Board Review

Respond to questions

Provide any additional detail requested



Approve

Requesting Board approval on December 1

Appendix



Updated information from prior presentation

Five-Year Financial Plan 2026-2030

(in 000's)	Prelim Budget 2026	Forecast 2027*	Forecast 2028*	Forecast 2029*	Forecast 2030*
Service Revenue	98,625	101,268	102,316	103,497	104,650
Net Surplus Energy Revenue	338,180	359,134	387,521	375,203	377,468
Other Operating Revenue	40,596	28,455	27,276	28,057	29,135
Operating Expense	(291,627)	(283,950)	(289,191)	(299,253)	(301,799)
Depreciation & Tax Exp	(82,203)	(87,115)	(96,556)	(104,174)	(110,644)
Net Operating Income	103,571	117,793	131,366	103,330	98,810
Non-Operating Activity	19,627	13,805	13,101	15,323	17,705
Combined "Bottom-Line"	123,198	131,598	144,467	118,653	116,516
<i>Forecast at 2025 Budget</i>	123,449	146,912	170,713	152,890	139,876

- **2026 Results are comparable to last year's forecast for the 2026 Budget**
- **5-Year results are mixed and lower overall compared to last year's forecast**

* Forecast as of October 31, 2025

Service Revenue

(in 000's)	Prelim Budget 2026	Adopted Budget 2025	Variance
Residential Electric	37,569	36,183	<i>Growth in forecasted usage is partially offset by impacts of energy conservation efforts</i> <i>1.7% service growth / 3% rate increase included in 2026</i>
Commercial Electric	20,345	19,398	
Industrial Electric	5,605	5,507	
HDL Electric	12,852	10,525	
Other Electric	2,106	1,796	
Electric Service	78,476	73,408	
Water Service	9,482	9,047	<i>1.5% growth / 4% rate increase</i>
Wastewater Service	998	975	<i>1.0% growth / 4% rate increase</i>
Fiber & Telecom	9,669	9,659	<i>4% growth offset by declines in business services</i>
Service Revenue	98,625	93,089	

Nov. 3 Budget Presentation	96,761
Forecast at 2025 Budget	97,245

Net Surplus Energy Revenue

(in 000's)	Prelim Budget 2026	Adopted Budget 2025	Variance
Slice Contracts	102,914	143,118	20% slices in 2026 vs. 25% in 2025
Block/ Pre-Schedule/ Real Time	21,072	50,980	Reduced specified source sales due to CETA no coal; Forecasted lower market prices
Net Market-Based Revenue	123,986	194,098	
LT Hydro Contracts	214,966	187,811	Cost-based; New contract for 5% of RR & RI
Less: Nine Canyons & Other Purchased Power	(772)	(772)	In line with 2025
Net Surplus Energy Revenue	338,180	381,137	

Nov. 3 Budget Presentation	344,977
Forecast at 2025 Budget	333,130

Other Operating Revenue

(in 000's)	Prelim Budget 2026	Adopted Budget 2025	Variance
Transmission/Wheeling	17,692	14,243	<i>Cost based: Investments in operations/compliance; OATT rate LT Hydro contract</i>
Real Time Contract – <i>Fixed</i>	4,000	4,000	<i>Consistent with 2025 budget</i>
Real Time Contract – <i>Variable</i>	3,000	3,000	<i>Consistent with 2025 budget</i>
CCA Allowances	10,000	0	<i>Previously unbudgeted</i>
Service/Late Charges	332	308	<i>Consistent with 2025 budget</i>
Misc Other Items	5,572	6,549	<i>LT contract admin fees</i>
Other Operating Revenue	40,596	28,100	

Nov. 3 Budget Presentation	42,111
Forecast at 2025 Budget	26,111

Major O&M Activities

**RI Spillway Modernization &
Concrete Repairs \$11.9M**

Hatcheries \$9.6M

IT consulting \$6.7M

Tree Trimming \$4.4M

**5th Street HQ Building
Demolition \$3.5M**



Operating Expense

(in 000's)	Prelim Budget 2026	Adopted Budget 2025	Variance and Key Drivers
Hydro Operations & Maintenance	78,657	78,000	Reduced RR unit repair costs (↓ vs '25), ↑ PH1 spillway modernization & repairs
Hydro Fish & Wildlife	23,074	21,271	↑ Hatchery Maintenance; Operating contracts & labor
Hydro Parks & Recreation	12,013	11,007	Parks maintenance; Visitor Center operations
Electric Distribution	27,271	23,356	↑ Substation Site Evaluation; ↑ Tree Trimming;
Electric Transmission	21,780	19,305	Switchyard maintenance; Plain & Lake Wenatchee Maintenance
Power Supply Mgmt	7,352	5,994	↑ Organized markets
Fiber Network	5,664	5,366	↓ Lower contract costs; Network maintenance

Continued on next slide

Operating Expense

(in 000's)	Prelim Budget 2026	Adopted Budget 2025	Variance and Key Drivers
Water/Wastewater	5,327	4,506	↑ New well site evaluation; Contract and labor costs
Customer Accts & Svc	7,456	6,367	↑ Added staff and contract costs
Conservation	8,742	7,821	↑ Incentive amortization Support for conservation programs
Insurance	16,729	16,221	↑ Increase in premiums
FERC Fees	1,979	1,550	Estimated consistent with last year's actual billing
Other Admin & General	75,584	68,071	↑ IT ERP consulting, Demolition of 5th HQ Building,
Total Operating Expense	291,627	268,836	

Nov. 3 Budget Presentation	293,075
Forecast at 2025 Budget	257,561

Non-Operating Expense

(in 000's)	Prelim Budget 2026	Adopted Budget 2025	Variance
Investment Earnings	20,859	17,762	<i>Higher cash balances</i>
Contribution Income	9,687	9,467	<i>Amortization of contributed Distribution & Transmission Assets</i>
Interest Expense	(10,445)	(13,091)	<i>Declining debt balances</i>
Other Inc/(Exp)	(475)	(7,449)	<i>Removed unallocated Public Power Benefit (PPB) funding as a budgeted item</i>
Net Non-Op Inc/(Exp)	19,627	6,689	

Nov. 3 Budget Presentation	19,642
Forecast at 2025 Budget	19,607

2026 Major Capital Projects

Rock Island – Major Driver

Rock Island Modernization

- PH1 B1-B2 \$6 million *(Total project \$63M)*
- PH1 B8 \$11 million *(Total project \$53M)*
- PH2 U1-U8 \$20 million *U5, U7, U3, U4*
(Current project budget of \$266M)

Rock Island - Other

- Fishway Left Ladder Drop Structure
\$12 million *(Total project forecast \$56M)*
- Spillway parapet wall \$10 million
(Total project \$34M)
- PH1 Gantry Crane \$4 million
(Total project \$10M)



2026 Major Capital Projects

Rocky Reach Tailrace Gantry Crane

- \$3.7 million (*Total project \$8M*)

Chelan Falls Acclimation Facility Force Main

- \$ 3.4 million (*Total project \$4M*)

Manson Bay Park Breakwater

- \$2.9 million (*Total project \$4M*)

Lake Chelan Auto Closure Gate

- \$2.8 million (*Total project \$7M*)



2026 Major Capital Projects

Leavenworth 1&2 Substation Rebuild

- \$9 million (*Total project \$24M*)

Wenatchee Bridge Street Substation

- \$9 million (*Total project \$13M*)

Bavarian Substation

- \$6 million (*Total project \$11M*)

Castlerock Substation

- \$4 million (*Total project \$14M*)

Plain & Lake Wenatchee Resiliency

- \$3.5 Million

South Shore 3-424 600amp Feeder

- \$3.5 million (*Total project \$4M*)



2026 Major Capital Projects

Jumpoff Ridge Switchyard

- \$10 million (*Customer funded total project \$86M*)

Fiber Expansion (Public Power Benefit)

- \$4.9 million

Loop Trail Extension (Public Power Benefit)

- \$2 million (*Total project \$3M*)



Capital Expenditures

(in 000's)	Prelim Budget 2026	Adopted Budget 2025	\$ Change	Major Project Focus
Electric Distribution	60,614	52,158	8,456	Substations and Interconnections, S. Shore Feeder
Electric Transmission	7,516	12,798	(5,282)	Plain & Lake Wenatchee Resiliency, Jumpoff Ridge Switchyard XT
Rocky Reach Hydro	14,392	14,562	(170)	Tailrace Gantry Crane, Chelan Falls Acclimation Facility Force Main
Rock Island Hydro	57,239	101,086	(43,848)	PH1 and PH2 Modernizations, RIFW Left Ladder Drop Structure, Parapet Wall, PH1 Gantry Crane
Lake Chelan Hydro	6,179	3,922	2,258	Auto Closure Gate, Manson Bay Park Breakwater
Corporate/Shared Assets	3,138	11,192	(8,054)	Reduced IT Projects and vehicle purchases
Integrated Electric	149,078	195,718	(46,640)	

Continued on next slide

Capital Expenditures

(in 000's)	Prelim Budget	2025 Budget	\$ Change	Major Project Focus
Fiber	9,031	7,534	1,498	Public Power Benefit network expansion continuation & upgrades
Water	4,667	3,650	1,017	Water mains, Confluence Parkway Relocate S
Wastewater	73	27	46	Equipment
Total Capital	162,849	206,928	(44,079)	
Less: Contributions	(7,046)	(7,186)	140	Capital paid by others
Regulatory Liability Contributions In Aid of Construction (CIAC)	(11,974)	(17,739)	5,765	Jumpoff Ridge Switchyard and Capital paid by others
Fiber Make Ready Offset	(3,166)	(2,925)	(241)	Make ready costs: intersystem
Regulatory Assets & Other	22,589	25,081	(2,492)	Conservation, license obligations, extended warranty, Subscription-Based Information Technology Arrangements (SBITA)
Net Capital & Reg. Assets	163,252	204,160		

Nov. 3 Budget Presentation	157,404
% Change since Nov. 3	3.7%

Key “Total Capital Project” Revisions (Existing Projects)

(in 000's)	Current	Revised	Change	2026	Major Driver
Plain & Lake Wenatchee Resiliency	1,310	16,700	15,390	3,545	<i>Adding budget for 2026 and 2027 scope of work</i>
Rock Island Powerhouse 2 Unit Service Water	1,200	15,842	14,642	23	<i>Adding budget for full scope of work</i>
Rock Island Powerhouse 2 U1-U8 Rehab	266,316	280,277	13,961	19,888	<i>Increased project costs for U5</i>
Rock Island Fishway Left Ladder Drop Structure	1,650	14,050	12,400	12,400	<i>Adding budget for 2026 scope of work</i>

Includes revisions and changes in recurring annual capital projects >\$4M

Key New Capital Projects

(in 000's)	Total Budget	2026 Forecast	Major Driver
Leavenworth 1&2 Sub Rebuild	23,800	9,400	Rebuild substation
Castlerock Substation	13,500	4,000	Build new substation
Mobile Substation 6	5,400	100	New Mobile Substation
Manson Park Breakwater	4,043	2,900	Replace the breakwater at Manson Park

Includes new projects >\$2M

New Positions

- **System Growth/Reliability** *(5 positions)*
- **Project Support** *(1 positions)*
- **Resiliency** *(2 positions)*
- **Customer Service** *(1 position)*
- **Energy Efficiency/Compliance/Marketing** *(1 position)*

10 Total Positions

Business Line Financial Policies

Business Lines	Water	Waste water	Fiber	Water	Waste water	Fiber
<i>October 31, 2025 Forecast</i>	Forecast for 2026			Forecast for 2029		
Operating Cover Percentage (target)	>106.5%	>85.3%	>90%	>102.3%	>83.8%	>90%
Operating Cover Percentage (forecast)	89.6%	50.1%	70.3%	95.6%	51.3%	87.9%
Cash Reserves (target)	>\$1.25M	>\$200K	>\$2.0M	>\$1.25M	>\$200K	>\$2.0M
Cash Reserves (forecast)	(\$1.5M)	\$0.7M	\$5.8M	(\$15.5M)	(\$2.0M)	\$1.2M
Debt Service as a % of Rev (target)	<10.0%	<10.0%	<10.0%	<10.0%	<10.0%	<10.0%
Debt Service as a % of Rev (forecast)	6.5%	17.3%	---	2.3%	15.8%	---

NOTE: Board resolution for business line financial targets are defined as “by 2024” and “by 2029”. Annual targets are based on the forecast at the 2020 budget set to support the 2020-2024 strategic plan. Annual actuals are provided to show progress and to inform if action is needed to meet the 5-year target.

Financial Policy not met. Action plan is to review these system targets in the next strategic planning process.

Key 2026 Budget Assumptions

Net Market-Based Energy Revenue

- Average water, current forward energy and carbon price curves
- Hedge program fully implemented and continuing
- Includes planned unit outage impacts
- Consistent hydro fish spill in accordance with requirements

System Load Growth

- 1.7% Electric (~3.9 aMW total net of conservation)
 - Includes recent Diamond Foundry amendment
- 1.5% Water, 1.0% Wastewater
- 900 new Fiber connections (~3.8% growth)

Business Line Service Revenues

- Business line rate increases consistent with 2020-24 Strategic Plan
- Second year of 2-year rate plan for 2025-26 is effective June 1
 - 3% Electric, 4% Water, 4% Wastewater

Key Budget Assumptions

Labor Bargaining Unit

- Bargaining unit increases are according to the collective bargaining agreement in effect through March 2028

Labor Non-Bargaining Unit

- Budget includes assumptions for merit increases, market adjustments and promotions
- Final decisions will be informed by actual market data

Long-term “cost-plus” power contracts

- Debt Reduction Charge (DRC) – continues at 3.0%
- Capital Recovery Charge (CRC) – continues at 50%

Key Budget Assumptions

Capital & Operating Expenditures

- Capital key drivers: Rock Island modernization and fishway left ladder drop structure, distribution substations and infrastructure, transmission resiliency
- O&M key drivers: Rock Island spillway concrete issues, distribution vegetation management, IT initiatives

Debt & Interest Income

- Net scheduled principal payments of \$41 million
- Interest earnings estimated at 3.70%

Public Power Benefit Program

- \$6M allocation for 2026; continuation of fiber expansion, parks improvements, Board selected projects
- Budget revisions will be processed as new projects are designated