CHELAN COUNTY PUD – Budget Hearing

2027 Preliminary Budget

Strategic Financial Planning

November 2, 2026

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Today's Discussion

01 Budget timeline

02 Budget alignment

03 Initial results & highlights

04 Next steps

NO BOARD ACTION REQUIRED

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From Build to Approval

NOW
Build

1

- Public hearing – Nov 2
- Initial preliminary budget & assumptions

NOVEMBER 16
Update

2

- Public Hearing – Nov 16
- Confirm preliminary budget

DECEMBER 7
Decide

3

- Finalize budget
- Approval request – Dec 7

Board feedback is incorporated before the December approval request.

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Strategy becomes accountable delivery through one funding chain

01	02	03	04	05	06
Vision 2075	**Strategic Directives**	**Strategic Goals**	**Objectives & Projects**	**Funding**	**Delivery & Outcomes**
Long-term direction	Board guardrails	Enterprise priorities	What must be built	Resources authorized	Accountability

The annual budget is not the strategy

It is the near-term authorization and execution plan for advancing it.

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Board Directives to Enterprise Priorities

BOARD POLICY LENS · 12 DIRECTIVES (as of July 2026)

SD–01	Purpose	🟢
SD–02	Customer Experience	🟢
SD–03	Reliability	🟡
SD–04	Affordability	🟢
SD–05	Safety	🟢
SD–06	Integrated Utility	🔴
SD–07	Learning & Innovation	🟡
SD–08	Environmental Leadership	🟢
SD–09	Resource Planning	🔵
SD–10	Financial Sustainability	🟢
SD–11	Public Reputation	🟢
SD–12	Enterprise Risk Management	🟡

2026 PROGRESS

- 🔵 Fully achieved
- 🟢 Achieved
- 🟡 Partially achieved
- 🔴 Not yet achieved

ENTERPRISE PRIORITIES · 5 GOALS

1. **Fair Value for Essential Services**
2. **Inspired and Capable Organization**
3. **Long-Term Value and Public Trust**
4. **Resilient Energy and Water Future**
5. **Community Well-Being**

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Goals 1- 2 invest in service value and organizational capacity

1 Fair Value for Essential Services

- ✓ Substation expansion
- ✓ Distribution, Water, Fiber upgrades
- ✓ Wildfire mitigation
- ✓ Overhead and underground line replacements
- ✓ Water main replacements

2 Inspired and Capable Organization

- ✓ ERP initiative – Enterprise design work
- ✓ Digital workplace transformation

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Goals 3–5 focus on investment in infrastructure, energy markets and community value

3 Long-Term Value and Public Trust

- ✓ Powerhouse 2 modernization
- ✓ Rock Island spillway
- ✓ Interconnections
- ✓ Upper valley transmission

4 Resilient Energy and Water Future

- ✓ Organized Markets initiative
- ✓ Rock Island relicensing
- ✓ Canadian Entitlement Allocation

5 Community Well-Being

- ✓ Community partnerships
- ✓ Fiber expansion & build-out
- ✓ Other public power benefits

Portfolio logic: durable assets + future market access + visible community benefit.

2027 Budget Financial Summary

REVENUE

$567M

2027 BUDGET

+$89M

VS. 2026 BUDGET

+2.3%

5-YEAR CAGR * (2027-2031)

OPERATING EXPENSE **

$413M

2027 BUDGET

+$39M

VS. 2026 BUDGET

+3.4%

5-YEAR CAGR (2027-2031)

BOTTOM LINE

$169M

2027 BUDGET

+$45M

VS. 2026 BUDGET

+0.4%

5-YEAR CAGR (2027-2031)

CAPITAL

$190M

2027 BUDGET

+$27M

VS. 2026 BUDGET

* CAGR – Compound Annual Growth Rate

** Operating Expense includes depreciation and tax

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Every policy metric carries meaningful headroom that is expected to continue through 2031

2027 Forecast as of Q3 2026

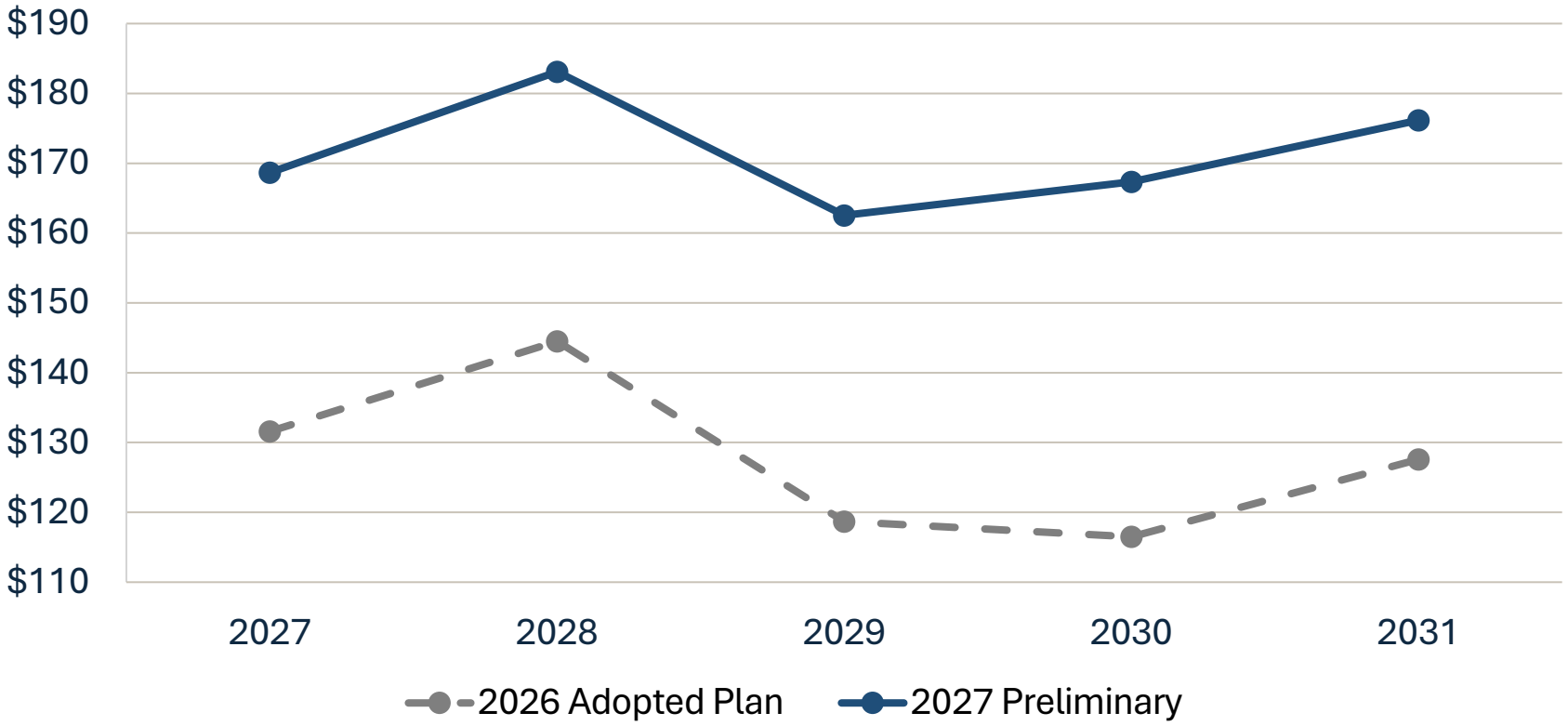
LIQUIDITY	COMBINED COVER	DEBT RATIO	DAYS CASH
$424M	**7.3×**	**7.2%**	**336**
EXPECTED	EXPECTED	EXPECTED	EXPECTED
$317M	**6.2×**	**7.2%**	**261**
UNUSUAL	UNUSUAL	UNUSUAL	UNUSUAL
TARGET > $253M	TARGET > 2.0× / > 1.25×	TARGET < 35%	TARGET > 150

No expected-condition metric falls within the 10% Board reporting threshold for 2027-2031

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The bottom-line peaks in 2028, then moderates

$ millions



READING THE CURVE

2027

starts $37.1M above the 2026 Adopted Budget Forecast

2028

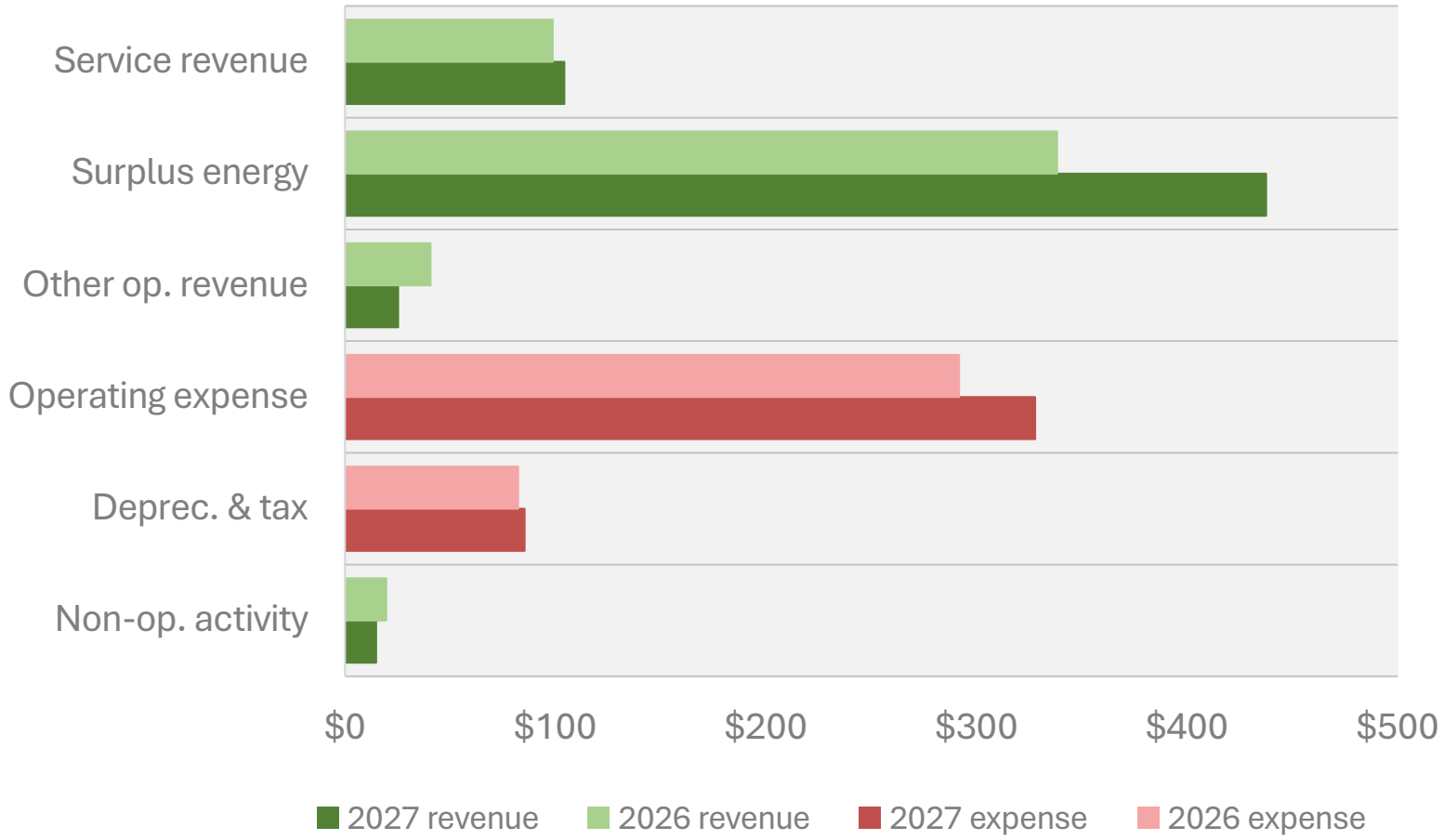
is the high point before later-year moderation.

Numbers based on Q3 2026 Forecast

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The 2027 bottom line is above the 2026 adopted budget

$ millions



COMBINED BOTTOM LINE

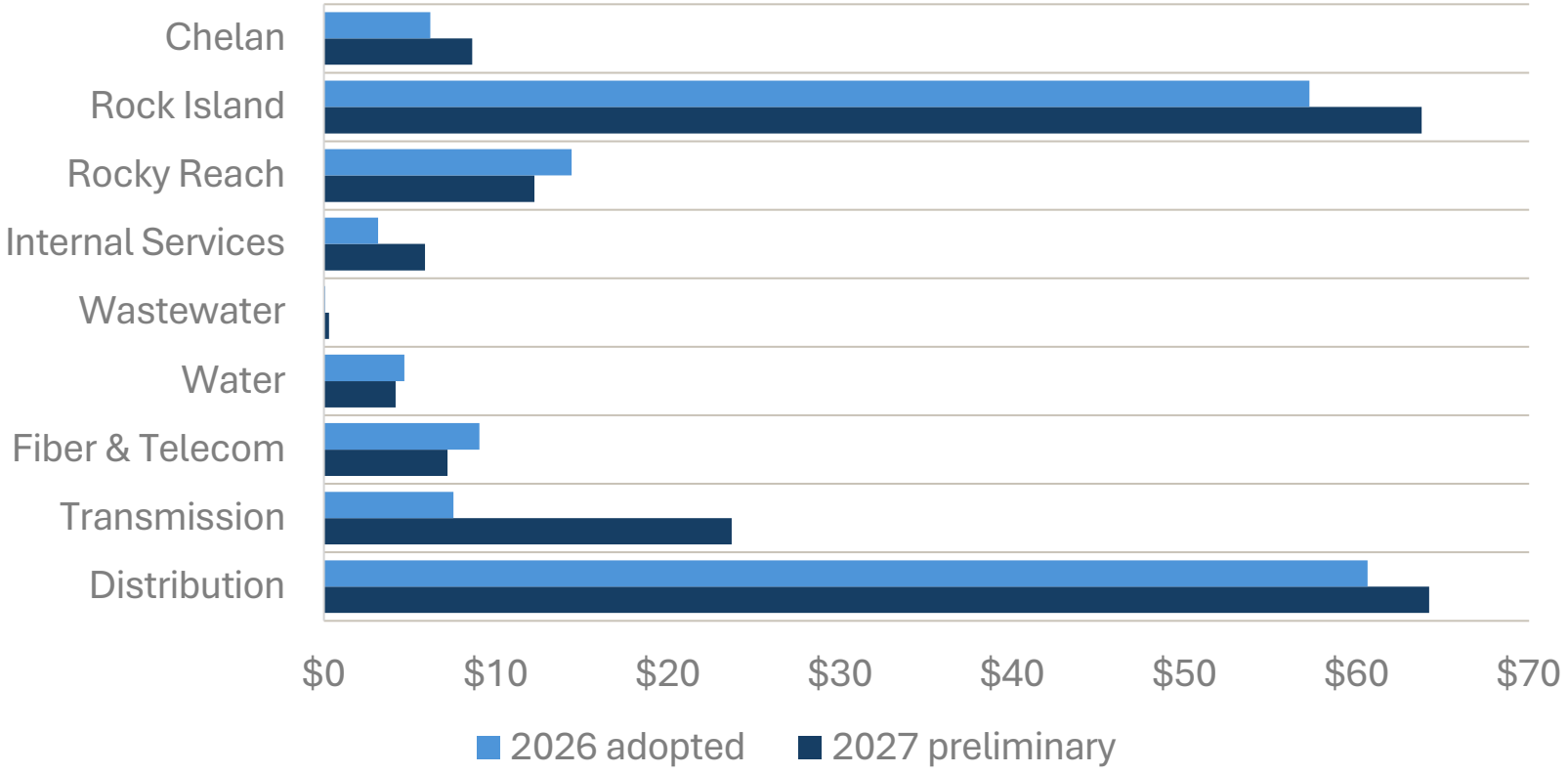
$169M

$45M above
2026 adopted budget

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Higher capital investments following heavy prior year spending

$ millions



TOTAL CAPITAL EXPENDITURES

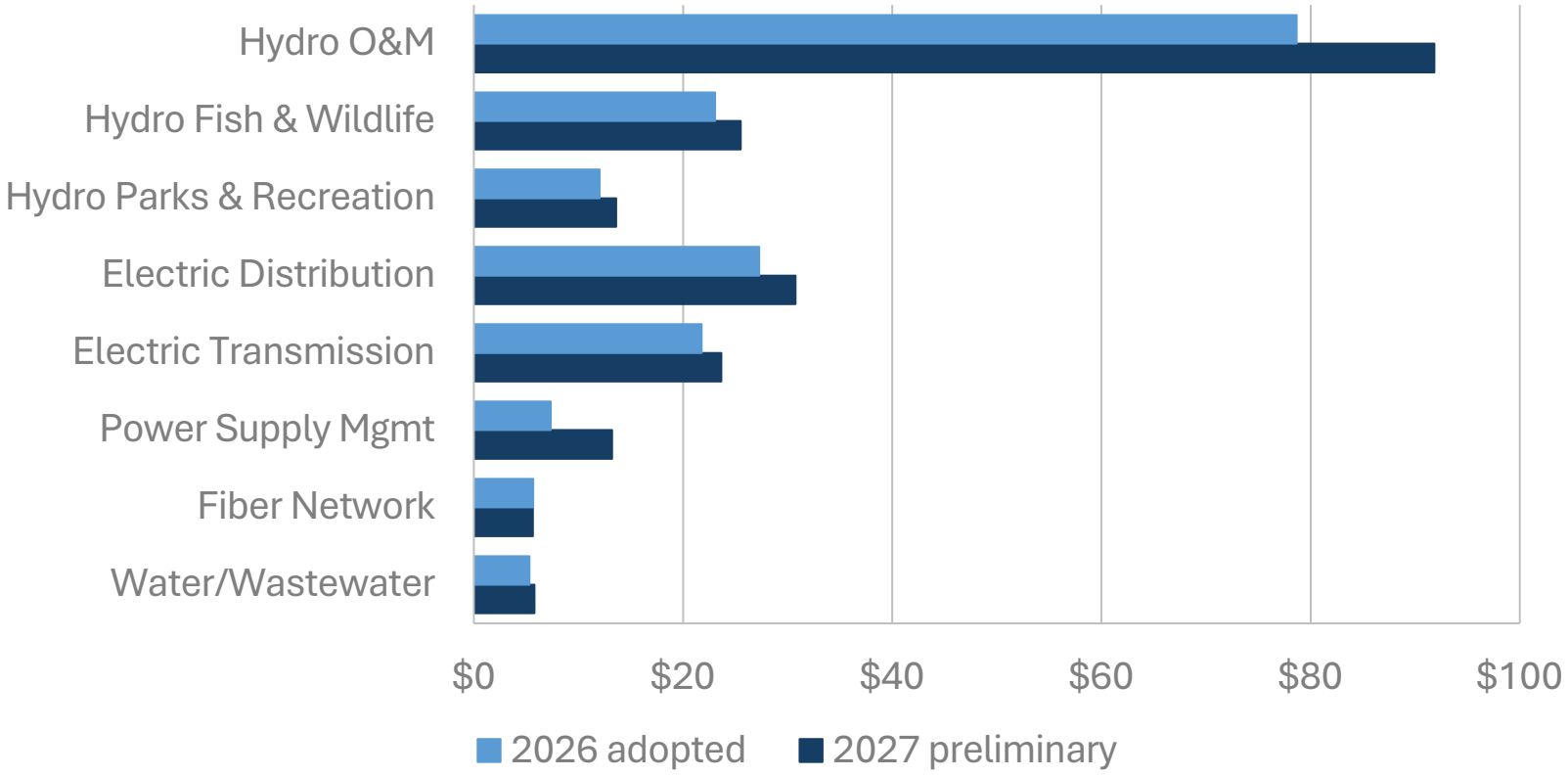
+17%

$190M vs $163M

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Core operating programs account for most expense growth

$ millions



TOTAL OPERATING EXPENSE

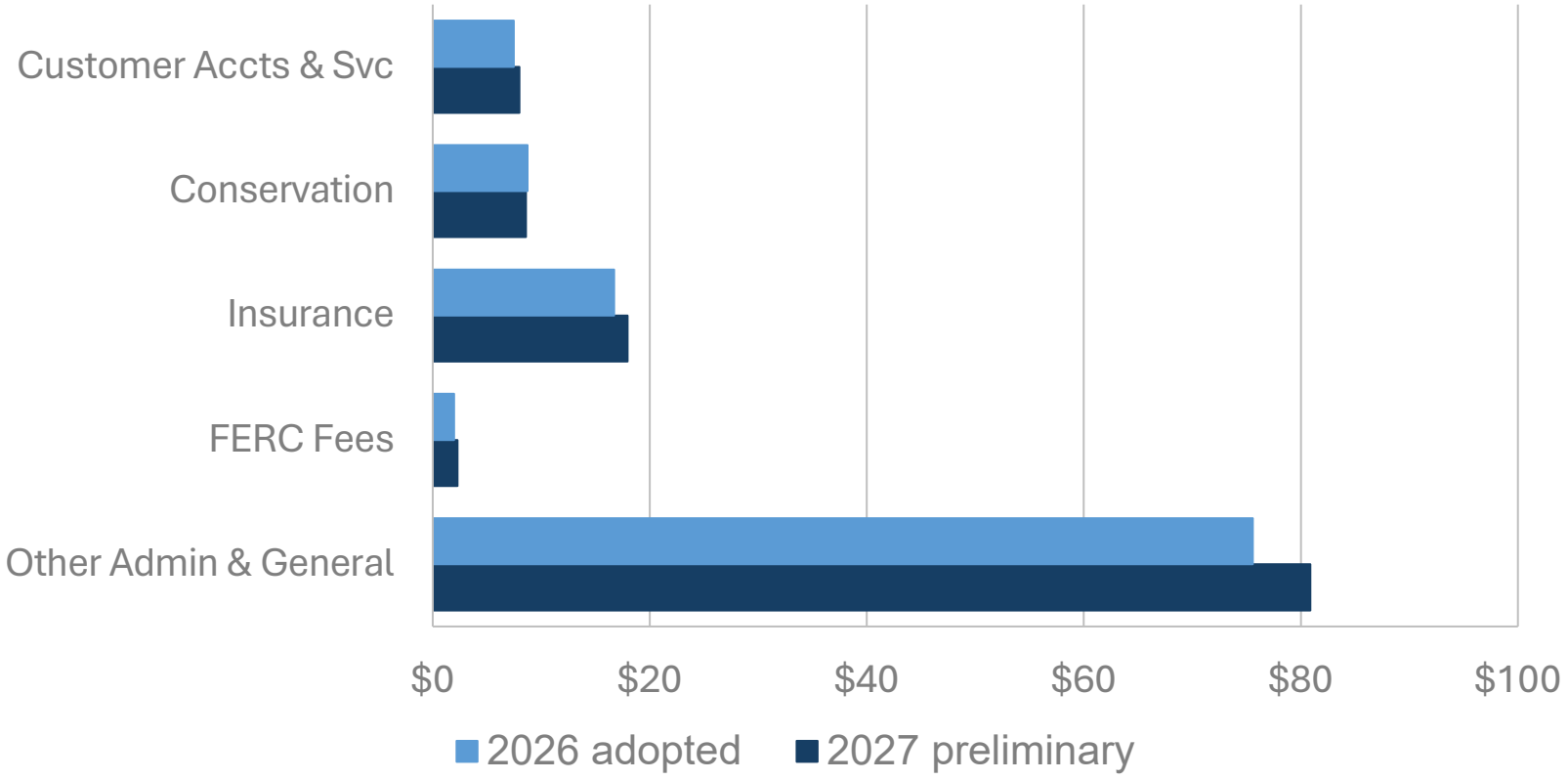
+12%

$328M vs $292M

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Administrative programs complete the expense profile

$ millions



TOTAL OPERATING EXPENSE

+12%

$328M vs $292M

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Capital projects — what changed for the 2027 budget

Budget holds known near-term work; larger commitments return to the Board as design, costs, and customer decisions mature.

PROJECT	WHAT CHANGED	2027 BUDGET / NEXT BOARD ACTION
Rock Island PH2 Rehabilitation GE Second Unit (U7)	• First unit (U5) lessons learned are being built into second unit (U7) drawings, component strategy, schedule and cost • Guaranteed maximum price change order is early in development.	• Proposed budget only includes District activities. • Return early 2027 for guaranteed maximum price change order and budget approval.
Rock Island Spillway Modernization	• Progressive design-build contractor is progressing design for gates, electrical systems, hoists, and related systems. • Probabilistic Risk Assessment will inform how far to take the full program.	• Preliminary design expected in mid-2027. • Return then for funding of high-priority replacements.
Rock Island Drop Gate Structure	• Federal Energy Regulatory Commission and Board of Consultants oversight continue to impact the scope and schedule.	• Return to the Board in early 2027 should scope changes requires further budget approval.

Board takeaway: phased commitments — fund the work needed now, then return for larger approvals when scope, schedule and costs are mature.

Capital projects — what changed for the 2027 budget

Budget holds known near-term work; larger commitments return to the Board as design, costs, and customer decisions mature.

PROJECT	WHAT CHANGED	2027 BUDGET / NEXT BOARD ACTION
Transmission Wildfire Resilience (Plain and Lake Wenatchee)	• Progressive design-build validation moved the estimate from $60 million to $100 million. • Estimate now reflects design and constructability detail from the contractor.	• Two guaranteed maximum price contracts totaling approximately $10 million to complete design and begin equipment procurement. • Construction guaranteed maximum price contract with full cost expected in fall 2027.
Transmission Interconnections	• Three potential large-load interconnections are active at different stages. • The furthest along could require substantial District resources if the customer proceeds. • Helion generator interconnect project	• Customer-driven timing. • Customer-funded. • Bring funding needs to the Board if the project(s) advances.

Board takeaway: phased commitments — fund the work needed now, then return for larger approvals when scope, schedule and costs are mature.

Other Major Projects / Initiatives

PROJECTS	DESCRIPTION

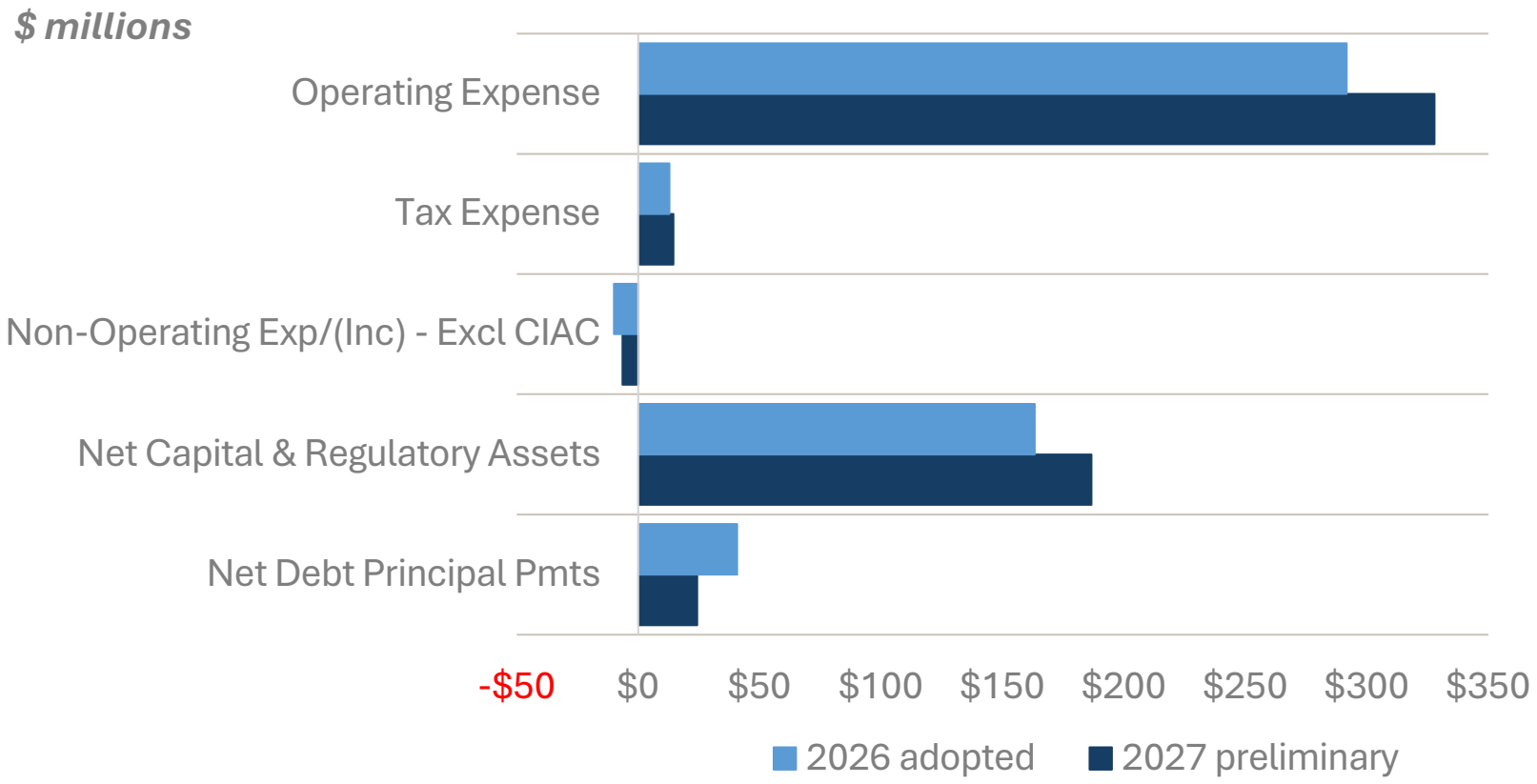
Distribution – Substation Planning, Feeders	• Significant progress planned for substations to support organic growth in the county
	  ○ Complete Bavarian and Wenatchee Bridge St
	  ○ Continue work on Castlerock, Leavenworth 1&2 and College

Rock Island – PH1	• Complete B2, and continue progress on B8 (2028) and B1 (2029)
Stehekin PH Modernization	• Complete engineering and design for controls, protection systems, switchgear to enhance system reliability and capacity. Evaluating Battery Energy Storage System (BESS) options for potential future implementation • Procurement and construction subject to further evaluation and approval.
Enterprise Resource Planning (ERP) Modernization	• Onboard the system implementor, fill roles for project, establish governance ○ Initiate enterprise design to define the scope, timeline, and funding required to achieve the desired future state.

Board takeaway: significant work continuing to advance our strategic directives.

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Higher capital and operating expenses slightly offset by lower debt reduction



TOTAL EXPENDITURES
(excluding debt)

+14%

$522M vs $458M

INCLUDING DEBT REDUCTION

+10%

$547M vs $498M

CIAC – Contributions in Aid of Construction

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The remaining path is review, a second hearing, then approval

01

REVIEW

Nov 2

Continue review and adjust with Board feedback

02

CONFIRM

NOV 16

Second budget hearing

03

APPROVE

DEC 7

Request Board approval

No Board action requested today

Year 1 Transition Year

If the One Utility rate methodology is approved and after a rate plan has been finalized, staff will come back to the Board with budget revisions to:

- Initiate intersystem transfers from Integrated Electric to meet the gap between expected retail revenues and direct operating costs
- Initiate intersystem transfers from Integrated Electric to support capital needs in excess of current available construction funds

Going forward, it is expected that Staff will incorporate the electric, water, wastewater and fiber funding needs during the preliminary budget review process

Appendix

Key assumptions behind the preliminary budget

Revenue assumptions combine market discipline with measured load growth

01

Net market-based energy revenue

- Average water, forward energy and carbon price curves
- Hedge program fully implemented and continuing
- Planned unit outage impacts included
- Hydro fish spill aligned with requirements

02

System load growth

- 0.7% electric (~1.65 aMW net of conservation)
- Large loads are not included as system growth
- 1.5% water; 1.0% wastewater
- 900 new fiber connections (~3.8% growth)

03

Business-line service revenues

- Rate increase placeholders as proposed

Labor and long-term contracts emphasize continuity

WORKFORCE

Labor

Bargaining unit

Collective bargaining increases are in effect through March 2028.

Non-bargaining unit

Budget assumes merit increases, market adjustments and promotions; final decisions use actual market data.

POWER CONTRACTS

Long-term “cost-plus”

3.0%

Debt Reduction Charge continues

50%

Capital Recovery Charge continues

Source: Key Budget Assumptions pages supplied in outline

Capital, debt, and public-power commitments define the spending envelope

01	**Capital & operating expenditures**	Capital: Rock Island modernization and drop gate structure; distribution substations and infrastructure; transmission resilience. O&M: Rock Island spillway concrete issues; distribution vegetation management; ERP design.
02	**Debt & interest income**	Net scheduled principal payments of $24 million. Interest earnings estimated at 4.10%.
03	**Public Power Benefit Program**	$6 million allocation for 2026, Board-selected projects; revisions processed as new projects are designated.

Source: Key Budget Assumptions pages supplied in outline