





PROPOSED
2027 BUDGET

SNOHOMISH COUNTY
PUD
PUBLIC UTILITY DISTRICT NO. 1

BOARD OF COMMISSIONERS: SIDNEY LOGAN • TANYA OLSON • JULIETA ALTAMIRANO-CROSBY

2027 PROPOSED BUDGET

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A LEGACY OF SERVICE

We are public power and water. Since we were created by a vote of the people in 1936, we have been not-for-profit, community owned, and locally governed. Nearly 90 years later, our mission remains the same: deliver safe, reliable, and environmentally sustainable electricity and water to our communities.

Our 1,200 employees are dedicated to serving Snohomish County and Camano Island, some of the fastest growing communities in the country. Currently we provide electricity to more than 881,000 people and 25,000 businesses through 380,000 electric meters. We directly serve 24,000 water customers and supply wholesale water to six local utilities.

The communities we serve have diverse current and future needs. We know that our ability to be successful in the future is intertwined with theirs. We embrace each opportunity to partner with them and work together to achieve a bright future for our customers.

We are the second largest public utility in the Pacific Northwest and the 12th largest in the United States. That puts us in a unique position to be a leader in advocating for change that creates a better future for our region and the neighbors and friends we serve.

OUR PURPOSE, VALUE AND VISION

> OUR PURPOSE (what guides us)

We deliver essential utility services to help our communities thrive.

> OUR COMMITMENT (the tenets that anchor us)

We embrace our role in enabling the vitality of the communities we serve, today and tomorrow. To fulfill our part, we:

- Are a **POWERFUL PARTNER**
- Provide **EXCEPTIONAL VALUE**
- Deliver **EXCELLENT EXPERIENCES**
- Are the **BEST** version of Team PUD



> OUR VALUES (how we behave)

We hold ourselves and every member of Team PUD to high standards.

Every day we **SAFEGUARD** what matters, putting employee and community safety first.
We have **INTEGRITY**. We are a **TEAM**.
We **SERVE** with pride, **RISE** to challenges.
We choose to **INCLUDE** all, **SEEK** growth, and be **BOLD**.

> OUR VISION (where we are going)

Be the utility that delights our customers and energizes life in our communities. By achieving our Vision, we will be the best utility for our communities. We will help our customers and communities creatively meet the future head on, powering a strong economy and environment. Given the opportunity, our customers will rave about our service and the value we provide and would choose us over any other option.


EL SOL AL ALCANCE DE TUS

2027 PROPOSED BUDGET

The 2027 Proposed Budget reflects the dedication, expertise, and collaboration of employees across Snohomish County Public Utility District (the PUD). Through careful planning, prioritization, disciplined spending and a focus on delivering value for our customers, this budget positions us to meet today's challenges while preparing for tomorrow's opportunities. Despite ongoing inflation and rising operational costs, we have identified ways to keep rates stable while prioritizing critical investments and maintaining a safe, reliable, resilient, and affordable electric and water system.



I am proud of the extraordinary work that went into developing this budget and grateful to the employees whose dedication makes it possible. Together, we are building a stronger future while keeping our focus on what matters most: serving our customers and communities with excellence.



John Haarlow,
CEO/General Manager

2027 PROPOSED BUDGET KEY FEATURES

The 2027 Proposed Budget and expenditure plan provides funding to develop, maintain, and enhance the PUD's Electric, Generation, and Water systems and continue to provide excellent service and enhance reliability to our customers while continuing to pursue cost-effective conservation.

The 2027 operating budget for the Electric System is $768.9 million, an increase of $26.7 million from 2026. The expenditure plan also includes $239 million in capital expenditures; the majority of those expenditures are for system reliability improvements and upgrades across the PUD's territory.

The 2027 operating budget for the Generation System is $25 million, a $1.9 million increase from 2026. The expenditure plan also includes $4 million in capital expenditures for construction and improvements, primarily at the Jackson Hydroelectric Project. The Water System's 2027 operating budget is approximately $21.9 million, a $2.9 million increase from the 2026 operating budget. The expenditure plan for the Water System also includes $17.9 million in capital improvements, including construction of a new 3,600,000-gallon reservoir on Burn Road.

The following highlights some of the major components of the 2027 Electric System operating budget and capital expenditures:

- **Cost Containment** – PUD staff have improved project prioritization and business-case rigor to direct resources to the highest value projects.
- **Use of bond proceeds** – The PUD plans to utilize $49.5 million of the $185 million in revenue bonds issued in 2025 to fund major capital projects.

- ***Retail power consumption*** – Retail loads, primarily from residential customers, are expected to increase 2% in the 2027 Proposed Budget compared to the 2026 Budget.
- ***New connections*** – The estimate in the 2027 Proposed Budget for new premise connections is 4,407, a decrease from the 2026 budget.

- ***Bonneville Power Administration (BPA) Product change -*** In August 2024, the Commission approved a significant change in the power product that supplies the majority of power to the PUD, which began in October 2025. The change moved the PUD from the Block/Slice product to the Load Following product. This will result in predictable power costs in 2027.
- ***System reliability investments –*** The 2027 capital plan includes several major projects aimed at increasing reliability for customers – these include miscellaneous line improvement projects, major substation projects such as the Paradise Substation, and the continuation of the wood pole and underground cable replacement programs.
- ***SnoSMART Program –*** This project, in partnership with the Department of Energy (DOE), will enhance community and grid resiliency and support safe, healthy, sustainable, and equitable communities. The SnoSMART Program will replace fire-causing expulsion fuses in the highest risk areas, install hundreds of wireless smart grid devices to improve grid reliability, and upgrade aging software and technology systems to enable a more efficient grid. Capital funding is $19.9 million in 2027, partially funded by grant revenues from the DOE.



- ***Energy Services programs –*** The PUD continues investing in energy-efficiency and related programs with $21.1 million in planned expenditures. These expenditures are reported as part of operating and maintenance costs. A portion of these costs will be reimbursed by BPA.

CASH RESERVES

The PUD updated its financial reserve policies in September 2024 to be more closely aligned with industry and rating agency standards, and also to clearly identify unrestricted versus restricted funds.

The PUD maintains reserve categories as follows:

- ***Unrestricted funds*** may be used, or redirected for use by the Commission, to meet any operating obligations.

  For the Electric System, the funds listed below will represent a combined minimum of 180 days of budgeted operating expenses (less depreciation expense).

  For the Water System, the funds listed below will represent a combined minimum of 150 days of budgeted operating expenses (less depreciation expense) beginning, at the latest, with the 2029 annual budget. To gradually work toward this target, the 2027 Proposed Budget includes a minimum of 110 days of operating expenses (less depreciation expense).

  - » **Operating Reserve,** which includes the Revenue Fund, provides adequate working capital for operational liquidity, capital infrastructure investment, seasonal revenue and expenditure fluctuations, and unforeseen events not addressed by other funds.
  - » **Contingency Reserve,** the unrestricted portion which includes the Rate Stabilization Fund, may be utilized to absorb future costs of significant operating changes compared to budgeted expectations. These funds mitigate the impact of unforeseen events that could have an immediate impact on the District's ability to provide low-cost power to its customers.
  - » **Sinking Reserves**, the unrestricted portion which includes the Privilege Tax Fund within the Electric System only, are funds set aside on a monthly basis to meet the annual privilege tax payment.
- ***Restricted funds*** contain a legally enforceable requirement through Master Bond Resolution, law, contractual agreement, or as committed by the Commission to be used only for a defined purpose.
  - » **Project Reserve,** which represents funds expected to be used for capital and

other projects as approved by the Commission, required by the State, or with respect to Bond Construction Funds.

- **Benefit Reserve,** which are set aside to fund between 70-100% of the actuarial cost of post-employment benefit obligations.
- **Contingency Reserve,** the restricted portion which includes the Self-Insurance Fund, provides for self-insurance retentions and insurance carrier deductibles.
- **Sinking Reserve,** the restricted portion, which includes bond sinking funds, includes funds set aside on a monthly basis for annual debt service payments.
- **Bond Debt Service Reserve,** which are held pursuant to bond covenants to secure individual series of bonds issued by the District.

LONG-TERM STRATEGY & STRATEGIC PLAN

Since it was created by a vote of the people in 1936, the PUD has been not-for-profit, community-owned, and locally governed. Nearly 90 years later, the PUD's mission remains the same: deliver safe, reliable, affordable, and environmentally sustainable electricity and water to our communities.

In 2021, leadership at the PUD began developing an updated and comprehensive long-term strategy and strategic plan to guide it in becoming its communities' utility of the future. The work builds on the strengths and achievements of prior strategic planning efforts and complements existing long-term plans including the PUD's Integrated Resource Plan. The 2023-2027 strategic plan was adopted in 2023.



The 2027 Proposed Budget includes funding for several key initiatives and activities that are directly related to implementation of the Strategic Plan, noted as follows:

OUR STRATEGIC PRIORITIES

Together, the Executive Leadership Team and Commission identified five long-term strategic priorities that will require our active focus to successfully meet the changing needs of our communities and customers. This focus will ensure the PUD can continue to help our communities thrive and deliver exceptional value to our customers. **The five strategic priorities are:**

BOLSTER OPERATIONAL RELIABILITY AND RESILIENCY

Electrification of transportation, heating, and industry will intensify customer and community dependence on electricity, increase overall energy use, and change usage patterns. The regional shift towards clean energy and accelerating climate change creates new operational complexities. Ensuring that energy and water are available whenever and wherever needed will require sophisticated planning, new and upgraded infrastructure, continual improvement of our practices, and responsible financial management. There are four objectives supporting this priority:

- Develop the capabilities for an increasingly complex energy future,
- Build the distribution grid of our future,
- Ensure resource adequacy by expanding and protecting resources,
- Preserve exceptional customer value.

EVOLVE AND ENHANCE CUSTOMER EXPERIENCES

Our communities are increasingly diverse with evolving customer needs and preferences. The standards set by other industries are influencing what our customers expect of us. To continue delivering excellent experiences and earn customer loyalty, the PUD must keep pace and adopt a customer-centric focus across all aspects of our operations. The PUD must hear, understand, and respond to what customers want, need, expect, and value. There are three objectives supporting this priority:

- Center our work around customer desires, challenges and expectations,
- Deliver creative, personal and convenient solutions,

- Give customers increased flexibility and control over their usage and costs.

ACTIVELY HELP OUR COMMUNITIES THRIVE

The PUD has been part of the fabric of our communities since our creation and is committed to providing equitable services and access. Water and power are vital to ensuring Snohomish County and Camano Island thrive today and in the future. Looking to the future, the PUD has the opportunity, and responsibility, to become an even more powerful partner. There are three objectives supporting this priority:

- Strengthen our community connections,
- Support the economic vitality of our communities,
- Align our practices with our communities' diverse needs.

BUILD A SUSTAINABLE FUTURE WITH OUR COMMUNITIES

The PUD has long prioritized providing affordable carbon-free power to our communities while being sensitive to the natural environment in our planning, construction, and operations. With growing momentum toward electrification, decarbonization, local energy generation and storage, and conservation of natural resources, The PUD is uniquely positioned to help our communities develop and achieve their sustainability goals. There are two objectives supporting this priority:

- Responsibly minimize and mitigate our environmental impacts,
- Help our customers and communities achieve their goals.

CREATE THE CULTURE AND CAPABILITIES NEEDED FOR THE FUTURE

Our employees are the heart of our organization; they are fundamental to our ability to deliver on our commitments and achieve our vision. The PUD must attract, develop, and retain a workforce that embodies our values and reflects the diversity of our communities. Our employees need not only the capabilities and resources to do their jobs safely and effectively, but also access to development and advancement. There are three objectives supporting this priority:

- Be an employer of choice,
- Evolve workforce skills and capabilities,
- Increase organizational alignment and effectiveness.



Electric System 2027 PROPOSED BUDGET

The Electric System operates primarily to provide electrical service to 881,000 people and 25,000 businesses through 380,000 electric meters. The Electric System purchases the majority of the electrical energy it sells to customers from the Bonneville Power Administration (BPA). The Electric System consists of the PUD's transmission lines, substations, distribution lines, transformers, meters, and general plant. It also includes customer service, engineering and design, energy-efficiency services, and administrative functions that support the construction, operations and maintenance of the transmission and distribution system.



Schedule 1 shows the 2027 Proposed Budget compared to the 2026 Budget.

Schedule 1
ELECTRIC SYSTEM
COMPARATIVE FINANCIAL DATA
(000s)

	2026 Budget	2027 Proposed Budget
Operating Revenues		
Energy Retail Sales	$ 766,866	$ 782,747
Energy Wholesale Sales	27,678	16,617
Other Operating Revenues	38,565	40,694
Total Operating Revenues	**$ 833,109**	**$ 840,058**
Operating Expenses		
Purchased Power	$ 317,905	$ 326,926
Operations & Maintenance	305,446	319,127
Taxes	47,761	48,737
Depreciation Expense	71,116	73,961
Total Operating Expenses	**$ 742,229**	**$ 768,751**
Net Operating Income	**$ 90,880**	**$ 71,307**
Other Income & Expense	29,529	30,279
Interest Charges	(25,516)	(25,091)
Contributions	36,702	37,967
Net Income	**$ 131,595**	**$ 114,462**
Other Expenditures		
Capital Expenditures	248,975	238,947
Debt Service Principal	13,194	26,098
Reserve Funds Additions/(Uses)		
Revenue Fund	(7,251)	(11,999)
Bond Construction Funds	(59,200)	(49,507)

OPERATING REVENUES

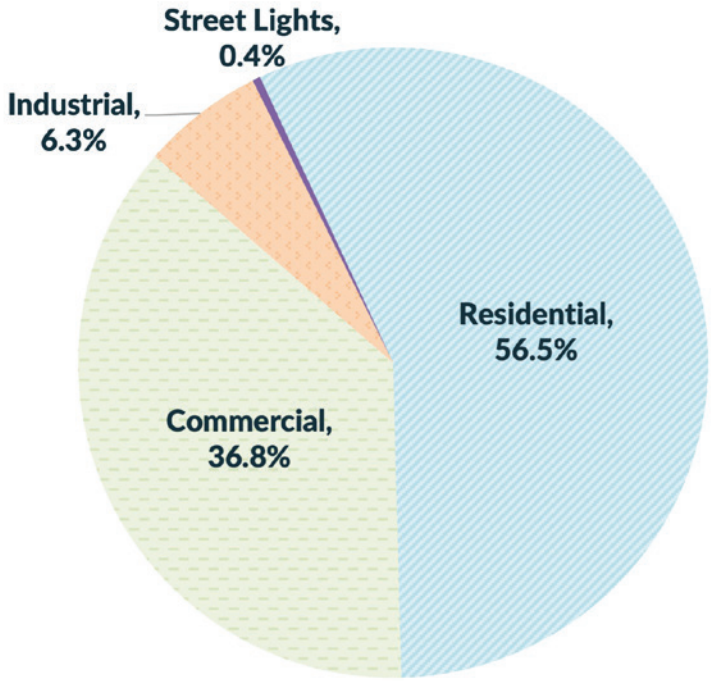
Retail energy sales included in the 2027 Proposed Budget are sales within the PUD's service territory to residential, commercial and industrial customers and are projected to be $15.9 million higher in the 2027 Proposed Budget due to expectations of higher customer consumption.

Sales to retail customers represent the majority of the Electric System's total energy sales revenue. *Chart A highlights the major components of our energy sales.*

Wholesale Energy Sales Revenues are $16.6 million in the 2027 Proposed Budget, $11.1 million less than the 2026 Budget. This decrease is due to less anticipated wind generation available to be resold.

Other Operating Revenues are $40.7 million in the 2027 Proposed Budget, a $2.1 million increase from 2026 levels. These revenues include sales of the PUD's transmission capacity, BPA energy-efficiency program reimbursements, customer fees and other revenues.

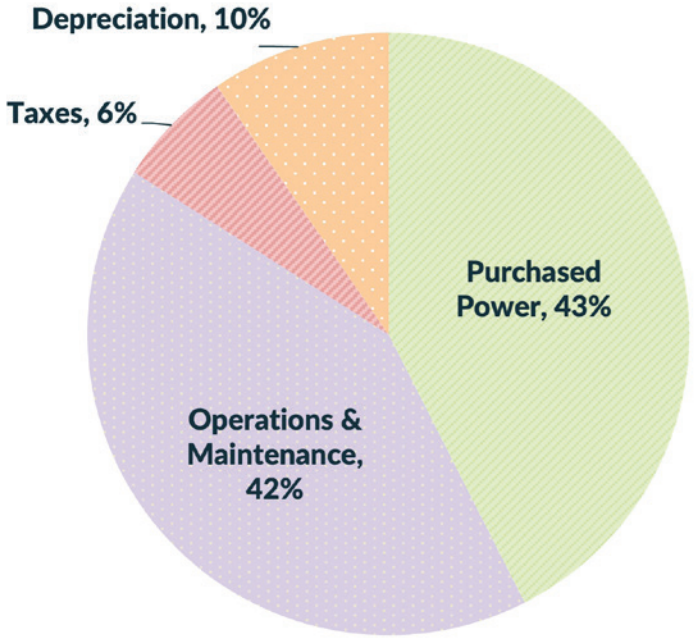
Chart A: Energy Retail Sales



OPERATING EXPENDITURES

The 2027 Proposed Budget for operating expenditures is $26.5 million more than the 2026 Budget. *Chart B highlights the major components of the 2027 operating expenditures.*

Chart B: Operating Expenses



PURCHASED POWER

The 2027 proposed purchased power budget reflects a strategy for power supply that focuses on securing stable, reliable power at predictable prices while keeping risk within acceptable levels.

Purchased power costs of $326.9 million are $9 million higher than the 2026 Budget.

- ***Bonneville Power Administration (BPA)*** – The 2027 Proposed Budget reflects the PUD's switch to the Load-Following Product with a contract expiration on September 30, 2028.
- ***Load Following Product*** – The load following product automatically adjusts to meet the customer's hourly load requirement, ensuring that our power supply is

matched in real time. With this product, BPA, rather than the PUD, manages the risk associated with load variability. The 2027 Proposed Budget estimates receiving 6.8 million megawatt-hours (MWh) from the load following product at a cost of $264.6 million.

- ***Jackson Hydroelectric Project*** – The Electric System is expected to purchase 366,503 MWh of power from the Jackson Hydroelectric Project, a component of the PUD's Generation System, at a cost of $14.9 million in the 2027 Proposed Budget.
- ***Small Hydroelectric Projects*** – The Generation System owns four small hydroelectric projects: the Woods Creek Project and the Youngs Creek Project, both located in Snohomish County, and the Calligan Creek Project and the Hancock Creek Project, both located in King County. The 2027 Proposed Generation System budget includes $6.3 million in purchased power expenditures related to these projects.
- ***Renewable Energy Credits (RECs)*** – In the 2027 Proposed Budget, the PUD anticipates REC purchases to supplement the PUD's existing renewables portfolio and more cost-effectively meet the target increase of 15% renewables that occurred in 2020. The 2027 Proposed Budget includes $8.0 million for forecasted REC purchases.
- ***Renewable Power Purchases*** – In addition to the PUD's owned resources, the utility has acquired eligible renewable resources through long-term power supply contracts. These include the White Creek Wind Agreement, the Wheat Field Wind Agreement, the Hay Canyon Wind Agreements, the Packwood Agreement, the Small Renewables Generation Agreement, and the Hampton Lumber Mill – Darrington, WA Agreement. The 2027 Proposed Budget forecasts a total of 232,034 MWh from these contracts at a total cost of $21.9 million.

In 2027, the PUD rebalanced its portfolio of resources to result in the lowest costs for customers. This includes remarketing wind resources and the output of Hancock and Calligan hydropower to third parties, providing new revenue to the PUD. These values are reflected in the wholesale energy sales volumes listed in Exhibit 1.

OPERATING AND MAINTENANCE EXPENDITURES

Operating and maintenance (O&M) expenditures in the 2027 Proposed Budget are $319.1 million, $13.7 million higher than the 2026 Budget, and account for 42% of the PUD's operating expenditures. O&M expenditures include energy-efficiency programs and transmission and ancillary services. Exhibit 3 (page 13) provides detail for O&M expenditures by division, and Exhibit 4 (page 14) provides detail for O&M expenditures by cost element.

O&M expenditures include the following areas:

- Operating and maintaining the Electric System to provide reliable service to our customers. This effort includes the regular maintenance of lines and stations, response to customer outages, and tree trimming efforts;
- Providing effective customer service through the call center, local offices, account control and front-line operations, as well as executive account attention and effective communications;
- Maintaining an effective program that ensures the safety of employees in the performance of their duties;
- Providing the internal support needed to serve our customers effectively in areas such as human resources, safety, finance and accounting, material procurement



and management, and information technology;

- Providing maintenance and upkeep of our facilities, vehicles, and equipment;
- Ensuring compliance with environmental and other government regulations;
- Supporting the policy-making, regulatory and management oversight functions; and maintaining an effective energy-efficiency program.

O&M expenditures also include transmission and ancillary services forecasted at $46.2 million, which is $1.7 million higher than the 2026 Budget.

ENERGY SERVICES PROGRAMS

The PUD's programs are designed so that all customers (residential, commercial, and industrial) have an opportunity to become more energy efficient and have access to the newest energy technologies. The 2027 Proposed Budget includes continued enhancements to the energy services program portfolio designed to improve customer experience, meet the PUD's growing capacity needs, and offer choices that deliver maximum investment value.

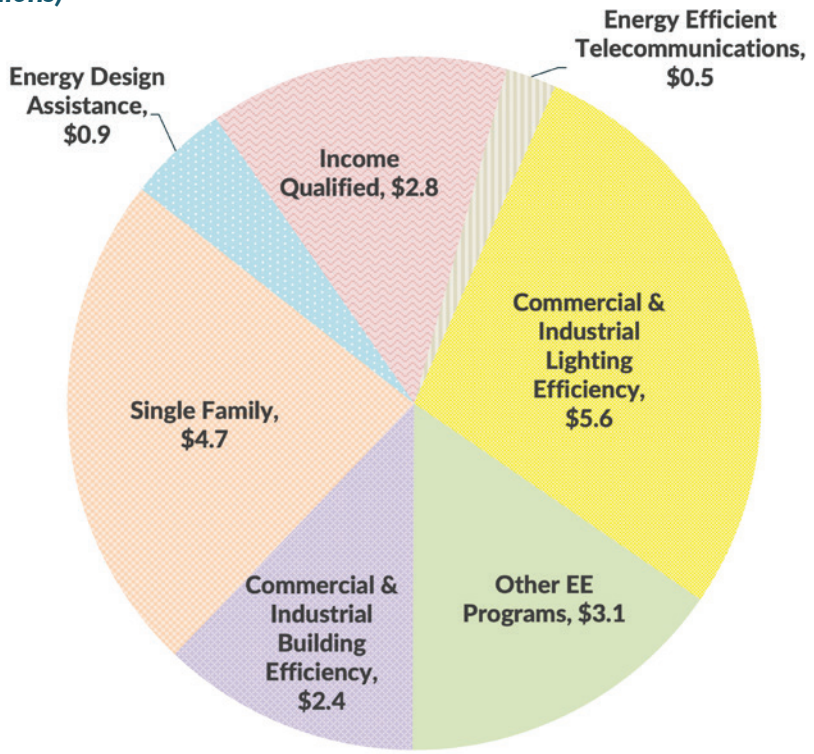
The PUD has allocated an overall Energy Services budget of $33.4 million, which includes $21.1 million in energy-efficiency program incentives and rebates. Revenue sources related to energy-efficiency through BPA Energy Efficiency Incentives (EEI) will recover approximately $7.5 million.

The PUD continues to acquire all cost-effective and achievable energy-efficiency resources in adherence with state legislation. The energy conservation targets established for the 2026-2027 biennium are consistent with Washington State Energy Independence Act requirements and satisfy the PUD's compliance obligations. Beyond compliance alone, the PUD uses data driven insights to refine and offer a portfolio of programs to meet the variety of needs of customers in our service territory.

Energy-efficiency programs for the 2027 Proposed Budget include the following items:

- Retail discounts on electric hybrid water heaters, smart thermostats, and other high-efficiency appliances and electronics. Weatherization for income-qualified residential customers, provided in partnership with local agencies and supporting dual fuel customers electrifying their homes.
- Incentives for residential insulation, high-efficiency windows, efficient heat pumps (air source, ground source, and ductless); and heat pump water heaters

Chart C: Energy Service Programs ($ millions)



- Rebates for energy-efficient commercial lighting, networked or advanced lighting controls, HVAC, and other end-uses; as well as midstream lighting incentives at the distributor level for customers that can install themselves
- Builder incentives for efficiency upgrades that exceed the levels set by building code in residential new construction, single family, multifamily, and manufactured homes;
- Strategic energy management and coaching relationships with commercial and industrial customers to identify process, behavioral, and capital energy savings projects;
- Custom incentives to businesses tailored to their unique business processes for installing a wide variety of energy-efficient technologies at commercial and industrial customer sites;
- Energy design assistance for commercial and multi-family new construction projects, including enhanced rebates for demand-response-ready buildings,

income-qualified occupancy, electric-vehicle supply equipment, or electric-only design; and

- Expanding our reach with small and medium businesses by leveraging regional partnerships to provide enhanced value and opportunity with direct install programs and energy audits.
- Enhancing state and federal incentives for energy efficient whole home electrification.



The 2027 Proposed Budget also includes resources for the following items:

- Advancing innovative program development and design;
- Leveraging data to inform more sophisticated strategic planning and target market segments for energy-efficiency resource acquisition;
- Continued support of electric vehicle adoption through customer education, engagement and incentive programs;
- Working across departments to deliver Distributed Energy Resources (DER) pilots to learn more about capacity and rate benefits;
- Partnering with outside agencies to co-fund projects by applying for, and managing strategic grants for new technology and opportunities;
- Enhancing outreach and education to couple energy efficiency with the PUD's income-qualified energy assistance programs;
- Trade ally network training and development, supporting new jobs in the community and providing incentives for the administration of our programs directly to those implementing;
- Measurement, evaluation, and continual improvement of program performance;
- Providing information and promotion of programs via traditional channels, at events and home shows, and directly in customers' homes;
- Market research at the local level as well as leveraging regional research efforts; and
- Technology demonstration and evaluation projects conducted in Snohomish County with support from BPA, Electric Power Research Institute, Northwest Energy Efficiency Alliance, and local community partners.

TAXES AND DEPRECIATION

Budgeted taxes of $48.7 million are $976,000 higher than 2026 reflecting higher retail energy sales. Taxes include a 3.873% state excise tax and a 2.14% privilege tax.

Estimated depreciation expenditures of $74 million are $2.8 million higher than 2026. Depreciation is an estimate of the reduced value of the PUD's fixed assets and are part of operating expenditures in the 2027 Proposed Budget.

CAPITAL EXPENDITURES

The 2027 Proposed Budget includes costs related to expansion, upgrades and maintenance of the Electric System infrastructure, including funding for depreciated cable replacement, distribution system line improvements, and state-requested relocation work. In addition, capital expenditures include the costs for telecommunications infrastructure, information systems applications and hardware, work on existing facilities, development of new facilities, and purchases of vehicles and equipment.

The major capital projects included in the 2027 expenditure plan are presented in the table on page 10 and Exhibit 5 on page 15.

- ***Capital Asset Programs***: The Electric System's facilities must be routinely refurbished and/or replaced to provide a reliable, cost-effective and safe system. This program provides for facility relocations, replacement of malfunctioning or deteriorated plant and improving operational efficiency. Each of the programs included in this category consists of specific improvement projects that are continuous and ongoing over a number of years. The 2027 expenditure plan is $54 million for this program.
- ***Customer and Reimbursable Work:*** The Customer and Reimbursable work portion of the capital expenditure plan funds the PUD's response to customer requests for new electrical service, upgrades to existing services and other ser-

vices. Other services include street and area lighting, as well as new equipment such as transformers and meters. The 2027 Proposed Budget includes $40.8 million in funding for this program, the majority of which is reimbursable.

- ***New Facilities and Upgrades:*** The Facilities Department expenditure plan for capital expenditures is related to design, construction, upgrade and replacement of the PUD's facilities. The 2027 expenditure plan includes $7.2 million for this program.
- ***Major Capital Expansion Projects:*** The steady growth, changing load patterns, and increase in peak load demands of residential, industrial and commercial customers continue to require new facilities and property. The purpose of this program is to provide increased electric system capacity by constructing new facilities and large specific system expansions, such as new substations and new lines. These projects generally extend over a number of years. The 2027 expenditure plan for this program is $35.8 million.



- ***Vehicles and Equipment:*** The replacement of aged vehicles and equipment reaching the end of their useful lives is necessary to ensure safe operation, reliable service, and optimal efficiency. Vehicle and equipment replacements are planned by Transportation Services with the intent to remove them from service before extensive maintenance costs and downtime are realized. New technology is continually being investigated to reduce environmental impact and improve workforce efficiency. The 2027 expenditure plan includes $13.8 million for new and replacement vehicles and equipment.
- ***Major Capital Upgrade Projects:*** A reliable, cost-effective, and safe electric system network requires that facilities be upgraded to provide anticipated levels of service. The upgrades to the existing facilities are prompted by localized load growth, land-use changes, and infrastructure expansions. This category consists of large specific system upgrades, such as substation upgrades or line reconductoring. The expenditure plan for this program in the 2027 Proposed Budget is $19 million.
- ***Other Capital Outlay:*** This program funds anticipated but as yet unidentified work, such as emergency line expansions and replacements and substation improvements. This category consists of small system improvements that experience indicates are necessary each year. This program's expenditure plan for the 2027 Proposed Budget is $590,760.
- ***Information Technology Upgrades:*** The Information Technology Services capital expenditure plan supports technology infrastructure that provides the basic framework for the PUD's computer and communications systems. This infrastructure includes servers, network, applications, and telecommunications. The 2027 expenditure plan includes $1.9 million in funding for new software and business capabilities, replacement of aging infrastructure and equipment, system software application improvements and telecommunications.
- ***TWO: The Cloud:*** This program represents a comprehensive digital transformation initiative aimed at modernizing several of the District's enterprise systems. The scope includes migrating from the current enterprise system environment, SAP, to a next-generation cloud platform, SAP Cloud. Deprecated SAP modules will be replaced with more modern third-party software tools that will integrate with the new SAP Cloud platform. The $27.4 million budget includes procurement of the SAP Cloud platform and ongoing support, third-party software and support, and internal labor and overhead costs from multiple workgroups across the District.
- ***Other Capital Expenditures:*** Other categories of capital expenditures include funding to modernize our telecommunications system, emergency work and construction, and other smaller projects.

Significant 2027 Electric System Capital Projects/Programs ($000s)

TWO: The Cloud	$27,385
SnoSmart	19,913
Wood Pole Program	17,144
Fleet Replacements/Additions	13,792
Everett-Delta 115KV Line	11,391
Getchell Switching Station 115KV	9,351

Electric System
Operating Revenues

Operating Revenues	2025 Results MWh	2025 Results Amount	2026 Budget MWh	2026 Budget Amount	2027 Proposed Budget MWh	2027 Proposed Budget Amount
Residential	3,936,250	$ 475,671,052	3,826,652	$ 480,737,138	3,860,777	$ 489,788,799
Commercial	2,442,593	240,835,464	2,402,169	245,247,309	2,512,167	253,709,207
Industrial	457,572	36,849,827	457,056	35,401,032	428,851	34,570,871
Street Lights	28,521	4,773,599	28,000	4,480,543	28,000	4,677,721
Unbilled Revenue	-	1,500,000	-	-	-	-
Other Sales - Climate Commitment Act (CCA)	-	1,204,250	-	1,000,000	-	-
Total Retail Energy Sales	**6,864,936**	**$ 760,834,192**	**6,713,877**	**$ 766,866,022**	**6,829,795**	**$ 782,746,598**
Total Wholesale Energy Sales	1,304,975	**50,887,871**	-	**27,677,787**	-	**16,616,773**
Total Energy Sales	**8,169,911**	**$ 811,722,063**	**6,713,877**	**$ 794,543,809**	**6,829,795**	**$ 799,363,371**
Other Operating Revenues						
Transmission Sales		$ 15,042,192		$ 14,547,468		$ 14,547,468
Miscellaneous Operating Expense Reimbursements		2,256,356		1,821,116		1,857,539
BPA ECA Reimbursement		8,627,474		9,500,000		7,500,000
Residential Exchange Credit		829,185		-		-
Miscellaneous Service Charge Revenue		5,631,678		5,667,151		5,828,235
Rents from Electric Property		4,121,753		7,029,139		6,561,224
Clean Fuel Program Sales		-		-		4,400,000
Total Other Operating Revenues		**$ 36,508,639**		**$ 38,564,875**		**$ 40,694,465**
Total Operating Revenues		**$ 848,230,702**		**$ 833,108,683**		**$ 840,057,837**

Electric System
Purchased Power

	Total 2025 MWh's	2025 Results	Total 2026 MWh's	2026 Budget	Total 2027 MWh's	2027 Proposed Budget
BPA Block	2,394,653	$ 79,610,544	-	$ -	-	$ -
BPA Slice/Slice True-up	2,543,926	92,661,877	-	-	-	-
BPA Load Following	1,741,109	63,009,887	6,692,568	246,095,184	6,812,781	264,636,255
Total BPA Power Costs	**6,679,688**	**$ 235,282,308**	**6,692,568**	**$ 246,095,184**	**6,812,781**	**$ 264,636,255**
Jackson Hydro	334,463	10,820,175	388,627	14,405,753	366,503	14,942,298
Generation System - Other Debt Service	-	2,150,966	-	7,155,153	-	8,123,324
Youngs Creek Hydro	12,846	2,346,574	17,114	1,900,221	16,421	1,956,128
Woods Creek Hydro	1,510	538,981	1,273	486,551	1,094	217,237
Hancock Creek Hydro	18,188	1,850,479	27,308	2,033,651	24,952	2,207,133
Calligan Creek Hydro	12,611	1,656,119	24,598	1,779,352	22,863	1,908,715
Qualco	2,990	437,196	5,033	402,757	5,033	413,579
Total Generation System	**382,608**	**$ 19,800,490**	**463,953**	**$ 28,163,438**	**436,867**	**$ 29,768,415**
Small Power Producer	238	16,778	238	11,789	229	12,669
Packwood	14,339	739,343	17,045	739,265	16,461	761,443
Hampton Lumber Mills	12,206	866,550	18,767	1,255,899	18,767	1,256,818
Wind Power Contracts	337,862	26,909,375	366,371	29,782,500	196,577	15,538,071
Arlington Battery Storage Project	-	-	-	2,880,000	-	4,320,000
Total Other Renewable Power Sources	**364,645**	**$ 28,532,046**	**402,421**	**$ 34,669,453**	**232,034**	**$ 21,889,001**
Market/Short Term Purchases	933,446	59,204,909	-	-	-	-
Other Non-Power Services	-	130,080	-	-	-	-
Renewable Energy Credits (REC) Purchases	-	3,624,503	-	6,300,000	-	8,056,300
Power Resource Management	-	5,708,065	-	2,377,387	-	2,275,560
Climate Commitment Act (CCA)	-	-	-	300,000	-	300,000
Total Purchased Power	**8,360,387**	**$ 352,282,401**	**7,558,941**	**$ 317,905,462**	**7,481,681**	**$ 326,925,531**

Electric System

Operating Maintenance Expenses - By Division

Operating & Maintenance - by Division	2025 Results	2026 Budget	2026 Projection	2027 Proposed Budget
Distribution & Engineering Services	$ 104,047,672	$ 100,429,534	$ 104,057,247	$ 103,724,250
Transmission and Ancillary Services	61,772,653	44,511,742	43,897,228	46,252,568
Customer and Energy Services	57,021,207	59,354,897	52,128,342	59,107,648
Information Technology Services	42,475,504	48,748,417	43,556,907	43,998,562
Finance Division	19,065,618	24,813,765	23,162,842	26,195,848
Facilities and Security	16,394,016	19,501,023	17,444,689	18,840,729
Human Resources	12,517,719	21,349,457	17,007,788	12,235,237
Chief Executive Officer/Commission Office/Gov't Relations	4,402,523	4,350,919	4,424,659	4,373,477
Communications, Marketing and Business Readiness	7,567,119	8,599,126	7,841,222	9,050,833
General Counsel and Records Management	7,423,404	7,966,508	7,009,979	9,134,295
Power and Transmission Services Division	696,067	1,413,877	2,169,527	1,130,724
Other Costs/Credits	(33,633,646)	(35,594,179)	(18,170,329)	(14,376,479)
Total Operating & Maintenance Expenses by Division	**$ 300,736,025**	**$ 305,446,086**	**$ 304,531,101**	**$ 319,127,342**

Electric System
Operating Maintenance - By Cost Element

Operating & Maintenance by Cost Element	2025 Results	2026 Budget	2027 Proposed Budget
Labor and Overtime	$ 115,370,992	$ 114,395,758	$ 117,281,172
Transmission and Ancillary Services	61,772,653	44,511,742	46,252,568
Contracts and Services	60,989,890	65,396,699	69,480,710
Overheads	42,583,364	34,342,473	44,434,408
Materials, Equip and Supplies	18,383,097	17,412,698	18,586,301
Employee and Retiree Benefits	(12,536,260)	10,673,411	3,314,240
Bad Debt Expense	2,817,774	4,000,000	4,000,000
Insurance and Claims	3,962,803	5,450,156	5,279,854
Other Miscellaneous Expense	3,545,258	3,810,756	3,893,657
Rents and Utilities	2,062,162	2,581,139	3,167,803
Travel and Training	1,633,663	2,633,253	2,834,291
Land, Property and Easements	149,647	237,000	414,971
Total Operating & Maintenance by Cost Element	**$ 300,736,026**	**$ 305,446,086**	**$ 319,127,342**

Electric System
Capital Expenditures

Capital Projects by Major Category	2025 Results	2026 Budget	2027 Proposed Budget
Asset Programs	$ 45,140,945	$ 67,210,718	$ 53,984,278
Customer & Reimbursable Work	42,231,949	47,649,297	40,847,473
Expansion Projects	21,611,080	24,280,959	35,796,814
Vehicles and Equipment	9,180,185	12,098,759	13,792,416
Connect Up Program	30,464,509	16,262,307	3,151,371
Other Distribution Capital	10,793,995	6,443,937	5,781,477
Upgrade Projects	6,314,835	16,331,562	18,998,663
Emergency Work and Construction	10,743,263	9,000,000	9,360,000
Outlay Programs	183,283	395,263	590,760
SnoSmart	10,260,691	15,526,296	19,912,883
New Facilites and Upgrades	6,423,708	7,802,825	7,193,289
Information Technology Upgrades	1,441,229	1,763,000	1,917,018
Corporate	11,753	629,554	235,000
TWO: the Cloud	343,827	23,734,950	27,385,204
Total Capital Programs	**$ 195,145,252**	**$ 248,975,001**	**$ 238,946,646**


BUCK
BUCK

Generation System 2027 PROPOSED BUDGET

The Generation System is financed and accounted for as a system separate from the Electric System.

The Generation System consists of the Jackson Hydroelectric Project, an operating generating facility with a nameplate capacity of 111.8 megawatts (MW) located on the Sultan River; the Youngs Creek Hydroelectric Project, a 7.5 MW project located near Sultan; the Woods Creek Hydroelectric Project, a 650 kilowatt (kW) project also located near Sultan; and the Hancock Creek and Calligan Creek Projects, both 6 MW projects located in King County.

The Electric System has committed to purchase all power and energy available from the Generation System, and the net cash expenditures of the Generation System are treated as a component of the Electric System's Purchased Power. The Generation System is charged for administrative functions provided by the Electric System that support its operations.

Schedule 2 is a summary comparing the 2027 Proposed Budget for the Generation System with the 2026 Budget.

OPERATING REVENUES

The majority of the Generation System's costs, and the MWh generated, are passed on to the Electric System via energy sales (recorded as purchased power by the Electric System). Energy sales in 2027 are $447,000 higher than the 2026 budget.

OPERATING EXPENDITURES

O&M expenditures in the 2027 Proposed Budget are up $1.8 million compared to 2026 levels due to higher shared services from the Electric System.

Estimated depreciation expenditures of $6.3 million reflect the current depreciation schedules on assets. Depreciation is an estimate of the reduced value of the Generation System's fixed assets.



CASH ADJUSTMENTS TO NET INCOME

Capital expenditures in the 2027 Proposed Budget are $4 million, $1.6 million lower than the 2026 Budget.

Debt service principal is higher in the 2027 Proposed Budget compared to 2026, reflecting current debt service payment schedules.

Schedule 2 is a summary comparing the 2027 Proposed Budget for the Generation System with the 2026 Budget.

Schedule 2
GENERATION SYSTEM
COMPARATIVE FINANCIAL DATA
(000s)

	2026 Budget	2027 Proposed Budget
Operating Revenues		
Energy Sales	$ 28,163	$ 28,610
Other Operating Revenues	–	–
Total Operating Revenues	**$ 28,163**	**$ 28,610**
Operating Expenses		
Operations & Maintenance Expenses	$ 16,816	$ 18,645
Taxes	98	86
Depreciation	6,222	6,346
Total Operating Expenses	**$ 23,136**	**$ 25,077**
Net Operating Income	**$ 5,028**	**$ 3,533**
Other Income & Expense	$ 977	$ 701
Interest Charges	(2,874)	(2,737)
Contributions	50	50
Net Income	**$ 3,181**	**$ 1,547**
Other Expenditures		
Capital Expenditures	$ 5,680	$ 4,027
Debt Service Principal	3,718	3,861

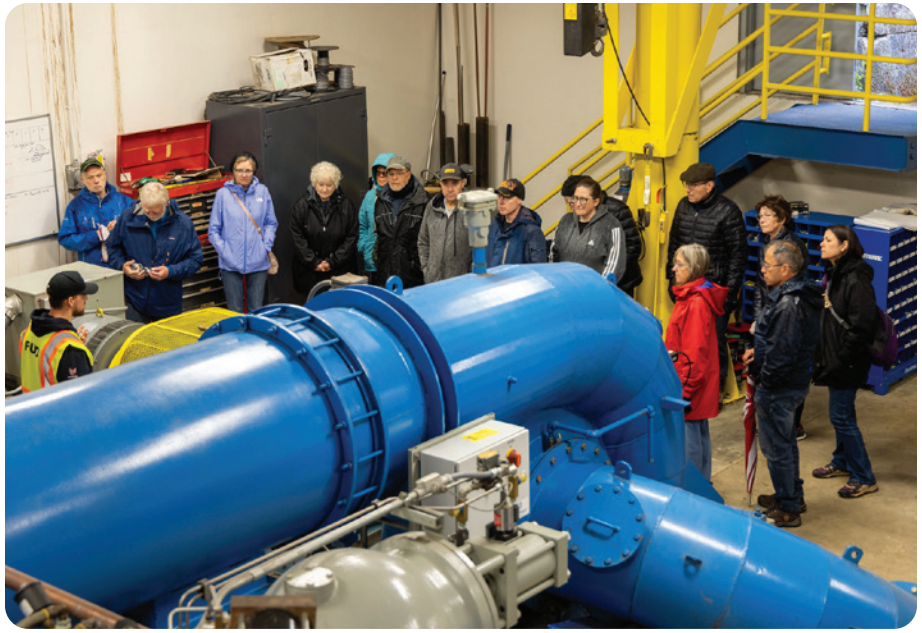
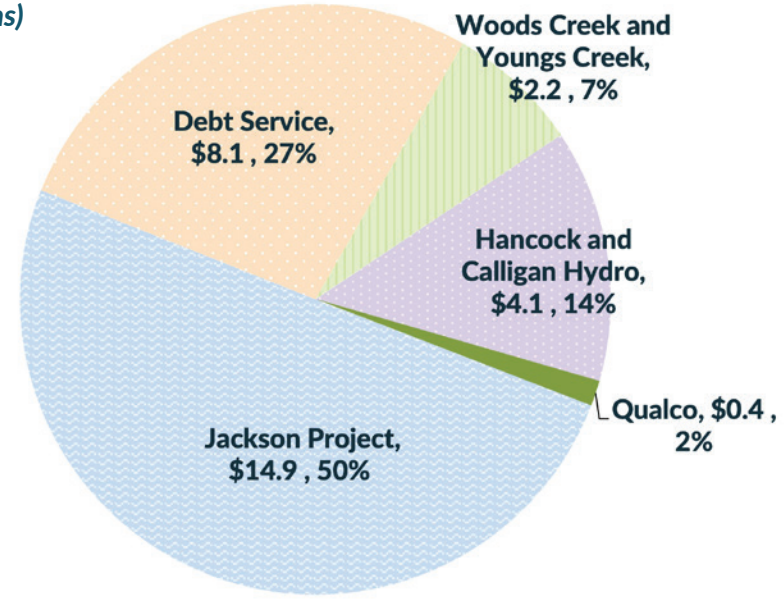


Chart D illustrates the relative percentages of Generation System costs transferred to the Electric System as a component of purchased power.

Chart D: Generation System Sales ($ millions)



Generation System

Generation System Net Energy Sales	2025 Results	2026 Budget	2027 Proposed Budget
Jackson Hydro	$ 10,820,175	$ 14,405,753	$ 14,942,298
Generation System - Other	2,150,966	7,155,153	8,123,324
Youngs Creek Hydro	2,346,574	1,900,221	1,956,128
Woods Creek Hydro	538,981	486,551	217,237
Hancock Creek Hydro	1,850,479	2,033,651	2,207,133
Calligan Creek Hydro	1,656,119	1,779,352	1,908,715
Qualco	437,196	402,757	413,579
Total Generation System Net Energy Sales	**$ 19,800,490**	**$ 28,163,438**	**$ 29,768,415**

Generation System O&M by Cost Element	2025 Results	2026 Budget	2027 Proposed Budget
Labor	$ 5,691,524	$ 5,056,112	$ 4,792,524
Contracts and Services	2,536,644	6,500,015	9,089,276
Overheads	3,147,935	2,836,776	2,614,859
Materials, Equip and Supplies	1,420,666	1,182,124	964,450
Insurance and Claims	778,147	786,871	766,844
Other Miscellaneous Expense	5,921	7,330	6,330
Rents and Utilities	277,933	299,617	259,048
Travel and Training	53,666	114,975	116,905
Land, Property and Easements	4,237	32,590	34,517
Total Generation System O&M by Cost Element	**$ 13,916,673**	**$ 16,816,410**	**$ 18,644,753**

Generation System

Generation System Capital Expenditures	2025 Results	2026 Budget	2027 Proposed Budget
Jackson Hydro	$ 2,052,644	$ 5,160,211	$ 3,760,621
Youngs Creek Hydro	238,361	116,481	178,865
Woods Creek Hydro	236,926	403,828	87,906
Hancock Creek Hydro	9,004	-	-
Calligan Creek Hydro	-	-	-
Biofuel	2,140	-	-
Total Generation System Capital Expenditures	**$ 2,539,075**	**$ 5,680,519**	**$ 4,027,392**

Water System 2027 PROPOSED BUDGET



The Water System is financed and accounted for separately from the Electric and Generation Systems. It operates primarily to provide water service to 24,000 customers in central Snohomish County. The Water System purchases the majority of the water it sells to customers from the City of Everett. The assets of the system include transmission mains, pump stations, distribution mains and services, supply wells, reservoirs, treatment facilities, meters, maintenance facilities, and equipment. The Water System is charged for administrative functions provided by the Electric System.

2027 BUDGET KEY FEATURES

The following highlights some of the major components of the 2027 Water System operating and capital budget.

- ***Cost Containment:*** PUD staff prioritized projects and identified approximately $1.6 million in expenditure reductions for the 2027 Proposed Budget.
- ***Issuance of Bonds:*** The PUD plans to issue $12 million in revenue bonds of which $3.6 million will be used to fund major capital projects in 2027.
- ***City of Everett Purchased Water:*** The PUD purchases a majority of its water from the City of Everett. The PUD anticipates a 21% increase in wholesale rates in 2027.

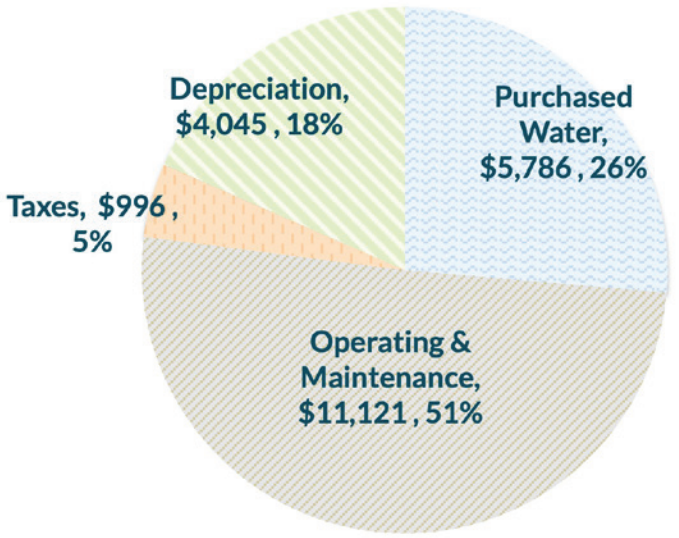
Schedule 3 is a summary comparing the 2027 Proposed Budget for the Water System with the 2026 Budget.

Schedule 3
WATER SYSTEM
COMPARATIVE FINANCIAL DATA
(000s)

	2026 Budget	2027 Proposed Budget
Operating Revenues		
Water Retail Sales	$ 18,069	$ 19,013
Water Wholesale Sales	753	815
Other Operating Revenues	451	437
Total Operating Revenues	**$ 19,272**	**$ 20,265**
Operating Expenses		
Purchased Water	$ 4,497	$ 5,786
Operating & Maintenance	9,706	11,121
Taxes	941	996
Depreciation	3,927	4,045
Total Operating Expenses	**$ 19,072**	**$ 21,948**
Net Operating Income	**$ 200**	**$ (1,683)**
Other Income & Expense	286	1,044
Interest Charges	(1,549)	(1,374)
Contributions	4,151	4,176
Net Income	**$ 3,090**	**$ 2,164**
Other Expenditures		
Capital Expenditures	$ 21,268	$ 17,988
Debt Service Principal	1,103	1,158
Reserve Funds Additions/(Uses)		
Revenue Fund/GFC Fund	(10,028)	(9,142)
Bond Construction Funds	$ (6,648)	$ (3,625)



Chart E: Water System Expenditures ($000s)



- ***Operating Revenues***: Water retail sales are estimated at $19 million. Other operating revenues include $436,864 in property rental and miscellaneous fees. Effective January 1, 2027, the 2027 Proposed Budget includes a 6.5% pass-through rate adjustment to address the wholesale water rate increase from the City of Everett and other cost pressures. The budget also includes a general retail water rate adjustment that will be subject to Board review and approval.
- ***Operating Expenditures:*** Purchased water costs are budgeted at $5.8 million, an increase of $1.2 million from 2026 levels. Water purchases needed from the City of Everett include the impact of a variety of rate increases imposed through 2027. Water purchases are offset partially by production from the PUD's Lake Stevens well water treatment facility. *Chart E reflects the relative amount of the expenditure categories in the Water System.*
  - » O&M expenditures for the 2027 Proposed Budget are higher than 2026 budgeted levels primarily due to continued investment in workforce safety and operational excellence through specialized training programs and technical teams focused on high-risk field activities, enhancing employee preparedness, regulatory compliance, and service reliability. To reduce expenses, the Water Utility is evaluating on-call contracts to identify opportunities to perform work in-house when doing so provides value for customers.
  - » Estimated depreciation of $4.0 million is roughly equivalent to 2026. Depreciation is an estimate of the reduced value of the PUD's fixed assets.
- ***Cash Adjustments to Net Income:*** The 2027 Proposed Budget provides approximately $17.9 million for capital expenditures and features several significant water main replacements as well as a new 3,600,000 gallon reservoir on Burn Road. The table below lists the significant capital expenditures included in the 2027 Proposed Budget.

Significant 2027 Water System Construction Projects/Programs ($000s)

Burn Road 726 Reservoir (3.6 MG)	$5,774
N. Machias Road Main Extension	2,340
Bosworth Reservoir Re-Coat	2,000
Lake Stevens Treatment Corrosion Control Optimization	1,300
150th St NE Main Extension	1,196
Burn Road Main Extension	1,159

Water System
Operating and Other Revenue

Operating Revenues	2025 Results	2026 Budget	2027 Proposed Budget
Water Retail Sales			
Sale of Water - Retail SF & MF (includes Surcharge)	$ 15,957,473	$ 16,836,787	$ 17,716,183
Sale of Water - Commercial	1,213,990	1,231,876	1,297,011
Total Water Retail Sales	**$ 17,254,463**	**$ 18,068,663**	**$ 19,013,194**
Sale of Water - City of Granite Falls Wholesale	$ 389,571	$ 394,012	$ 400,959
Sale of Water - City of Arlington Wholesale	236,682	266,710	308,273
Sale of Water - Other (Snohomish & Goldbar)	89,582	91,879	105,452
Total Wholesale Water Sales	**$ 715,835**	**$ 752,601**	**$ 814,683**
Total Water Sales	**$ 17,970,298**	**$ 18,821,264**	**$ 19,827,877**
Other Operating Revenues			
Lake Roesiger Septic Tank Pumping Revenue	$ 12,799	$ 14,615	$ 12,846
Property Rental	208,448	232,273	199,448
Miscellaneous Receipts & Engineering Fees/Other	277,725	203,859	224,569
Total Other Revenues	**$ 498,972**	**$ 450,747**	**$ 436,864**
Total Operating Revenues	**$ 18,469,270**	**$ 19,272,011**	**$ 20,264,741**
Other Revenue			
Investment Income	$ 161,765	$ 267,056	$ 1,024,524
Assessments for LUDS Interest	18,247	19,057	19,057
Total Interest Income and Other	**$ 180,012**	**$ 286,113**	**$ 1,043,581**
Contributions			
General Facilities Charges	$ 1,268,836	$ 1,455,512	$ 1,474,579
New Service Connections	150,554	205,017	210,822
Distribution Service Charges	188,159	190,858	190,624
Non-Cash Contributions/Donated Plant	1,293,969	2,300,000	2,300,000
Total Contributions	**$ 2,901,518**	**$ 4,151,387**	**$ 4,176,025**

Water System
Operating Expenses

Operating Expenses

Operating & Maintenance by Cost Element	2025 Results	2026 Budget	2027 Proposed Budget
Labor and Overtime	$ 4,718,908	$ 4,504,888	$ 4,168,330
Contracts and Services	1,906,971	1,836,647	3,630,152
Overheads	2,797,351	2,619,897	2,286,483
Materials, Equip and Supplies	980,801	1,312,698	1,069,912
Bad Debt Expense	19,056	66,914	67,821
Property and Liability Insurance	184,500	245,462	138,596
Other Miscellaneous Expense	44,782	99,926	12,142
Rents and Utilities	395,941	415,816	412,946
Travel and Training	49,705	53,981	44,040
Land, Property and Easements	38,054	33,748	31,000
A&G Credit	(1,128,962)	(1,483,792)	(740,523)
Total Operating & Maintenance by Cost Element	**$ 9,446,702**	**$ 9,706,185**	**$ 11,120,898**
Purchased Water	$ 4,053,029	$ 4,497,292	$ 5,786,117
Taxes	948,857	941,072	995,570
Depreciation	4,201,333	3,927,143	4,044,957
Total Operating Expense	**$ 18,649,921**	**$ 19,071,692**	**$ 21,947,542**

Water System
Capital Expenditures

Capital Project by Major Category	2025 Results	2026 Budget	2027 Proposed Budget
Water Mains	$ 2,115,836	$ 3,608,775	$ 5,194,750
Pump Stations	85,960	350,000	-
Reservoirs	2,189,779	8,381,394	8,398,931
General	6,282,618	6,627,779	2,094,472
Donated Plant	1,731,655	2,300,000	2,300,000
Total Water System Capital Expenditures	**$12,405,848**	**$21,267,949**	**$17,988,153**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