



YOUR TRUSTED ENERGY PARTNER

MESSAGE FROM OUR COMMISSIONERS



At Benton PUD, we work hard at keeping our customers informed as to our progress in providing low-cost, reliable, and clean electricity.

This is our first edition of "Performance & Progress." We hope you will take the time to review this update and see the many initiatives we have underway in an effort to remain your trusted energy partner well into the future.

Jeff Hall, President
Lori Sanders, Vice President
Barry Bush, Secretary



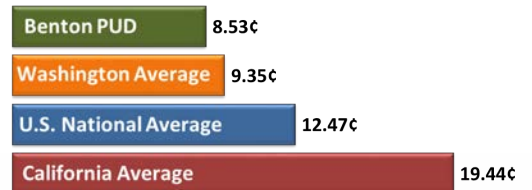
CUSTOMER RETAIL RATES & FINANCES

Benton PUD's last rate increase was 1.9 percent back in October 2017, over 18 months ago. Our next increase is planned for October 2019 with an estimated range between 2.5 and 3 percent.

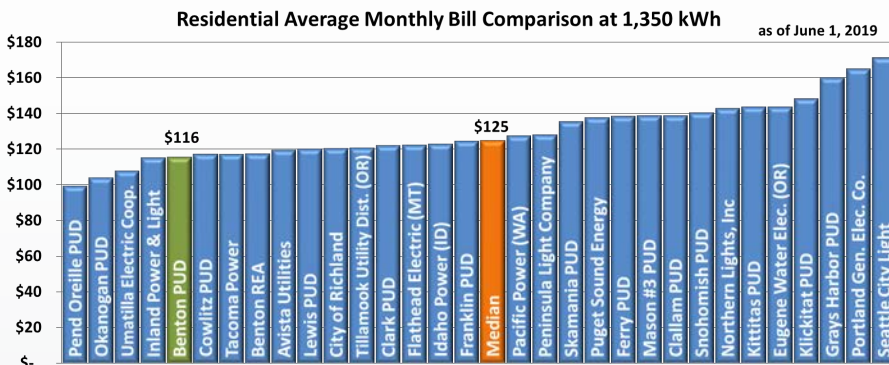
Thanks to low-cost hydropower, Benton PUD's average retail rates are below the United States and Washington State average.

Furthermore, Benton PUD regularly benchmarks its average bills with 30 comparable Northwest utilities. Our average monthly residential bill has remained in the lower half of comparable utilities since 2005.

Average Residential Price for 2018 cents per kWh¹



Source: www.eia.gov and Benton PUD 2018 Annual Report
1. Revenue includes all charges to customers divided by total sales



Average bill information has been calculated by Benton PUD staff using data from other utilities' websites. Calculation is Benton PUD's best effort to provide comparable information. Excludes utilities that own major hydro facilities.

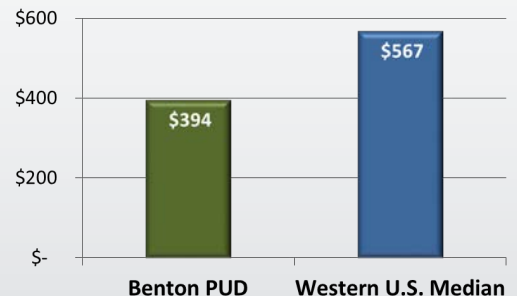
How have we kept our rates low in comparison to other Northwest utilities? We have kept our operation and maintenance (O&M) costs well below the average of similar public utilities located in the western portion of the United States.

We've also made strategic investments in technology which have helped keep our O&M costs low, while at the same time improving efficiencies and enhancing customer service.

Another key factor that can impact utility rates is the amount of its long-term debt. Utility systems are capital intensive. They are designed and constructed to serve customers over decades. Debt is a tool that helps utilities recover the cost of large capital expenditures through retail rates over the life of these assets. Having some debt is a sound business practice and provides equity among customers over time, while having too much debt can overly burden customers in the future.

Benton PUD's debt ratio has remained below the median of public power utilities for a number of years. In fact, our debt ratio continues to decline with no plan to issue debt in the near future. In spite of our low and declining debt, we continue to make essential improvements to our electric system to enhance system reliability.

Annual O&M Costs per Customer



Source: American Public Power Association 2017 Financial Ratio, latest information available



Audits & Bond Ratings

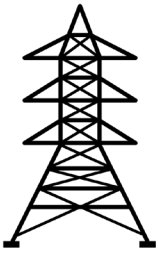
As stewards of public assets, Benton PUD follows strict standards required by laws and regulations. Each year, Benton PUD is audited by an independent third-party auditor as well as the Washington State Auditor's Office. We are audited on our **financial reporting**, as well as **compliance with state laws** and the **Energy Independence Act**. We continue to receive clean reports, reflecting our commitment to financial compliance.

In 2019 Benton PUD received another upgrade from one of its three independent bond rating agencies and now has the highest bond ratings in our history.



Investments in Our Community

In 2018, Benton PUD paid \$13.8 million in state and local taxes. Almost \$6 million of that was invested back into the cities we serve right here in Benton County.



ELECTRIC SYSTEM RELIABILITY & SAFETY

Benton PUD continues to make significant investments in our electric system to ensure system reliability for our growing communities. We have completed a number of capital projects that allowed us to upgrade and improve our transmission and distribution systems to accommodate growth in our community and ensure a reliable system.

Expanded the **Orchard View Substation** and feeders to support development at **Vista Field and Southwest Kennewick**.



Constructed a **transmission line** in **Horse Heaven Hills** to improve reliability for expanding agricultural business operations.



In partnership with Richland Energy Services, completed the **Leslie Road Substation** to support growth in **Badger Canyon and West Kennewick**.




In addition to these projects, Benton PUD has continued its drive toward a smarter grid. Benton PUD has established itself as a leader among Washington PUDs in the implementation of advanced meters. Advanced meters serve as the cornerstone of the smart grid by delivering information to the PUD personnel and ultimately to SmartHub®, our online customer portal. Meters are read remotely, thereby improving billing accuracy and reducing operating costs.

Benton PUD is also a leader in many other aspects of technology deployment throughout our electric and business systems which provide significant benefits to our operations. We've deployed broadband technology throughout our electric grid and recognize we need to protect the security of our systems. In 2018, Benton PUD successfully completed a comprehensive external security assessment and received a rating higher than those received by other utilities.

In the end, the backbone of our system reliability is our highly dedicated employees who often work in difficult and dangerous environments with an inherently dangerous product – electricity. Our employees proudly design, build, and maintain our electric system, but recognize that every moment of every day can be one second away from serious injury. We are proud of our employees' efforts throughout 2018 to maintain a strong safety culture.

Benton PUD received two major awards in 2018 reflecting our commitment to reliability & safety:

 The **Reliable Public Power Provider (RP3)** award (Diamond Level) from the **American Public Power Association**. The Diamond Level is the highest award level demonstrating utility excellence in the areas of reliability, safety, workforce development and system improvement.

 The **First Place Safety Award** from the **Northwest Public Power Association** for utilities with work hours between 250,000 and 500,000.



Installing new power transformer at the Orchard View substation.

CUSTOMER ENGAGEMENT

Several years ago, Benton PUD launched a Customer Engagement Strategic Plan with the major objective of providing better technology that would allow customers to interact with Benton PUD in new ways. We are well on our way to providing our customers with more options and choices to monitor their electric usage, make payments, and manage their accounts, all on a 24/7 basis.

We've received positive feedback about SmartHub, our customer portal, which allows customers to monitor their electric usage on a monthly, daily and even an hourly basis and compare previous and current usage. As of December 2018, we've had more than 25,000 customers enroll in SmartHub since its launch in March 2017.



While other utilities in the Northwest have customer portals, ours is unique in that it provides access to hourly energy consumption information. Advanced meters send this information to Benton PUD, which allows customers to view their usage via SmartHub. This level of detail is especially helpful for customers who want to manage their consumption, understand what causes variations in usage, and ultimately lower their monthly bill.



Low Income Discounts

In 2018, over 1,900 low income senior and disabled customers participated in Benton PUD's low income discount programs. Depending on household income, customers received discounts of either 10%, 15% or 25%, totaling more than \$600,000 for the year.

Starting in January 2019, Benton PUD was pleased to expand the low income discount program to include income-qualified veterans and active military.

Customers can sign up to receive emails and/or text notifications on a daily basis when usage meets customer-established thresholds. By being more interactive throughout the month, customers will also know what to expect when they receive their bill. SmartHub can also be used to pay electric bills, report an outage, or view our outage map.

CONSERVATION & EMERGING TECHNOLOGY

We continued to respond to customers interested in rooftop solar, electric vehicles, or who wanted more information about ways to save energy:

Benton PUD continued to fund **rebates for homes and businesses**. Since the inception of our conservation program in 1982, Benton PUD customers have saved the equivalent amount of energy necessary to power over 18,000 homes annually.

In 2018, 212 rooftop solar applications were processed. Through December 2018, the total number of solar installations completed or in process was 384.

This year was also a significant milestone for our **Ely Community Solar participants who saw their initial investment fully "paid back"** due to the generous state incentives offered since the project was completed in 2015.

In May 2018, Benton PUD **installed its first electric vehicle fast-charging station at Southridge**. This charging station was primarily funded by a Washington State grant and other private contributions.

Low Income Energy Efficiency

Benton PUD provided participating low income customers \$180,000 in home energy efficiency improvements resulting in about \$8,000 in annual electric bill savings.



Ribbon cutting for Benton PUD's electric vehicle charging station at Southridge.

POWER SUPPLY

Benton PUD's largest expense is power supply. We are extremely fortunate to have hydropower as the backbone of our power supply. In fact, low-cost, highly-reliable, carbon-free hydropower comprises over 82 percent of our fuel mix, resulting in a portfolio that is 97 percent carbon free.

Ensuring an adequate power supply is a very complex and dynamic undertaking. Many people may be unaware that electricity must be simultaneously generated, transmitted, and consumed. Every minute of every day, the electric grid must maintain a constant state of balance between generation and load.

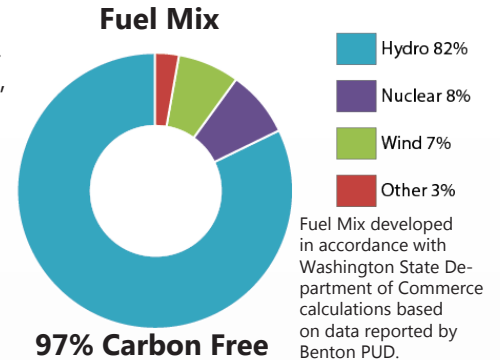
Having access to highly-reliable sources of energy such as hydropower and nuclear is essential to balancing the grid and to keeping the lights on. Coal and natural gas have also provided reliable baseload power to the Northwest for many years; particularly on the coldest and hottest days of the year.

State policy makers recently passed legislation that would require electric utilities to remove carbon-emitting generating resource from their portfolio with a goal of achieving a 100 percent clean electric sector by 2045. Fortunately, Benton PUD is well-positioned to achieve this goal. Other utilities will face more of an uphill challenge.

To put the 100 percent clean goal in perspective, it is important to understand Washington State's hydro-rich power supply is already one of the cleanest in the country representing about 0.5 percent of the total national electric power sector annual carbon dioxide emissions. Despite this fact, and well before recent clean energy legislation was passed, over 3,000 megawatts of coal-fired power plants in the Northwest were scheduled for retirement by 2025. While cleaner-burning natural gas was the assumed replacement, the new goals of "100 percent clean" mean utilities will be asked to gradually remove natural gas generation as a power resource by 2045.

While we believe wind and solar energy will continue to play an important role in the Northwest, we remain concerned about the adequacy of the Northwest power supply during periods of extreme temperatures coupled with low wind and solar production - such as extremely cold and cloudy winter days. Without question, we must protect our current supply of carbon-free baseload resources, such as hydropower and nuclear.

We remain active with our state legislature to mitigate the impacts of proposed carbon legislation on our customers and to help preserve the economic advantage of affordable and reliable electricity.



LOOKING AHEAD

Looking to the future, we see both challenges and opportunities in the following areas:

Customer Engagement: In 2019, Benton PUD plans to offer **Pay As You Go**, an interactive service that is similar to buying minutes on a cell phone, or adding fuel to the gas tank in a car. Customers can prepay for their electricity and save money by avoiding late fees, avoiding security deposits, and by closely monitoring their usage on a daily basis to lower costs. Past due balances that may exist at the time of enrollment can be paid back over time.



World-Class Broadband

Benton PUD provides world-class high speed wholesale broadband services within our community. The interconnection of our fiber-optic cable along with membership in NoaNet, a statewide network, provides our community access to a fast and reliable network.



For more information go to BentonPUD.org/Services/Wholesale-broadband

Advanced Wireless Technology: The demand for access to mobile data continues to grow each year, and this desire for wireless connectivity is driving demand for wireless networks with greater coverage and capacity in our community. To meet this growing demand Benton PUD, in partnership with **NoaNet** and in cooperation with local municipalities, is developing a proactive plan and strategy to support the deployment of advanced wireless and future 5G technology. This will result in the expansion of high-speed cellular data services and will further support economic development by facilitating the adoption of next generation data capabilities.

Snake River Dams: Hydroelectric power is the backbone of the Northwest economy. The Snake River dams are an integral part of the federal hydroelectric system, providing a combination of essential power attributes. We will continue to educate all Northwest energy consumers about the benefits of the dams.

Customer Rates: We believe we are well-positioned to remain a low-cost reliable utility provider.

We look forward to being your trusted energy partner



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