

MINUTES

PUBLIC UTILITY DISTRICT NO. 1 OF BENTON COUNTY COMMISSION PUBLIC HEARING PRELIMINARY 2026 BUDGET AND RATE INCREASE

Date: November 12, 2025

Time: 6:00 p.m.

Place: 2721 West 10th Avenue, Kennewick, Washington

Present: Commissioner Jeff Hall, President
Commissioner Lori Kays-Sanders, Vice-President
Commissioner Mike Massey, Secretary
General Manager Rick Dunn
Senior Director of Finance & Executive Administration Jon Meyer
Assistant GM/Sr. Director Engineering & Operations Steve Hunter (via/Teams)
Director of Power Management Chris Johnson
Director of IT & Broadband Services Chris Folta
Director of Customer Service and Treasury Keith Mercer
Supv. of Executive Administration/Clerk of the Board Cami McKenzie
Records Program Administrator II Nykki Drake

Benton PUD employees present during all or a portion of the meeting, either in person or virtually: Blake Scherer, Senior Engineer Power Management; Evan Edwards, Manager of System Engineering; Jenny Sparks, Manager of Customer Engagement; Jodi Henderson, Manager of Communications & Government Relations; Katie Grandgeorge, Financial Analyst III; Shannon Sensibaugh, Administrative Assistant, II; Spencer DeFord, IT System Administrator; Christopher Kuperstein, Applications Analyst III.

Call to Order & Pledge of Allegiance

The Commission and those present recited the Pledge of Allegiance.

President's Speech

Commissioner Hall opened the public hearing and stated the purpose of this public hearing is to hear staff presentations and receive public comment regarding the District's Preliminary 2026 Budget and Rate Increase. This hearing is being held prior to adoption of the District's final 2026 Budget, which is expected to take place at the regular Commission meeting on December 9, 2025.

Following staff presentation, members of the public will be invited to provide comments. The Commission will continue to accept written and electronic public comments through December 2, 2025. Information on how to submit additional comments or questions is available on the District's website.

Presentation by Staff - Rate Increase

General Manager Rick Dunn explained that the District distributes electricity but does not generate it, and all revenue comes from ratepayers; the District does not levy and collect taxes for itself.

He reported that the District is proposing a 2% increase in retail revenues, totaling \$2.8 million. The proposed rate increases are different by rate class. Of the three billing determinates, only one is changing (the demand charge), resulting in an average residential customer impact of approximately \$3.00 per month.

General Manager Dunn reviewed the recommended rate increases, budget development schedule, revenue needs, and 2025 Cost of Service Analysis (COSA) results versus estimated revenue from rates falling into the variable and fixed costs categories. He emphasized the District, like most utilities, has historically funded a disproportionate amount of fixed costs through variable energy charges which is why the recommended rate increase would only impact demand charges. Dunn also emphasized that the District has been working to hold the line on rates despite significant inflation and broader industry cost pressures, with no rate-increases for five consecutive years prior to last year's 5% increase and this year's 2% increase.

Dunn also discussed power cost trends, and U.S. electricity market conditions, noting that BPA transmission, which supports 75% of the Northwest grid, and BPA power supply rates continue to rise with recent wholesale cost increases of 19.9% and 8.9% respectively. Slides highlighted that net power expense remains the District's largest cost and that together BPA power and transmission represent over 78 percent of costs. GM Dunn noted that BPA Tier 2 rates have increased 170% since 2019, impacting costs to serve some existing and all new loads added to the District's system in recent years. The presentation also covered BPA hydropower variability, BPUD's load forecast, BPA Products under the load following contract, as well as historical and 2026 forecasted gross capital expenditures by category.

Cost driver trends were reviewed, including wholesale power costs, supply chain constraints, and labor and benefit increases. General Manager Dunn noted that customers per employee have increased 39% since 2005 with Benton PUD staffing levels relatively unchanged for over 15 years, reflecting ongoing productivity gains. He also pointed out that Distribution O&M cost per customer has been decreasing after factoring in inflation, with Benton PUD continuing to remain below the APPA benchmark.

Additional slides highlighted elements of Benton PUD's Smart Grid investments, including advanced metering (AMI) and customer-facing applications, AMI meter alerts, and SCADA system expansion. GM Dunn also reviewed the debt service schedule and summarized the District's low-income assistance programs, which continue to provide meaningful support to eligible customers.

Commission Questions/Discussion

Commissioner Sanders asked whether the “firm water year” referenced is the lowest on records and GM Dunn clarified that for purposes of determining firm Tier 1 generation capability BPA historically used 1937 as the critical low water year but changed its methodology in 2022 to use a monthly 10th percentile of generation from the last thirty years. Commissioner Sanders commented the future rate increases were unknown at this time but were penciled in for planning purposes.

Commissioner Massey expressed concern about the decline in electricity supply in Washington, the closure of coal plants, and impacts of clean energy policies. He commented that SMRs (small modular reactors) could be promising for the future and stated he is encouraged by their potential.

Public Comments

Tom Mackay - Questioned BPA’s 9% increase and whether cost-cutting measures were fully explored, asking if the District was satisfied that BPA had done all it could. He also asked about opportunities to add hydro capacity and expressed concern about reliance on variable types of power.

Rick Dunn (staff response) – Confirmed that the District, through its participation with the region’s largest public power trade association, the Public Power Council, had thoroughly examined BPA’s cost-management efforts, and that BPA had worked hard to manage costs. He noted that no additional turbine capacity is expected, but efficiency upgrades were ongoing. He explained that the federal hydro system is owned by the U.S. Army Corps of Engineers and U.S. Bureau of Reclamation, and we will be fortunate to preserve what we have.

Rennae Rosenberg (Kennewick) – Objected to paying demand charges during peak hours despite her consistent attention to regulating the temperature of her home and felt the rate structure was unfair.

Neal Martin (business owner) – Worried about multiple areas of rate increases and impacts on fixed-income individuals while some groups appear exempt.

Jeanie Polehn - Expressed concerns about smart meter radiation and privacy, stating the meters track usage too closely and that she was unable to have hers removed. She also questioned ownership of the Snake River dams and who purchases the bonds, expressing worry about potential foreign buyers.

Mary Machiela – Indicated she was supportive of the demand charge flexibility because she was retired, but concerned about families who must use the electricity during peak hours and may face higher costs.

Anna Rodriguez – Noted concern about rising living costs (e.g. groceries) and felt rate increases should be delayed until 2027.

The Board recessed, reconvening at 7:39 p.m.

Presentation by Staff – Preliminary 2026 Budget

Overview

General Manager Rick Dunn reviewed the budget development schedule and summarized the strategic goals and key drivers of actions (expenses). He explained that the ongoing budget review includes assumptions for a proposed overall 2% retail rate increase effective April 1, 2026, with a final budget recommendation scheduled for December 9, which will reflect public comment and Commission direction.

Budget Summary/Revenue

Senior Director of Finance & Executive Administration Jon Meyer reviewed the 2026 preliminary budget compared to the 2025 original budget. Total revenues (excluding secondary market sales) are projected at \$153.8 million, an increase of 1.8%. He indicated the projected revenue includes a proposed 2% overall retail revenue increase and that Benton PUD's retail rates continue to remain below the median.

Net Power Expenses

Director of Power Management Chris Johnson reviewed the 2026 preliminary net power expenses (including secondary market sales). At \$85.4 million (52.1%), net power expense remains the largest component of the District's total costs. The District's 2023 transition to BPA's load following contract has provided more stable power expenses.

Director Johnson noted that BPA continues to face cost pressures, with BP-26 rate increase estimates of 8.9% for power and 19.9% for transmission, and post-2028 BPA contract uncertainty. He also reported that no power cost adjustments or surcharges are assumed for 2026.

Conservation achievements were highlighted: 2024-2025 total conservation achieved, and cumulatively 43 aMW of residential conservation energy savings since 1982, enough to power 24,000 homes annually.

Capital Plan

General Manager Rick Dunn reviewed capital planning for 2023-2025 customer growth, noting that 1,000 new service locations were expected in 2026.

He discussed projected gross capital expenditures, including tools and equipment replacement for operations. Additionally, he described the District's historical replacement process and an improved data-driven approach for vehicle retirement decisions, noting the estimated replacement value of the fleet is between \$12 and \$13 million.

The capital budget includes \$20.5 million for distribution system improvements and \$610,000 for transportation capital purchases. Key takeaways include maintaining the District's system, supporting customer growth, and continuing development of the 21st Century Power Grid to strengthen capacity and reliability.

Capital - Broadband

Director of IT & Broadband Services Chris Folta discussed the Broadband capital plan totaling \$1.37 million. He noted that the Broadband program has been net cash positive for 15 consecutive years and that ongoing partnerships and customer line extensions help fund fiber construction.

Key takeaways included network capacity improvements, strategic hardware replacements, and projects such as relocating the Prosser courthouse node, MPLS upgrades to add capacity, Reata backbone fiber replacement, 100-Gb backbone upgrades between Prosser-Orchard View and Finley-Kennewick, Kennewick traffic signal project, customer connect line extensions, and ongoing strategic equipment replacements.

Capital - Information Technology (IT) Projects

Director Folta reviewed IT capital projects totaling \$1.25 million, including software updates, aging equipment replacements, strategic hardware upgrades, and a contribution to an external data center (co-location).

Capital – Operational Technology (OT) Projects

Director Folta reviewed OT capital projects totaling \$2.05 million. These include the OT Telecommunications network upgrade, with \$1.3 million for design, planning, and equipment and \$500,000 for radio-frequency spectrum acquisition.

Key takeaways included continued OT telecommunications network upgrade, substation equipment replacements, and the Cold Creek Substation fiber extension.

Capital – Security

Director Folta also discussed security capital projects totaling \$1.3 million, including \$270,000 for substation security improvements and the Kennewick Administration building Lobby Remodel, budgeted at \$850,000.

He noted these projects support the 2026-2030 strategic plan by enhancing electric substation physical security, reducing risks to critical infrastructure, and supporting employee and public safety.

Debt Service

Director of Customer Service and Treasury Keith Mercer reviewed the debt service schedule, noting the District's strong fiscal stewardship and long-term financial planning. He said a 2026 bond issuance was planned (approximately \$32 million in new money and refunding of the 2016 bonds) to support long-lived capital projects, ensuring both current and future customers pay equitable shares of system investments.

Non-Power O & M Costs

General Manager Dunn reviewed the Non-Power O & M Budget, noting that costs are primarily driven by labor and benefits. The budget incorporates key strategic initiatives, while maintaining fiscal stewardship. He also reported that the District has continued to keep full-time employee staffing flat and reviewed departmental cost allocations.

Summary and Next Steps

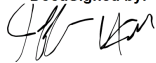
General Manager Dunn summarized that the 2026 preliminary budget includes a 2% retail rate increase effective April 1, 2026, supporting projected retail revenues of \$147.4 million based on expected load growth assumptions. Net wholesale power costs have stabilized under the BPA load following contract, with 2026 net power expenses estimated at \$85.4 million. The \$31.8 million capital budget continues investments in the 21st Century Power Grid projects despite inflation and supply chain constraints, while O & M expenses of \$32 million track with wage and benefits inflation but remain well below APPA median benchmarks.

The final budget recommendation will be presented on December 9, 2025 and will incorporate public comment and Commission direction.

Close the Public Hearing/Adjournment

President Hall thanked everyone for attending and for the public comments provided, noting that the Commission has difficult decisions ahead.


With no further comments, President Hall closed the public hearing and adjourned the meeting at 8:24 p.m.

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Jeff Hall, President

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Mike Massey, Secretary