



ENGAGING OUR COMMUNITY



2025

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Public Utility District No. 1 of Benton County, Washington
for the fiscal years ended December 31, 2025 and 2024



ANNUAL COMPREHENSIVE FINANCIAL REPORT 2025

Public Utility District No. 1 of Benton County, Washington
for the fiscal years ended December 31, 2025 and 2024
Prepared by Accounting and Executive Administration departments of Benton PUD



TABLE OF CONTENTS

Introductory Section

- Certificate of Achievement for Excellence in Financial Reporting2
- Organization Chart3
- Board of Commissioners4
- General Manager Message5
- Letter of Transmittal8

Financial Section

- Independent Auditor’s Report13
- Management’s Discussion and Analysis.....16
- Basic Financial Statements:
 - Statement of Net Position22
 - Statement of Revenues, Expenses, and Changes in Net Position23
 - Statement of Cash Flows24
 - Notes to Financial Statements25
- Required Supplementary Information:
 - Schedule of Proportionate Share of the Net Pension Liability60
 - Schedule of Employer Contributions64

Statistical Section

- Statement of Revenues, Expenses, and Changes in Net Position70
- Net Position70
- Revenues and Consumption by Customer Class.....72
- Retail Rates.....74
- Principal Ratepayers.....76
- Ratios of Outstanding Debt.....78
- Debt Margin Information.....78
- Debt Service Coverage80
- Principal Employers82
- Demographic Statistics84
- Operating Indicators.....86



INTRODUCTORY SECTION



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Public Utility District No. 1 of Benton County Washington

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2024

Christopher P. Morrell

Executive Director/CEO



ORGANIZATION CHART

AS OF DECEMBER 31, 2025



BOARD OF COMMISSIONERS

AS OF DECEMBER 31, 2025



Lori Sanders
District 1

Commissioner Sanders took office in 2005 and serves Commission District 1. She has been re-elected three times. Her current term ends December 31, 2028.



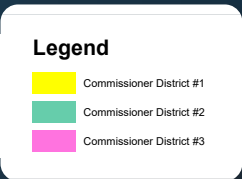
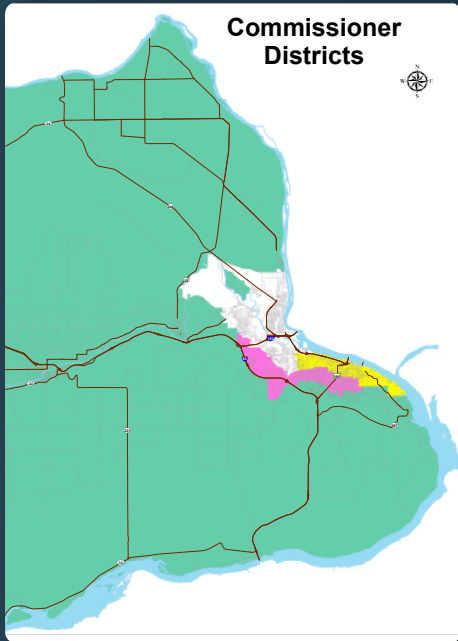
Jeff Hall
District 2

Commissioner Hall took office in 2001 and serves Commission District 2. He has been re-elected three times. His current term ends December 31, 2026.



Mike Massey
District 3

Commissioner Massey took office in 2025 and serves Commission District 3. His current term ends December 31, 2030.



Commissioner Districts

Benton PUD is governed by a three member board of commissioners elected by citizens of Benton County. Each commissioner represents a different sector of the county and serves a six year term. Each commissioner also represents Benton PUD as a delegate to various business organizations. The commission terms are staggered so that a different commissioner stands for election every two years.

GENERAL MANAGER MESSAGE & LOOK BACK

Value People: Demonstrate mutual respect and regard for the inherent value of all people through our words and actions.

Benton PUD has been a trusted and foundational part of our community for over seventy-nine years. Throughout our history, it is our highly qualified and dedicated employees who remain the key to achieving our mission and purpose and to establishing Benton PUD as a respected and influential community and regional leader.

It is an exciting time for Benton PUD as we chart some new territory and build on the winning strategies that have served our customers so well over the years. With the wide array of expected and unexpected opportunities and challenges coming our way, we are continuing to focus our strategic and operating plans on five fundamental goals: (1) Value People; (2) Meet and Exceed Customer Expectations; (3) Ensure Strong Financial & Operational Stewardship; (4) Strive to Meet the 21st Century Power Grid Expectations; and (5) Maintain Reliable, Environmentally Responsible and Least-Cost Power.

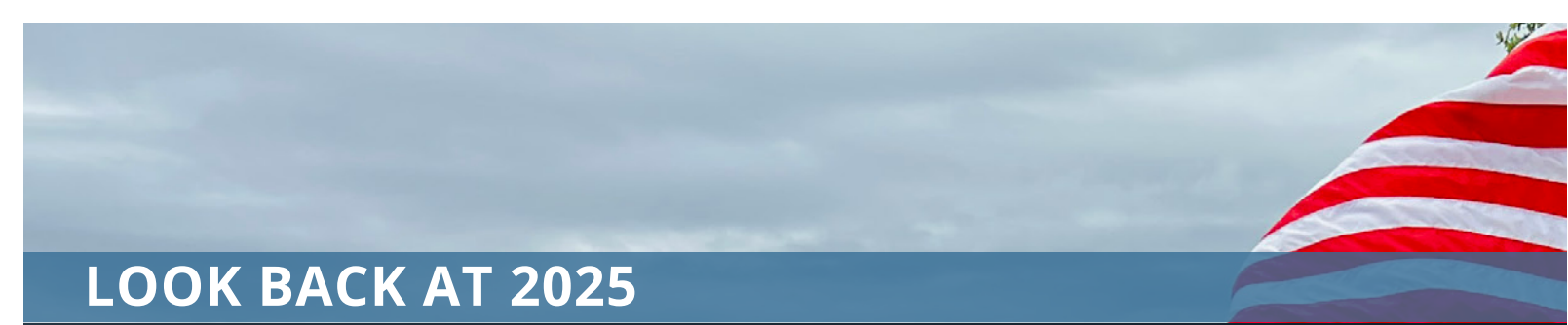
As a consumer-owned not-for-profit utility, Benton PUD exists solely to operate in the best interest of our customers, and we know how critical affordable and reliable electricity is to their health, safety, and well-being. That's why Value People is at the center of all we do and sets the standard for how our employees work with each other and with our customers.



Rick Dunn
Rick Dunn, General Manager

The 2025 version of Benton PUD's Annual Comprehensive Financial Report carries on our long tradition of forward thinking and excellence and is a testament to our strong commitment to continuous improvement and to developing new and innovative ways to achieve increasing excellence in all we do.

The statements and information in this report show an organization operating on a strong financial foundation built on a culture where every employee has an important role in carrying out our simple but profound mission and purpose to **CONTRIBUTE HIGH VALUE AND IMPROVE THE QUALITY OF LIFE IN OUR COMMUNITY.**



LOOK BACK AT 2025

Value People

This past year marked the third time our employees earned incentives for two recently implemented programs, PowerUp and EmPOWERed. The actions we took to develop these programs involved evaluating, measuring, and aligning employee incentives with each of our strategic goals. In addition, we are focusing on efforts to educate and empower our employees by increasing their understanding of our mission, purpose, values, and the services we provide that are essential to the safety, health, and overall livability of our communities. With these programs, employees are making intentional efforts to establish and enhance connections within our schools and communities to promote and raise awareness of the public power industry that we proudly represent.

Additionally, physical security is a high priority topic for electric utilities and we are responding by implementing a multi-phased enterprise physical security plan to upgrade and harden our facilities.

Strive to Meet 21st Century Power Grid Expectations

Total capital expenditures for transmission and distribution projects exceeded \$26 million which reflects our ongoing commitment to visionary grid reliability improvements and adherence to our longstanding and disciplined approach to system planning and improvement.

We continued our high customer growth trend connecting over 1,240 new electric services and increasing our net total services to 59,008. At almost \$10.8 million, new customer expenditures represented our largest capital investment category. We also invested over \$9.6 million for distribution system improvements that result in increased capacity and reliability. We remain committed to our Transmission Reliability Improvement Project (TRIP) initiative launched in 2014 to meet the reliability expectations of a 21st century grid. Completed in 2024, the more than 15-mile Spaw-to-Phillips 115-kV transmission line will provide redundant transmission service to large irrigation customers in southeast Benton County as well as substations serving our Finley area residential and large commercial customers. Looking forward, we are beginning the design, permitting, procurement and construction for a second 115-kV source to the Red Mountain area near Benton City and Reata area west of Kennewick. Another critical future TRIP initiative is to begin plans for building a second 115-kV source to Prosser.

Meet and Exceed Customer Expectations

After going over five years without a retail rate increase since 2019, rising costs of materials, labor, and a BPA wholesale power increase of 8.9% and transmission increase of 19.9% effective October 2025, resulted in Benton PUD's Board of Commissioners adopting a 5% retail rate increase effective April 1, 2025, and a 2% retail rate increase effective April 1, 2026. Benton PUD continually compares our residential rates to representative utilities located throughout the Northwest. Through sound financial planning (discussed in more detail in the next section), including the prudent use of debt to fund capital, our rates continue to be well below the statistical middle (median).



Community education and outreach is a key strategic initiative. We continue work to expand our EmPOWERed program into the communities we serve and beyond. To this end, we have implemented an outward facing version of our self-paced online education "episodes" on our website and are excited to market and grow the EmPOWERed program to achieve a high level of community engagement and influence.

Ensure Strong Financial & Operational Stewardship

We balance the use of debt and revenues from retail rates to fund our capital improvement plan. We periodically issue municipal bonds to accomplish this objective while maintaining a prudent debt to capitalization ratio. In 2023 we issued \$25 million in municipal bonds to maintain our commitment to meet 21st century power grid expectations; maintain adequate financial metrics and credit rating; and remove the need for a near-term rate increase.

Benton PUD updates and continuously improves our cost-of-service analysis and develops rate structures utilizing sound cost causation principles. In recent years, this has included considering a time-of-day residential demand charge to help mitigate the increasing cost of dependable peak generating capacity being driven by Washington's 100% clean electricity law and to help address a longstanding disproportionate recovery of fixed costs through variable energy charges. After thorough analysis and customer education and feedback, our Commission approved implementation of a residential demand charge that started with customer bills in November 2023. Our Commission also approved the implementation of a demand charge for the small general service rate class along with changes to demand charges for other general service rate classes that began with customer bills in November 2024.

Maintain Reliable, Environmentally Responsible & Least-Cost Power

Benton PUD is proud of our hydro and nuclear-rich power supply and over 90 percent carbon free fuel mix. With power supply expenses representing as much as 60% of our retail revenue requirement, maintaining a least-cost wholesale portfolio is critically important.

Aggressive clean energy policies in Washington and Oregon along with increasing spill at federal hydropower dams has resulted in reduced availability of firm and dependable generating capacity in the Pacific Northwest. And with coal plant retirements and state legislation preferences for wind and solar power, the wholesale power market has become increasingly volatile and higher priced. Due to serious concerns about the future availability and price of dependable generating capacity, Benton PUD executed an agreement with the Bonneville Power Administration to switch our wholesale power supply contract from a Slice-Block product to Load Following, effective October 1, 2023. This product switch eliminated Benton PUD's direct participation in power markets as a buyer and seller and significantly reduced power supply price risk and the risk of not having adequate physical generation to meet demand on the hottest and coldest days in summer and winter months.

LETTER OF TRANSMITTAL

May 15, 2026

To the Board of Commissioners and Customers Public Utility District No. 1 of Benton County, Washington

The Annual Comprehensive Financial Report of the Public Utility District No. 1 of Benton County, Washington, (the “District”) for the year ended December 31, 2025, is hereby submitted. The report is designed to assess the District’s financial position, educate readers about District services, examine current challenges facing the District, and fulfill legal reporting requirements.

State law requires local governments to submit financial reports to the State Auditor within 150 days after the close of each fiscal year. The District’s bond covenants require financial information be provided to each nationally recognized municipal securities information repository in accordance with Section (b)(5) of Securities and Exchange Commission Rule 15c2-12 under the Securities and Exchange Act of 1934. This report is published to fulfill both requirements for the fiscal year ended December 31, 2025.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance the financial statements are free of any material misstatements. As management, we assert to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The certified public accounting firm of Baker Tilly has issued an unmodified (“clean”) opinion on the District’s financial statements for the years ended December 31, 2025, and 2024. Management has made available to the auditor all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements; such as, records, documentation, and other matters. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this transmittal letter and should be read in conjunction with it.

Profile of the District

The District is a municipal corporation of the state of Washington established in 1934 for the purpose of engaging in the purchase, generation, transmission, distribution, and sale of electric energy. Additionally, the District is authorized under state law to provide wholesale telecommunication services. The District is governed by an elected three-member board and maintains its administrative offices in Kennewick, Washington.

The District is a statutory preference customer of the Bonneville Power Administration (BPA) and purchases most of its power from BPA. BPA is obligated to meet all of the District’s electric power load above the power agreements the District has already committed to meet its loads (see Note 8).

The District’s properties include 39 substations, approximately 114 miles of 115 kV transmission lines, 1,761 miles of distribution lines, and other buildings, equipment, stores, and related facilities.

The District is located in southeastern Washington, encompassing approximately 939 square miles of Benton County and includes the incorporated cities of Kennewick, Benton City, and Prosser (the Benton County seat). The District’s largest city, Kennewick, as well as the City of Richland in Benton County (outside the District service territory), and the City of Pasco in adjacent Franklin County, make up what is known as the Tri-Cities.

The District records financial transactions within a single proprietary fund. The District has no governmental funds with legally adopted budgets that carry the force of law. Accordingly, the District’s budget is not contained within this report. The District adopts an annual budget for purposes of planning and management control. The budget process involves preparation of a proposed operating and capital budget by District staff for the ensuing year that is presented to the Board of Commissioners. During workshop sessions that are open to the public, the staff and Board review and revise the proposed budget. A public hearing is conducted to obtain ratepayer comments. The budget is approved by the Board and becomes the basis for operations for the next calendar year.

Local Economy

Benton County’s employment is based on the following major industries: healthcare and social assistance (15.9%), government (12.8%), retail trade (11.0%), administrative and waste services (10.2%), and professional, scientific, and technical services (10.0%). The top five industries comprise 59.9% of employment; other notable industries include construction and agriculture.

Healthcare and social assistance, which includes hospitals and ambulatory healthcare, is the largest employing industry in the county. Large employers in this segment include Kadlec Regional Medical Center, Trios Health, and Lourdes Medical Center. The Tri-Cities is a regional destination for communities throughout southeastern Washington and northeastern Oregon leading to continued growth in healthcare and other industries.

The Hanford Reservation, encompassing 580 square miles within Benton County, has evolved into one of the largest nuclear industrial centers in the United States. Today the focus is on energy research, environmental cleanup, and related technology. Major employers in this area within Benton County include Battelle/Pacific NW National Laboratory, Hanford Tank Waste Operations & Closure (H2C), Central Plateau Cleanup Co, and Bechtel National, Inc. These employers are focused on research and innovation, and environmental cleanup at the Hanford Project.

Farmland comprises the majority of Benton County’s land area. Many corporate farms are located in the District encompassing over 100,000 acres of irrigated and dry land crops. Irrigation has led to increased production of a wide variety of crops including potatoes, apples, sweet corn, onions, grapes, cherries, wheat, hay, and hard and soft fruits. These crops are shipped to both domestic and export markets.

The local economy continues to be steady. Unemployment ranged from a high of 5.9% in February 2025 to a low of 3.7% in June 2025. Non-farm employment for the region was up 1.4% over 2024. Administrative and support and waste management employers had the largest percentage employment increase from the prior year at 7.2 and added the largest number of jobs at approximately 900. Several industries continue to have steady employment growth; they include, local government, professional and business services, education and health services, and wholesale trade. Food services employment in the region had the largest percentage decrease from the prior year of 4.2%.

Long-Term Financial Planning

The District regularly updates a five-year financial forecast which is reviewed with the Board of Commissioners on a regular basis. The forecast includes both operating (including power supply costs) and capital activity with a focus on reserve levels, debt service coverage levels, and potential rate action.

The District has adopted a comprehensive set of financial policies for purposes of managing the District’s finances. The policies cover such issues as liquidity, debt service coverage, debt financing, retail rates, enterprise risk management, power supply risk, credit risk, investment policies and practices, insurance, integrated planning, budgetary and procurement controls, and financial reporting.

The financial policies call for the development of financial plans to achieve a minimum debt service coverage ratio of 2.0 times annual debt service including capital contributions and 1.75 times annual debt service excluding capital contributions and provide for maintaining a debt ratio at 38% or less.

The financial policies related to reserve levels call for minimum operating reserves to be no less than 90 days cash on hand. In addition, the policies establish financial plans to maintain total unrestricted reserves that are expected to achieve or maintain the targeted bond rating that is the median for public power utilities. The Board of Commissioners periodically reviews these policies.

Relevant Financial Policies

The District continues to monitor its financial health and metrics. At the regular Commission meeting held on December 9, 2025, the Commissioners approved a 2% revenue increase, effective April 1, 2026, with specific percentage changes varying by customer class. The previous retail rate increase was an average of 5.0% effective April 1, 2025. The District will continue to evaluate the need for future retail rate increases in order to meet targets established in financial policies.

Major Initiatives

One of the District’s strategic goals is to constantly strive to meet 21st century grid expectations which means a focus on reliability, resiliency, automation, and capacity to meet customer growth and support economic development. During 2025, the District’s capital expenditures included projects that supported our visionary 115-kilovolt (kV) transmission system reliability improvement plans, meeting continued customer growth, ensuring reliability, and upgrading and modernizing aging equipment.

The District’s substantial transmission, substation, distribution, and broadband projects planned over the next several years continue to ensure reliable electric and broadband services while also accommodating steady customer growth. The 2026 budget includes,

- \$4.2 million for transmission projects,
- \$5.3 million for capacity and reliability projects,
- \$9.4 million for customer growth, and
- \$3.7 million in repair/replace and security improvements.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its ACFR for the fiscal year ended December 31, 2024. This was the 23rd consecutive year the District has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. The certificate is valid for one year only. We believe our current ACFR continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The District received the Tree Line USA Utility award in 2025 for the 26th consecutive year. The award is given by the National Arbor Day Foundation to utilities in recognition of quality tree care, annual worker training, tree planting, and public education.

The District received the American Public Power Association’s Diamond Level designation in 2024 for the fourth consecutive time, the highest level awarded as part of its Reliable Public Power Provider program. The designation lasts three years and recognizes public power utilities that demonstrate outstanding proficiency in four key disciplines: reliability, safety, workforce development, and system improvement.

Preparation of the ACFR was made possible by the dedicated service of the staff in the Finance and Executive Administration departments. We wish to express our appreciation to these staff members for their contributions to the development of this report. Further appreciation is extended to the Board of Commissioners for their leadership and support in planning and conducting the financial operations of the District in a responsible and enterprising manner.

Respectfully submitted,

Jon Meyer
Senior Director of Finance
and Executive Administration



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT



Report of Independent Auditors

The Commissioners
Public Utility District No. 1 of Benton County, Washington

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Public Utility District No. 1 of Benton County, Washington (the District), which comprise the statements of net position as of December 31, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2025 and 2024, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and the schedules of proportionate share of net pension liability (asset) and schedules of employer contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical section but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2026, on our consideration of Public Utility District No. 1 of Benton County, Washington’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Public Utility District No. 1 of Benton County, Washington’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Public Utility District No. 1 of Benton County, Washington’s internal control over financial reporting and compliance.

Baker Tilly US, LLP

Portland, Oregon
March 16, 2026



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section provides an overview and analysis of key data presented in the basic financial statements for the years ended December 31, 2025 and 2024, with additional comparative data for 2023. Information within this section should be used in conjunction with the basic financial statements and accompanying notes.

Overview of the Financial Statements

Public Utility District No. 1 of Benton County (District) accounts for its financial activities within a single proprietary fund titled the Electric System. The Electric System is used to account for the purchase, generation, transmission, distribution, and sale of electric energy, as well as the sale of wholesale telecommunication services.

In accordance with requirements set forth by the Governmental Accounting Standards Board (GASB), the District's financial statements employ the accrual basis of accounting in recognizing increases and decreases in economic resources. Accrual accounting recognizes all revenues and expenses incurred during the year, regardless of when cash is received or paid.

The basic financial statements, presented on a comparative format for the years ended December 31, 2025 and 2024, consist of:

Statement of Net Position: The District presents its Statement of Net Position using the balance sheet format. The Statement of Net Position reflects the assets, liabilities, deferred outflows and inflows of resources, and net position (equity) of the District at year-end. The net position section is separated into three categories: net investment in capital assets, net position - restricted, and net position - unrestricted.

Statement of Revenues, Expenses, and Changes in Net Position: This statement reflects the transactions and events that have increased or decreased the District's total economic resources during the period. Revenues are presented net of allowances and are summarized by major source. Revenues and expenses are classified as operating or nonoperating based on the nature of the transaction.

Statement of Cash Flows: The Statement of Cash Flows reflects the sources and uses of cash separated into four categories of activities: operating, noncapital financing, capital and related financing, and investing.

The notes to the financial statements, presented at the end of the basic financial statements, are considered an integral part of the District's presentation of financial position, results of operations, and changes in cash flows.

Condensed Comparative Financial Information

Provided below is a 3-year comparison of key financial information:

Statement of Net Position (in thousands)

	2025	2024	Increase (Decrease) 2025-2024	% Change 2025-2024	2023
Assets and Deferred Outflows of Resources					
Current & Noncurrent Assets	\$89,125	\$95,716	(\$6,591)	-6.9%	\$104,773
Utility Plant	214,063	195,802	18,261	9.3%	175,139
Subtotal Assets	303,188	291,518	11,670	4.0%	279,912
Deferred Outflows of Resources	5,718	5,388	330	6.1%	4,027
Total Assets and Deferred Outflows of Resources	308,906	296,906	12,000	4.0%	283,939
Liabilities and Deferred Inflows of Resources					
Current Liabilities	22,727	22,037	690	3.1%	19,924
Noncurrent Liabilities	83,352	86,858	(3,506)	-4.0%	87,737
Subtotal Liabilities	106,079	108,895	(2,816)	-2.6%	107,661
Deferred Inflows of Resources	1,357	1,502	(145)	-9.7%	2,699
Total Liabilities and Deferred Inflows of Resource:	107,436	110,397	(2,961)	-2.7%	110,360
Net Position					
Net Investment in Capital Assets	133,923	115,510	18,413	15.9%	108,390
Restricted for Net Pension	4,396	3,704	692	18.7%	4,841
Unrestricted	63,151	67,295	(4,144)	-6.2%	60,348
Total Net Position	\$201,470	\$186,509	\$14,961	8.0%	\$173,579

Statement of Revenues, Expenses, and Changes in Net Position (in thousands)

	2025	2024	Increase (Decrease) 2025-2024	% Change 2025-2024	2023
Operating Revenues					
Retail Energy Sales	\$142,121	\$138,253	\$3,868	2.8%	\$139,618
Secondary Market Sales	4,105	8,587	(4,482)	-52.2%	11,320
Other Revenue	4,950	5,070	(120)	-2.4%	4,704
Nonoperating Revenues					
Interest Income	2,372	3,173	(801)	-25.2%	2,232
Other Income	287	2,623	(2,336)	-89.1%	336
Total Revenues	153,835	157,706	(3,871)	-2.5%	158,210
Operating Expenses					
Power Supply	82,767	87,470	(4,703)	-5.4%	97,325
Operations, Maintenance, and A&G	29,486	27,853	1,633	5.9%	25,726
Taxes and Depreciation	27,230	26,336	894	3.4%	26,389
Nonoperating Expenses					
Interest Expense	3,537	3,716	(179)	-4.8%	2,750
Other Expense	(425)	1,592	(2,017)	-126.7%	(134)
Total Expenses	142,595	146,967	(4,372)	-3.0%	152,056
Income before Contributions	11,240	10,739	501	4.7%	6,154
Capital Contributions	3,721	2,191	1,530	69.8%	3,178
Change in Net Position	14,961	12,930	2,031	15.7%	9,332
Beginning Net Position	\$186,509	\$173,579	\$12,930	7.4%	\$164,247
Ending Net Position	\$201,470	\$186,509	\$14,961	8.0%	\$173,579

Financial Analysis

During 2025, the District’s overall financial position and results of operations ended with a positive net position. The District’s net position increased by \$15.0 million (8.0%) compared to an increase of \$12.9 million in 2024. Provided below is a year-over-year analysis of the change in net position by major component of income, with a primary focus on changes between 2025 and 2024.

Operating Revenues
2024 to 2025

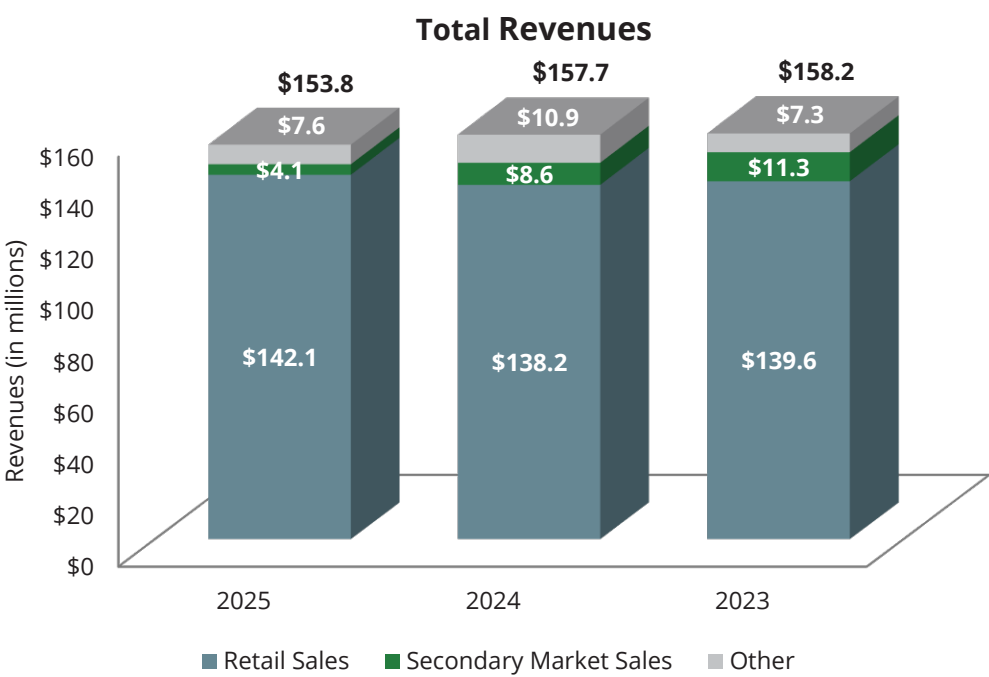
Revenues from sales to retail customers (retail energy sales) in 2025 increased \$3.9 million (2.8%) from 2024. Revenues from the various customer classes varies from year to year based on the weather primarily during the winter months (December, January, and February) and summer months (June, July, August). Overall kWh usage was down 1.7% from 2024; although, active service agreements during the period increased by 1.5% and the District had a retail rate increase of 5% effective April 1, 2025 leading to an increase in retail revenues.

Revenues from secondary market energy sales decreased by \$4.5 million (-52.2%), primarily as a result of lower market prices on average. In addition, the volume of secondary market sales decreased about 40.8% from the prior year.

2023 to 2024

Revenues from sales to retail customers (retail energy sales) in 2024 decreased \$1.4 million (-1.0%) from 2023. Revenues from the various customer classes varies from year to year based on the weather primarily during the winter months (November, December, and January) and summer months (June, July, August). Overall kWh usage was down 1.6% from 2023. Active service agreements during the period increased by 1.0%. The District had no rate increases in 2024 or 2023.

Revenues from secondary market energy and natural gas sales decreased by \$2.7 million (-24.1%), primarily as a result of the District switching its Bonneville Power Administration (BPA) contract structure from a Slice/Block product to Load Following in October 2023. The change eliminated the receipt of excess generation from BPA to sell in the secondary market. The District has wind resources it continues to sell in the secondary market.



Operating Expenses
2024 to 2025:

Power supply expense decreased by \$4.7 million (-5.4%), primarily as a result of not having costs associated with a power capacity contract. After reducing power supply costs with offsetting revenues from reselling the power capacity contract, net power expense (power supply expense less secondary market sales) decreased by \$0.2 million (-0.3%), primarily attributable to the above-mentioned lower power supply costs. The District uses net power expense as a means to measure overall financial performance related to power supply management.

Total operations, maintenance and administrative and general (A&G) expenses increased by \$1.6 million (5.9%). The increase was primarily due to increased costs for maintenance of the distribution system. Additionally, the District charges internal labor to operations, maintenance, A&G activities, and capital projects. In 2025, the internal labor required for operations and maintenance activities increased \$313,000 from 2024 and internal labor performed on capital projects increased \$72,000.

Taxes assessed by state and municipal governments increased by \$440,000 (3.0%), primarily as a result of increased retail sales. Depreciation increased \$453,000 (3.8%) as a result of capital additions.

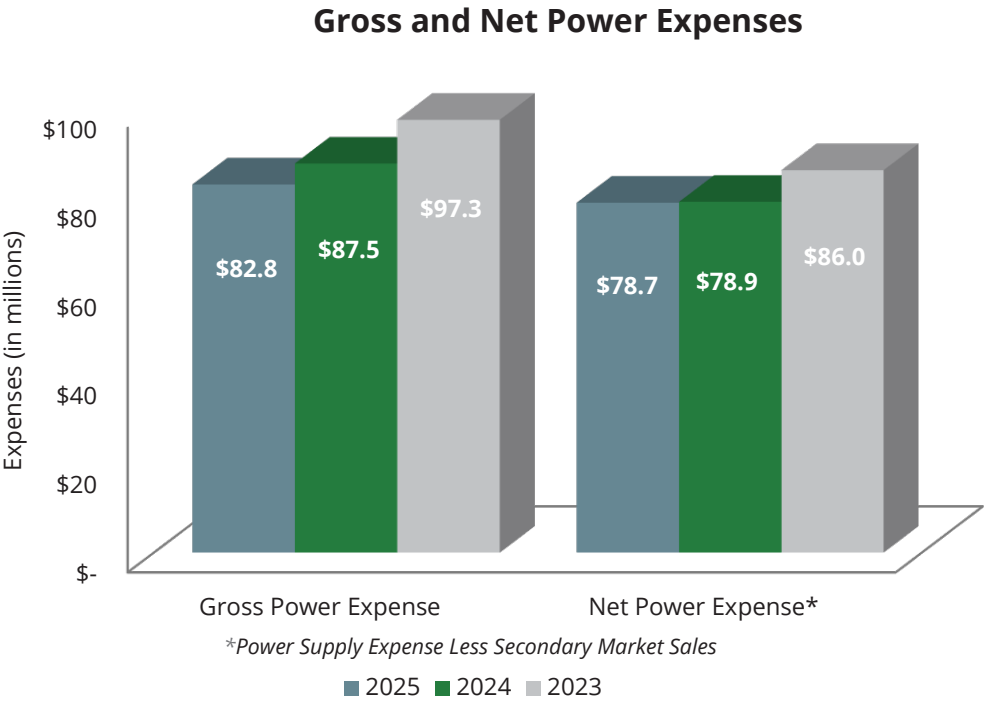
2023 to 2024:

Power supply expense decreased by \$9.9 million (-10.1%), primarily as a result of switching to a load following customer of BPA. The switch greatly reduced or eliminated the District’s exposure to market volatility, daily load balancing, and hedging of the District’s power supply. In addition, net power expense (power supply expense less secondary market sales) decreased by \$7.1 million (-8.3%), primarily attributable to the above-mentioned power supply costs. The District uses net power expense as a means to measure overall financial performance related to power supply management.

Total operations, maintenance and administrative and general (A&G) expenses increased by \$2.1 million (8.3%). The increase was primarily due to increased labor and benefits costs. The District charges internal labor to operations, maintenance, A&G activities, and capital projects. In 2024, the

internal labor required for operations and maintenance activities increased \$874,000 from 2023 and internal labor performed on capital projects increased \$614,000.

Taxes assessed by state and municipal governments decreased by \$328,000 (-2.2%), primarily as a result of decreased retail sales. Depreciation increased \$275,000 (2.4%) as a result of capital additions.



Other Income & Expense

During 2025, interest income decreased by \$0.8 million (-25.2%) due to decreased investment balance averaging about \$6.5 million less than 2024 and declining interest rates. During 2024, interest income increased by \$0.9 million (42.2%) due to an increased average cash balance in the Local Government Investment Pool earning interest. In 2025, both other income and other expense decreased by more than \$2.0 million each due to a Washington Department of Commerce program that distributed money through the District to low and moderate income households in 2024.

There were no significant restrictions, commitments, or other limitations that would affect the availability of resources for future use in 2025, 2024, and 2023.

Capital Contributions

During 2025, capital contributions increased by \$1.5 million (69.8%), primarily due to 2025 having 25% more projects with contributions than in 2024. During 2024, capital contributions decreased by \$1.0 million (-31.1%), primarily due to 2023 having several larger projects with contributions than in 2024.

Summary of Financial Position

The overall financial position of the District increased \$15.0 million (8.0%) in part due to increased retail revenues of \$3.9 million, lower power supply costs of \$4.7 million, broadband revenue over related expenses of \$1.9 million, and additional capital contributions of \$1.5 million. The District continues to monitor revenues and expenditures and evaluates its need for rate changes. The District's Board of Commissioners on December 9, 2025, approved a 2% overall retail rate increase

effective April 1, 2026. The District's previous rate increase was an average retail rate increase of 5.0% effective April 1, 2025. In October 2024, the District added a small general demand charge while lowering the small general kwh rate. Additionally, a demand charge was added to the first 50kW for medium and large general classes. The changes were designed to be revenue neutral to the District by also reducing the respective kwh rate.

District financial policies require that financial plans be developed to maintain minimum end-of-year cash and investment balances contained within unrestricted accounts sufficient to provide funding for a specified amount of operating expenses, power supply expenses, catastrophic loss, debt service, and capital improvements. The District's unrestricted cash and investment balances totaled \$50.4 million, \$55.3 million, and \$48.9 million at December 31, 2025, 2024, and 2023, respectively. Actual balances exceeded the minimum required level per District financial policies for each year.

In accordance with District financial policies and covenants established within the District's bond resolutions, the District is required to maintain and collect rates and charges sufficient to provide net revenues (defined as change in net position less depreciation and interest expense) in each fiscal year in an amount at least equal to 1.25 times the annual debt service. For the years ended 2025, 2024, and 2023, the District was in compliance with such policies and covenants.

Capital Asset and Long-Term Financing Activity

During 2025, gross capital additions totaled \$30.6 million. Capital contributions associated with these additions totaled \$3.7 million. Major capital additions included equipment upgrades at substations, installation of new electric facilities and improvements to existing distribution infrastructure, transformer purchases, multiple vehicles, and a large broadband project. Construction work-in-progress totaled \$10.4 million at year-end, a net decrease of \$10.0 million (-49.0%) from 2024 primarily due to completion of large transmission projects.

During 2024, gross capital additions totaled \$32.7 million. Capital contributions associated with these additions totaled \$2.2 million. Major capital additions included equipment upgrades at multiple substations, installation of new electric facilities and improvements to existing distribution infrastructure, transformer purchases, and a large transmission reliability project. Other capital additions included broadband infrastructure and security upgrades. Construction work-in-progress totaled \$20.3 million at year-end, a net increase of \$9.2 million (83.0%) from 2023 primarily due to the large transmission projects.

In 2025, Standard & Poor's upgraded the District's rating to AA- and Fitch Ratings affirmed their rating of AA-. In 2023, the District last received its Moody's rating at Aa3.

Debt service payments, net of Build America Bonds subsidy, totaled \$6.7 million in 2025, \$6.4 million in 2024, and \$5.7 million in 2023.

Additional information about the District's capital assets and long-term debt is presented in Notes 2 and 5, respectively.

STATEMENT OF NET POSITION

As of December 31, 2025 and 2024

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2025	2024
ASSETS		
CURRENT ASSETS		
Unrestricted Cash & Cash Equivalents	\$38,481,566	\$40,979,493
Investments (Note 3)	11,940,500	14,295,335
Accounts Receivable, Net	10,917,933	10,485,569
BPA Prepay Receivable (Note 8)	690,000	690,000
Accrued Interest Receivable	94,365	84,286
Wholesale Power Receivable	84,761	234,728
Accrued Unbilled Revenues	4,144,000	4,116,000
Inventory - Materials & Supplies	14,241,443	15,735,405
Prepaid Expenses	715,885	716,051
Total Current Assets	81,310,453	87,336,867
NONCURRENT ASSETS		
BPA Prepay Receivable (Note 8)	1,256,575	1,966,657
Other Receivables (Notes 1 & 10)	914,719	992,717
Net Pension Asset (Note 6)	4,396,197	3,703,865
Other Charges (Note 4)	1,246,906	1,716,272
Subtotal Noncurrent Assets	7,814,397	8,379,511
Utility Plant (Note 2)		
Land and Intangible Plant	4,456,858	4,434,802
Electric Plant in Service	456,084,491	418,186,562
Construction Work in Progress	10,358,982	20,317,992
Less: Accumulated Depreciation	(256,837,876)	(247,138,122)
Net Utility Plant	214,062,455	195,801,234
Total Noncurrent Assets	221,876,852	204,180,745
TOTAL ASSETS	303,187,305	291,517,612
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferred Outflow (Note 6)	5,718,314	5,388,477
Total Deferred Outflows of Resources	5,718,314	5,388,477
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$308,905,619	\$296,906,089
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$10,845,757	\$10,043,950
Customer Deposits	2,130,365	1,903,352
Accrued Taxes Payable	3,927,437	3,887,650
Other Accrued Liabilities	2,326,321	2,193,442
Accrued Interest Payable	567,091	593,877
Revenue Bonds, Current Portion (Note 5)	2,930,000	3,415,000
Total Current Liabilities	22,726,971	22,037,271
NONCURRENT LIABILITIES		
Revenue Bonds (Note 5)	73,409,820	76,857,731
Net Pension Liability (Note 6)	1,049,012	1,539,417
BPA Prepay Incentive Credit	443,485	604,741
Other Credits & Liabilities (Note 4)	8,449,478	7,856,111
Total Noncurrent Liabilities	83,351,795	86,858,000
TOTAL LIABILITIES	106,078,766	108,895,271
DEFERRED INFLOWS OF RESOURCES		
Unamortized Gain on Defeased Debt	15,526	18,380
Pension Deferred Inflow (Note 6)	1,341,101	1,483,590
Total Deferred Inflows of Resources	1,356,627	1,501,970
NET POSITION		
Net Investment in Capital Assets	133,923,165	115,510,123
Restricted for Net Pension	4,396,197	3,703,865
Unrestricted	63,150,864	67,294,860
Total Net Position	201,470,226	186,508,848
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$308,905,619	\$296,906,089

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended December 31, 2025 and 2024

	2025	2024
OPERATING REVENUES		
Retail Energy Sales	\$142,120,703	\$138,252,613
Secondary Market Sales	3,934,285	8,388,791
Transmission of Power for Others	171,487	198,665
Broadband Revenue	3,011,514	2,912,924
Other Revenue	1,937,608	2,157,070
Total Operating Revenues	151,175,597	151,910,063
OPERATING EXPENSES		
Power Supply (Includes Prepaid Power Amortization, See Note 8)	82,766,936	87,470,161
Transmission Operation & Maintenance	66,642	118,671
Distribution Operation & Maintenance	14,276,295	13,297,226
Broadband Expense	1,140,557	1,154,072
Customer Accounting, Collection & Information	4,729,447	4,536,231
Administrative & General Expense	9,273,187	8,746,792
Taxes	14,941,586	14,501,372
Depreciation	12,288,014	11,834,815
Total Operating Expenses	139,482,664	141,659,340
OPERATING INCOME	11,692,933	10,250,723
NONOPERATING REVENUES & EXPENSES		
Interest Income	2,371,977	3,173,366
Other Income	287,108	2,622,822
Other Expense	(95,956)	(2,127,789)
Interest Expense	(3,536,477)	(3,716,297)
Debt Premium Amortization & Gain on Defeased Debt	520,766	536,247
Total Nonoperating Revenues & Expenses	(452,582)	488,349
INCOME BEFORE CAPITAL CONTRIBUTIONS	11,240,351	10,739,072
CAPITAL CONTRIBUTIONS	3,721,027	2,190,936
CHANGE IN NET POSITION	14,961,378	12,930,008
TOTAL NET POSITION, BEGINNING OF YEAR	186,508,848	173,578,840
TOTAL NET POSITION, END OF YEAR	\$201,470,226	\$186,508,848

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the years ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers and Counterparties	\$150,754,089	\$152,749,609
Cash Paid to Suppliers and Counterparties	(88,751,710)	(96,205,344)
Cash Paid to Employees for Services	(20,302,417)	(19,061,047)
Taxes Paid	(14,901,799)	(14,545,953)
<i>Net Cash Provided by Operating Activities</i>	26,798,163	22,937,265
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Other Interest Expense	-	(26,444)
<i>Net Cash Used by Noncapital Financing Activities</i>	-	(26,444)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(31,104,612)	(33,228,383)
Bond Principal Paid	(3,415,000)	(3,265,000)
Bond Interest Paid	(3,307,847)	(3,099,311)
Contributions in Aid of Construction	3,721,027	2,190,936
Proceeds from the Sale of Capital Assets	93,609	290,518
<i>Net Cash Used by Capital and Related Financing Activities</i>	(34,012,823)	(37,111,240)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	2,382,219	3,060,964
Proceeds from Sale of Investments	12,182,944	18,121,415
Purchase of Investments	(9,848,430)	(9,288,694)
<i>Net Cash Provided by Investing Activities</i>	4,716,733	11,893,685
NET (DECREASE) IN CASH	(2,497,927)	(2,306,734)
CASH & CASH EQUIVALENTS BALANCE, BEGINNING OF YEAR	40,979,493	43,286,227
CASH & CASH EQUIVALENTS BALANCE, END OF YEAR	\$38,481,566	\$40,979,493
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income	\$11,692,933	\$10,250,723
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	12,288,014	11,834,815
BPA Prepaid & Power Contracts Amortization	1,288,482	1,289,330
(Increase) Decrease in Unbilled Revenues	(28,000)	69,000
Miscellaneous Other Revenue & Receipts	37,983	209,861
Adjustment (Decrease) to Pension Expense - non cash portion	(1,289,251)	(1,528,495)
Decrease (Increase) in Accounts Receivable	(438,654)	554,613
Decrease (Increase) in Inventories	1,493,962	(5,069,071)
Decrease (Increase) in Wholesale Power Receivable	149,967	16,778
Decrease (Increase) in Miscellaneous Assets	(31,036)	218,859
Decrease (Increase) in Prepaid Expense	166	(357,937)
Increase (Decrease) in Accounts Payable	801,807	1,598,167
Increase (Decrease) in Accrued Taxes Payable	39,787	(44,581)
Increase (Decrease) in Customer Deposits	227,013	(247,185)
Increase (Decrease) in BPA Prepay Incentive Credit	(161,256)	(161,256)
Increase (Decrease) in Other Current Liabilities	132,879	522,352
Increase (Decrease) in Other Credits	593,367	3,781,292
Net Cash Provided by Operating Activities	\$26,798,163	\$22,937,265

NONCASH OPERATING, INVESTING, CAPITAL, AND FINANCING ACTIVITIES

The District investments had an unrealized loss of \$20,321 in 2025 and an unrealized gain of \$162,796 in 2024.

Bond Interest Paid does not include subsidy payments on 2010 Revenue Build America Bonds made directly by the U.S. Treasury to the Fiscal Paying Agent of \$255,416 in 2025 and \$291,240 in 2024 (see Note 5).

The deferred inflows and outflows relating to GASB 68 had no effect on cash flows for 2025 and 2024. The pension deferred outflow was \$5,718,314 and \$5,388,477 as of December 31, 2025 and 2024, respectively. The pension deferred inflow was \$1,341,101 and \$1,483,590 as of December 31, 2025 and 2024, respectively.

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2025 & 2024

Note 1 - Summary of Operations and Significant Accounting Policies

Public Utility District No. 1 of Benton County, Washington (the “District”) is a municipal corporation of the state of Washington established in 1934 for the purpose of engaging in the purchase, generation, transmission, distribution, and sale of electric energy. Additionally, the District is authorized under state law to provide wholesale telecommunication services.

The District serves Benton County exclusive of most of the City of Richland, the U.S. Department of Energy’s operations on the Hanford Reservation, the City of West Richland and those rural areas of the county that are served by the Benton Rural Electric Association. Cities in the District’s service area include Kennewick, population 87,790, Prosser, population 6,650, and Benton City, population 3,845. The District maintains its administrative offices in the City of Kennewick. The District is governed by an elected three-member board.

The District’s service area comprises approximately 939 square miles of Benton County. The District’s properties include 39 substations, approximately 99 miles of 115kV transmission lines, 1,746 miles of distribution lines, and other buildings, equipment, stores, and related facilities.

As required by Generally Accepted Accounting Principles (GAAP), management has considered all potential component units in defining the reporting entity and has no component units. The following is a summary of the more significant policies:

a) Basis of Accounting and Presentation: The accounting policies of the District conform to GAAP applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In 2025, the District adopted GASB statement No. 102 *Certain Risk Disclosures*. The pronouncement had no impact on the District’s accounting and financial statements. In 2024, the District adopted GASB statements No. 100 *Accounting Changes and Error Corrections* and No. 101 *Compensated Absences*. Neither pronouncement had an impact on the District’s accounting and financial statements.

Accounting records are maintained in accordance with methods prescribed by the Washington State Auditor’s Office under the authority of Revised Code of Washington (RCW) 43.09 and the Uniform System of Accounts prescribed for public utilities and licensees by the Federal Energy Regulatory Commission (FERC). The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the related cash flows. Revenues and expenses related to the District’s principal operations are considered to be operating

revenues and expenses; while revenues and expenses related to capital, financing, and investing activities are considered to be nonoperating revenues and expenses.

b) Cash and Cash Equivalents: The District considers cash and cash equivalents to be cash on hand, demand deposits, and all short-term highly liquid investments with a maturity of three-months or less when purchased. In addition, because the Local Government Investment Pool (LGIP) is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

c) Investments: It is the District’s policy to record investments at fair value based on quoted market rates, with changes in unrealized gains and losses reported as interest income. Investments in the LGIP are reported at amortized cost. For various risks related to the investments, see Note 3.

d) Accounts Receivable: Receivables are considered past due after 20 days and are written off 210 days after the respective billing dates. The percentage-of-sales allowance method is used to estimate uncollectible accounts. The reserve is then reviewed for adequacy against an aging schedule of accounts receivable. Accounts deemed uncollectible are transferred to the provision for uncollectible accounts on a monthly basis. The reserve for uncollectible accounts totaled \$411,242 and \$593,791 at December 31, 2025 and 2024, respectively.

e) Other Receivables: The balance includes a loan payment agreement entered into with NoaNet in 2023 totaling \$1,000,000. The loan balance totaled \$838,020 and \$921,650 at December 31, 2025 and 2024, respectively. See Note 10 for additional details.

f) Inventories: Inventories are valued at average cost.

g) Utility Plant and Depreciation: Utility plant is recorded at original cost, which includes both direct costs of construction or acquisition and indirect costs. The District’s capitalization threshold is \$5,000 for non-infrastructure capital. All costs related to infrastructure are capitalized. The cost of maintenance and repairs is charged to expense as incurred, while the cost of replacements and improvements is capitalized.

Property, plant, and equipment are depreciated using the straight-line method over these estimated useful lives:

Buildings and Improvements	7 - 40 years
Generation Plant	20 years
Electric Plant - Transmission	25 - 40 years
Electric Plant - Distribution	7 - 40 years
Electric Plant/Equipment - Broadband	4 - 30 years
Transportation Equipment	17 years
General Plant & Equipment	4 - 40 years

Initial depreciation on utility plant is recorded in the month subsequent to purchase or completion of construction. Composite rates are used for asset groups and, accordingly, no gain or loss is recorded on the disposition of an asset unless it represents a major retirement. The composite depreciation rate was approximately 2.7% in 2025 and 3.1% in 2024. When operating plant assets are retired, their original cost together with removal costs, less salvage, is charged to accumulated depreciation.

Preliminary survey and investigation costs incurred for proposed projects are deferred pending a final decision to develop the project. Costs relating to projects ultimately constructed are reclassified to utility plant. If the project is abandoned, the costs are expensed.

As prescribed by FERC, the book cost of electric plant property retired or otherwise disposed of, less salvage, is charged to accumulated depreciation. As a result of this guidance, the decreases to accumulated depreciation can exceed the decreases to depreciable assets.

h) Debt Premium Amortization and Gain on Defeased Debt: Original issue and reacquired bond premiums relating to revenue bonds are amortized over the terms of the respective bond issues using the bonds outstanding method. Premiums are reported with revenue bonds on the Statement of Net Position. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, gains and losses on debt refundings have been deferred and amortized over the shorter of the remaining life of the old or new debt. Gains and losses are reported as deferred inflows and deferred outflows of resources on the Statement of Net Position, respectively. Effective with GASB 65, bond issuance costs are expensed in the period incurred.

i) Revenue Recognition: Revenues from retail sales of electricity are recognized when earned and reported net of bad debt expense of \$81,900 and \$118,100 at December 31, 2025 and 2024, respectively. Revenues include an estimate for energy delivered to customers between the last billing date and the end of the year. This amount is reflected in the accompanying financial statements as Accrued Unbilled Revenue in the amount of \$4.1 million at December 31, 2025 and 2024.

j) Capital Contributions: Capital contributions for the District consist mainly of line extension fees. Line extension fees represent amounts collected to recover the costs of installing new lines. Capital

contributions are recorded as deferred revenues when received and reclassified to revenue when the related project is completed. Deferred revenues are reported as Other Credits & Liabilities on the Statement of Net Position, see Note 4.

k) Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

l) Leases: Leases are recognized in accordance with GASB Statement No. 87, *Leases*. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction.

If the District is a lessee, it should recognize a lease liability and an intangible right-to-use lease asset at the beginning of the lease term. A lease liability should be recognized at the present value of future lease payments less any lease incentives. The liability is adjusted over time as payments are made. The right-to-use asset is initially recognized at the amount of the lease liability plus prepayments less any lease incentives received prior to the lease beginning and is subsequently amortized over the life of the lease.

If the District is a lessor, it should recognize a lease receivable and a deferred inflow of resources. A lease receivable is recorded at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. The deferred inflow of resources is recognized as the amount of the initial lease receivable and lease payments received prior to the lease term beginning less any lease incentives. The deferred inflows of resources should be recognized as revenue in a systematic and rational manner over the term of the lease.

Each year the District evaluates its leases and determines its reporting requirements. The District's leases are not material to the financial statements and therefore are reported within the balances on the statements. For 2025 and 2024, lease payments were expensed in the period they became due and lease revenue was recorded in the period earned.

m) Subscription-based Information Technology Arrangements (SBITAs): SBITAs are recognized in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. A SBITA is a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets as specified in the contract for a period of time in an exchange or exchange-like transaction.

When a SBITA is identified, the District should recognize an intangible right-to-use SBITA asset and a corresponding IT subscription liability. The liability is recognized at the beginning of the subscription term, which is when the asset is placed into service. The liability should be initially recorded at the present value of subscription payments expected to be made during the term. Future payments are discounted at the interest rate charged the District or the District's incremental borrowing rate if the interest rate is not readily available. The liability is adjusted over time as payments are made.

The intangible right-to-use asset should be recorded as the sum of the initial IT subscription liability, plus payments prior to the subscription term, and plus capitalizable implementation costs, less any incentives received before the subscription term. The District should recognize amortization of the intangible right-to-use asset as an outflow of resources over the subscription term.

Each year the District evaluates its SBITAs and determines its reporting requirements. The District's SBITAs are not material to the financial statements and therefore are reported within the balances on the statements. For 2025 and 2024, subscription payments were expensed in the period they became due.

n) Pensions: For purposes of measuring the net pension liability, net pension asset, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the state sponsored Public Employees Retirement System (PERS) and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, see Note 6.

For purposes of calculating the restricted net position related to the net pension asset, the District includes the net pension asset only.

o) Compensated Absences: The District consolidated its vacation and sick leave program to a personal leave program May 1, 1993. Accrued unused sick leave balances for active employees as of April 30, 1993, were frozen and converted to a supplemental leave benefit (SLB). The SLB may be used by employees to make up the difference between short-term disability benefit payments and 100% of gross, straight time pay. Additionally, an employee may restore work hours required for short-term disability eligibility one-time per Collective Bargaining Agreement Contract cycle (3 years). At death, the District is obligated to pay 100% of the SLB cash value to the employee's beneficiary. At retirement, the District is obligated to deposit 30% of the SLB cash value into the retiring employee's Voluntary Employee Beneficiary Association Trust account. The liability for unpaid supplemental leave benefits was \$19,852 and \$19,088 at December 31, 2025 and 2024, respectively.

Employees earn personal leave in accordance with length of service. The District accrues the cost of personal leave in the year when earned. Personal leave may accumulate to a maximum of 1,200 hours

for non-bargaining employees. For bargaining employees hired prior to April 1, 2011, personal leave may accumulate to a maximum of 1200 hours and for those hired on or after April 1, 2011, personal leave may accumulate to a maximum of 700 hours. Personal leave is payable upon separation of service, retirement, or death.

The liability for unpaid leave, benefits, and related payroll taxes was \$3,923,584 and \$3,571,210 at December 31, 2025 and 2024, respectively. Of the liability for unpaid leave, \$2,100,146 and \$1,917,215 at December 31, 2025 and 2024, respectively, were classified as a current liability and the remainder as a long-term liability, see Note 4.

p) Use of Estimates: The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

q) Significant Risk and Uncertainty: The District is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include interest rates, weather and natural disaster-related disruptions, collective bargaining labor disputes, fish and other Endangered Species Act issues, Environmental Protection Agency and other federal government regulations, or orders concerning the operation, maintenance, and/or licensing of facilities, other governmental regulations, how wholesale market prices and water conditions impact the District's power provider's rates and surcharges, and the deregulation of the electrical utility industry.

The District's accounts receivable are concentrated with a diverse group of customers and counterparties who have purchased energy or other products and services. These customers generally do not represent a significant concentration of credit risk. The District mitigates credit risk by requiring large customers to provide an acceptable means of payment assurance and by an ongoing financial review of counterparties and establishment of credit limits based on the results of that review.

r) Bonneville Power Administration (BPA) Prepay Program: In March 2013, the District participated in BPA's Prepay Program making a lump-sum up-front payment of \$6.8 million. The District will receive \$9.3 million in credits which started in April 2013 and continue until September 2028, see Note 8.

Note 2 - Utility Plant

Utility plant activity for the years ended December 31 was as follows:

Activity for 2025

	Balance			Balance
Electric Plant Assets	Dec. 31, 2024	Increase	Decrease	Dec. 31, 2025
Capital Assets Not Being Depreciated:				
Land and Intangible Plant	\$4,434,802	\$22,056	\$ -	\$4,456,858
Construction Work in Progress	20,317,992	27,563,147	(37,522,157)	10,358,982
Capital Assets Being Depreciated:				
Transmission	12,923,097	12,418,246	(88,822)	25,252,521
Generation	1,765,430	-	-	1,765,430
Distribution	316,929,789	23,099,620	(2,368,832)	337,660,577
General	86,568,246	5,007,244	(169,527)	91,405,963
Subtotal	418,186,562	40,525,110	(2,627,181)	456,084,491
Less Accumulated Depreciation for:				
Transmission	(7,806,051)	(352,480)	115,708	(8,042,823)
Generation	(1,488,952)	(27,556)	-	(1,516,508)
Distribution	(181,509,241)	(9,373,028)	2,862,496	(188,019,773)
General	(56,333,878)	(2,480,194)	(444,700)	(59,258,772)
Total Accumulated Depreciated	(247,138,122)	(12,233,258)	2,533,504	(256,837,876)
Net Utility Plant	\$195,801,234	\$55,877,055	(\$37,615,834)	\$214,062,455

Activity for 2024

	Balance			Balance
Electric Plant Assets	Dec. 31, 2023	Increase	Decrease	Dec. 31, 2024
Capital Assets Not Being Depreciated:				
Land and Intangible Plant	\$4,418,285	\$16,517	\$ -	\$4,434,802
Construction Work in Progress	11,100,312	29,447,005	(20,229,325)	20,317,992
Capital Assets Being Depreciated:				
Transmission	11,641,591	1,335,702	(54,196)	12,923,097
Generation	1,765,430	-	-	1,765,430
Distribution	299,895,641	18,859,497	(1,825,349)	316,929,789
General	84,014,275	3,265,296	(711,325)	86,568,246
Subtotal	397,316,937	23,460,495	(2,590,870)	418,186,562
Less Accumulated Depreciation for:				
Transmission	(7,563,284)	(338,321)	95,554	(7,806,051)
Generation	(1,459,409)	(29,543)	-	(1,488,952)
Distribution	(174,858,932)	(9,537,463)	2,887,154	(181,509,241)
General	(53,814,543)	(2,918,780)	399,445	(56,333,878)
Total Accumulated Depreciated	(237,696,168)	(12,824,107)	3,382,153	(247,138,122)
Net Utility Plant	\$175,139,366	\$40,099,910	(\$19,438,042)	\$195,801,234

Note 3 - Deposits and Investments

A. Deposits

Cash and Cash Equivalents Deposits – The District moves cash as necessary between accounts, Washington State Treasurer’s Local Government Investment Pool (LGIP) and various bank revolving or holding accounts, to pay its obligations. The District’s deposits are held by public depositories authorized by the Washington Public Deposit Protection Commission (PDPC) and are not subject to custodial credit risk. State law requires public depositories to fully collateralize.

B. Investments

Fair Value – The District measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities;
- Level 2 - These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3 - Unobservable inputs for an asset or liability.

Investments are valued by Principal Custody Solutions through ICE with secondary sources being Bloomberg, IHS Markit, and QUODD. Methods used include pricing applications and models that integrate credit information, market movements, account spread scales, benchmark quotes, and relevant trade data.

As of December 31, 2025, the District had the following investments measured at fair value:

Investment Type	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
United States Treasuries	\$7,943,030	\$7,943,030	\$-	\$-
Federal Farm Credit Bank	1,996,720	-	1,996,720	-
Federal Home Loan Bank	1,008,540	-	1,008,540	-
Tennessee Valley Authority	992,210	-	992,210	-
Total Investments by Fair Value Level		\$7,943,030	\$3,997,470	\$-
Total Investments Measured at Fair Value	\$11,940,500			

As of December 31, 2024, the District had the following investments measured at fair value:

Investment Type	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
United States Treasuries	\$8,854,420	\$8,854,420	\$-	\$-
Federal Farm Credit Bank	1,970,200	-	1,970,200	-
Federal Home Loan Bank	1,990,140	-	1,990,140	-
Tennessee Valley Authority	1,480,575	-	1,480,575	-
Total Investments by Fair Value Level		\$8,854,420	\$5,440,915	\$-
Total Investments Measured at Fair Value	\$14,295,335			

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District’s investment policy conforms with state law, which restricts investments of public funds to debt securities and obligations of the United States (U.S.) Treasury, U.S. Government agencies, and certain other U.S. Government sponsored corporations, certificates of deposit, and other evidences of deposit at financial institutions qualified by the PDPC, bankers’ acceptances, investment-grade general obligation debt of state and local governments and public authorities, and the LGIP.

The District is a voluntary participant in the LGIP. The pool is not rated and not registered with the SEC. Rather, the LGIP is governed by the State Finance Committee and is administered by the Washington State Treasurer. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool shares. There is no formal withdrawal transaction limit, however, the LGIP requests a one-day notice for transaction sizes of ten million dollars or more. The Office of the State Treasurer prepares a stand-alone financial report for the LGIP. A copy of the report is available online at www.tre.wa.gov. The District has a third-party safekeeping agreement for investments through Principal Custody Solutions.

At December 31, 2025, District investments had the following credit quality distribution for investments with credit exposure:

Investment Type	Ratings		Fair Value
	Moody’s	S&P	
U.S. Treasury Notes	Aa1	AA+	\$ 7,943,030
U.S. Agencies	Aa1 to Aaa	AA+	3,997,470
Total Investments by Type			\$11,940,500

At December 31, 2024, District investments had the following credit quality distribution for investments with credit exposure:

Investment Type	Ratings		Fair Value
	Moody's	S&P	
U.S. Treasuries	Aaa	AA+	\$ 8,854,420
U.S. Agencies	Aaa	AA+	5,440,915
Total Investments by Type			\$14,295,335

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. It is the District’s policy to diversify investments to avoid over concentration and custodial risk as noted in the next section. Investments in U.S. Treasury issues are explicitly guaranteed by the U. S. government and are not subject to credit risk. Investments in U.S. Agencies are subject to this risk.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The District’s investment policy limits investments at the time of purchase to a percentage of the total investment portfolio in the following manner:

- Direct obligations of the U.S. Government, up to 100%
- Washington State Treasurer’s Local Government Investment Pool, up to 100%
- U.S. Government agency debt, up to 30% for any single agency
- Certificate of Deposit, up to 50% from any single bank provided they are PDPC approved

Interest Rate Risk – Interest rate risk is the risk the District may face should interest rate variances affect the fair value of investments. In accordance with its investment policy, the District manages its exposure to declines in fair values by matching investment maturities to meet anticipated cash flow requirements. The policy limits investment maturities to less than 5-years from the date of the purchase unless the maturities coincide as nearly as practicable with the expected use of the funds.

At December 31, 2025, District investments had the following maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 to 3	More Than 3
U.S. Treasury Notes	\$ 7,943,030	\$5,942,130	\$2,000,900	\$-
U.S. Agencies	3,997,470	3,005,260	992,210	-
Total Investments by Maturity		\$8,947,390	\$2,993,110	\$-
Total Investments	\$11,940,500			

At December 31, 2024, District investments had the following maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 to 3	More Than 3
U.S. Treasury Notes	\$ 8,854,420	\$ 7,896,580	\$ 957,840	\$-
U.S. Agencies	5,440,915	3,470,715	1,970,200	-
Total Investments by Maturity		\$11,367,295	\$2,928,040	\$-
Total Investments	\$14,295,335			

Note 4 - Other Charges and Other Credits

As of December 31, other charges consisted of the following:

Other Charges	2025	2024
White Creek Wind Project (Note 8)	1,109,068	1,687,468
Preliminary Surveys	137,838	28,804
Total	\$1,246,906	\$1,716,272

During the year ended December 31, 2025, the following changes occurred in other credits:

Other Credits & Other Liabilities	Balance	Increase	Decrease	Balance
	Dec. 31, 2024			Dec. 31, 2025
Unclaimed Property	\$41,558	\$11,241	\$9,750	\$43,049
Bio Fuel Deposit	487,000	-	-	487,000
Deferred Revenue	2,046,999	4,667,962	4,245,529	2,469,432
CCA Allowance Proceeds (Note 12)	3,626,559	-	-	3,626,559
Personal Leave and Benefits*	1,653,995	2,642,865	2,473,422	1,823,438
Total	\$7,856,111	\$7,322,068	\$6,728,701	\$8,449,478

* In addition to this amount, \$2,100,146 is reported as a current liability for personal leave and related benefits.

During the year ended December 31, 2024, the following changes occurred in other credits:

Other Credits & Other Liabilities	Balance	Increase	Decrease	Balance
	Dec. 31, 2023			Dec. 31, 2024
Unclaimed Property	\$36,098	\$11,782	\$6,322	\$41,558
Bio Fuel Deposit	487,000	-	-	487,000
Deferred Revenue	1,789,693	3,256,169	2,998,863	2,046,999
CCA Allowance Proceeds (Note 12)	-	3,626,559	-	3,626,559
Personal Leave and Benefits*	1,762,028	2,593,787	2,701,820	1,653,995
Total	\$4,074,819	\$9,488,297	\$5,707,005	\$7,856,111

* In addition to this amount, \$1,917,215 is reported as a current liability for personal leave and related benefits.

Note 5 - Long-Term Liabilities

During the year ended December 31, 2025, the following changes occurred in long-term liabilities:

Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2010 Revenue Build America Bonds, Original issue amount: \$17,345,000	\$12,215,000	\$ -	\$1,840,000	\$10,375,000	\$ 1,910,000
2016 Revenue and Refunding Bonds, Original issue amount: \$22,470,000	20,825,000	-	935,000	19,890,000	1,020,000
2020 Revenue and Refunding Bonds, Original issue amount: \$23,495,000	17,565,000	-	640,000	16,925,000	-
2023 Revenue Bonds, Original issue amount: \$23,025,000	23,025,000	-	-	23,025,000	-
Subtotal	73,630,000	-	3,415,000	70,215,000	2,930,000
Plus: Unamortized premium	6,642,731	-	517,912	6,124,819	-
Total Bonds	80,272,731	-	3,932,912	76,339,819	\$2,930,000
BPA Prepay Incentive Credit	604,741	-	161,256	443,485	161,256
Net Pension Liability	1,539,417	-	490,405	1,049,012	-
Personal Leave and Benefits*	3,571,210	2,642,865	2,290,491	3,923,584	2,100,146
Total Long-Term Liabilities	85,988,099	\$2,642,865	6,875,064	81,755,900	\$5,191,402

*Personal leave and benefits are reported on the Statement of Net Position within the balances of Other Accrued Liabilities and Other Credits & Liabilities. It is also disclosed in Note 4.

During the year ended December 31, 2024, the following changes occurred in long-term liabilities:

Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2010 Revenue Build America Bonds, Original issue amount: \$17,345,000	13,990,000	-	1,775,000	12,215,000	1,840,000
2016 Revenue and Refunding Bonds, Original issue amount: \$22,470,000	21,680,000	-	855,000	20,825,000	935,000
2020 Revenue and Refunding Bonds, Original issue amount: \$23,495,000	18,200,000	-	635,000	17,565,000	640,000
2023 Revenue Bonds, Original issue amount: \$23,025,000	23,025,000	-	-	23,025,000	-
Subtotal	76,895,000	-	3,265,000	73,630,000	3,415,000
Plus: Unamortized premium	7,175,930	-	533,199	6,642,731	-
Total Bonds	\$84,070,930	\$ -	3,798,199	80,272,731	\$3,415,000
BPA Prepay Incentive Credit	765,997	-	161,256	604,741	161,256
Net Pension Liability	2,089,978	-	550,561	1,539,417	-
Personal Leave and Benefits*	3,286,959	2,593,787	2,309,536	3,571,210	1,917,215
Total Long-Term Liabilities	\$90,213,864	\$2,593,787	6,819,552	85,988,099	\$5,493,471

*Personal leave and benefits are reported on the Statement of Net Position within the balances of Other Accrued Liabilities and Other Credits & Liabilities. It is also disclosed in Note 4.
Future debt service requirements on these bonds are as follows:

Year	Principal	Interest	Total
2026	\$2,930,000	\$3,402,545	\$6,332,545
2027	3,095,000	3,239,619	6,334,619
2028	3,280,000	3,054,181	6,334,181
2029	3,475,000	2,858,179	6,333,179
2030	3,670,000	2,664,185	6,334,185
2031-2035	14,585,000	11,063,750	25,648,750
2036-2040	18,110,000	7,542,550	25,652,550
2041-2045	15,710,000	3,394,450	19,104,450
2046-2048	5,360,000	544,750	5,904,750
Total	\$70,215,000	\$37,764,209	\$107,979,209

Bond Issuances

In March 2010, the District issued \$17,345,000 of taxable Electric Revenue Build America Bonds. The proceeds were used to fund capital projects. The bonds are payable in annual installments between \$1,645,000 and \$2,250,000 beginning November 1, 2022, and ending November 1, 2030. The bond interest rate varies between 5.86% and 6.546%. The U.S. Treasury subsidizes a portion (32.6% after sequestration) of the interest debt service payments which it pays directly to the Fiscal Paying Agent.

In September 2016, the District issued \$22,470,000 of Electric Revenue and Refunding Bonds, Series 2016. The bond proceeds were used to fund \$15.1 million of improvements and replacements of the District’s electric utility system and to refund the 2011 bonds maturing on and after November 1, 2023. The portion of bond proceeds for the refunding was placed in an irrevocable trust for future debt service on the refunded bonds. The 2016 bonds are payable in annual installments between \$790,000 and \$1,560,000 beginning November 1, 2023, and ending November 1, 2041. The bond interest rate varies between 4.0% and 5.0%.

In September 2020, the District issued \$23,495,000 of Electric Revenue and Refunding Bonds, Series 2020A and Series 2020B. The bond proceeds were used to fund \$20 million of improvements and replacements in the District’s electric utility system and to refund the remaining 2011 bonds maturing on November 1, 2021, to November 1, 2022. The portion of bond proceeds for the refunding and a cash contribution from the District in lieu of an upcoming debt service payment due November 1, 2020 was placed in an irrevocable trust for future debt service on the refunded bonds. The 2020 bonds are payable in annual installments between \$630,000 and \$3,115,000 beginning November 1, 2021, and ending November 1, 2045. The bond interest rate varies between 0.4% and 5.0%. The bond refunding reduced total debt service payments by \$48,004 and resulted in an economic gain of \$16,300. The primary purpose of refunding the 2011 bonds was to lower ongoing debt service reserve fund requirements. The bond proceeds were fully spent by December 31, 2021.

In December 2023, the District issued \$23,025,000 of taxable Electric Revenue Bonds. The proceeds are being used to fund capital projects. The bonds are payable in annual installments between \$820,000 and \$1,875,000 beginning November 1, 2031, and ending November 1, 2048. The bond interest rate is 5.00% for all years. All proceeds were spent by December 31, 2024, and within the federal arbitrage 18-month spending exception.

Principal and interest on all bonds are payable solely from and secured by a pledge of all future income (including investment income), revenues, and receipts derived by the District through the ownership and operation of the electric system net of operating expenses. In the event the District is unable to pay any installment, or any portion thereof, the payment of the principal amount of the bonds is not subject to acceleration. The District would be liable only for principal and interest payments as they became due, and the bond owners would be required to seek separate judgment for each payment, if any, not made. Any such action for money damages would be subject to any limitations on legal claims and remedies against public bodies under Washington law. No assets were used as collateral for these bonds.

These issuances are subject to certain bond reserve requirements satisfied by bond insurance.

Note 6 - Pension Plans

The following table represents the aggregate pension amounts for all plans (PERS and deferred compensation) for the years 2025 and 2024:

Aggregate Pension Amounts - All Plans		
	2025	2024
Pension liabilities	\$1,049,012	\$1,539,417
Pension assets	\$4,396,197	\$3,703,865
Deferred outflows of resources	\$5,718,314	\$5,388,477
Deferred inflows of resources	\$1,341,101	\$1,483,590
Pension expense	\$346,099	\$241,906

State Sponsored Pension Plans

Substantially all District regular full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as 2 percent of the member’s average final compensation (AFC) times the member’s years of service. The AFC is the average of the member’s 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least 5 years of service. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member’s AFC times the member’s years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member’s 60 highest-paid consecutive service months. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

PERS Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6%. The PERS 1 employer contribution rate and PERS 2/3 employer and employee contribution rates are developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature. The PERS Plan 2/3 employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plan defined benefit required contribution rates (expressed as a percentage of covered payroll) for 2025 and 2024 were as follows:

Employer Contribution Rates - 2025				
Timeframe	Contribution Rate	PERS 1 UAAL	Admin Fee	Total Employer
January – June	6.36%	2.55%	0.20%	9.11%
July – December	5.38%	0.00%	0.20%	5.58%

Employer Contribution Rates - 2024				
Timeframe	Contribution Rate	PERS 1 UAAL	Admin Fee	Total Employer
January – June	6.36%	2.97%	0.20%	9.53%
July – August	6.36%	2.47%	0.20%	9.03%
September – December	6.36%	2.55%	0.20%	9.11%

Plan	Employee Contribution Rate
PERS 1	6.00%
PERS 2	6.36% (January - June), 5.38% (July - December)
PERS 3	Varies: 5% - 15%

Both the District and its employees made the required contributions during fiscal years 2025 and 2024. The District’s required employer contributions for the years ended December 31 are as follows:

	2025	2024
PERS 1	\$ -	\$ -
PERS 1 UAAL	238,630	497,654
PERS 2/3	1,107,694	1,153,962
Total	\$1,346,324	\$1,651,616

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined in 2025 by an actuarial valuation completed as of June 30, 2024, with the results rolled forward to June 30, 2025. In 2024, the most recent actuarial valuation completed in 2024 with a valuation date of June 30, 2023, was used. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2013-2018 Demographic Experience Study and the 2023 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2024 and 2023 actuarial valuation reports. The TPL was calculated as of the valuation dates and rolled forward to the measurement dates of June 30, 2025, and June 30, 2024. Plan liabilities were rolled forward from June 30, 2024, to June 30, 2025, and June 30, 2023, to June 30, 2024, for the respective fiscal years, reflecting each plan’s normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- For 2025,
- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
 - **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by service-based salary increase.
 - **Investment rate of return:** 7%

- For 2024,
- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
 - **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by service-based salary increase.
 - **Investment rate of return:** 7%

Mortality rates were developed using the Society of Actuaries’ Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are

applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Change in Assumptions and Methods: OSA improved their modeling of benefits paid to retirees and beneficiaries in their month of death to better match current administrations.

Discount Rate

In 2025 and 2024, the discount rate used to measure the total pension liability for all DRS plans was 7.0% and 7.0% respectively.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan’s fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA’s assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% and 7.0% for 2025 and 2024 respectively was used to determine the total liability.

Long-Term Expected Rate of Return

In 2025 and 2024, OSA selected a 7% long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA’s and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2025 and 2024. The inflation component used to create the table is 2.5% and represents WSIB’s most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	2025 % Long-Term Expected Real Rate of Return Arithmetic	2024 % Long-Term Expected Real Rate of Return Arithmetic
Fixed income	19%	2.1%	2.1%
Tangible Assets	8%	4.5%	4.5%
Real Estate	18%	4.8%	4.8%
Global Equity	30%	5.6%	5.6%
Private Equity	25%	8.6%	8.6%
	100%		

Sensitivity of Net Pension Liability/(Asset)

The table below presents the District’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.0% and 7.0% for 2025 and 2024 respectively, as well as what the District’s proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
2025	(6.0%)	(7.0%)	(8.0%)
PERS 1	\$1,770,104	\$1,049,012	\$416,596
PERS 2/3	\$7,133,947	(\$4,396,197)	(\$13,865,663)
2024	(6.0%)	(7.0%)	(8.0%)
PERS 1	\$2,264,444	\$1,539,417	\$903,551
PERS 2/3	\$6,676,923	(\$3,703,865)	(\$12,229,389)

Pension Plan Fiduciary Net Position

Detailed information about the State’s pension plans’ fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At June 30, 2025 and 2024, the District reported proportionate share of the net pension liabilities or (assets) as follows:

	2025 Liability (or Asset)	2024 Liability (or Asset)
PERS 1	\$1,049,012	\$1,539,417
PERS 2/3	(\$4,396,197)	(\$3,703,865)

At June 30, the District’s proportionate share of the collective net pension liabilities or assets were as follows:

	Proportionate Share 2025	Proportionate Share 2024	Change in Proportion
PERS 1	0.088975%	0.086638%	0.002337%
PERS 2/3	0.115199%	0.112355%	0.002844%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2025 and 2024, respectively, are used as the basis for determining each employer’s proportionate share of the collective pension amounts reported by the DRS in the Schedules of Employer and Nonemployer Allocations.

Pension Expense

For the year ended December 31, 2025 and 2024, the District recognized pension expense (credit) as follows:

Plan	Pension Expense/(Credit)	
	2025	2024
PERS 1	(\$50,872)	(\$144,505)
PERS 2/3	(\$257,867)	(\$173,555)
Total	(\$308,739)	(\$318,060)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2025 and 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resource		Deferred Inflows of Resources	
	2025	2024	2025	2024
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ -	\$72,116	\$123,180
Contributions subsequent to the measurement date	2,648	254,616	-	-
TOTAL	\$2,648	\$254,616	\$72,116	\$123,180

PERS 2/3	Deferred Outflows of Resource		Deferred Inflows of Resources	
	2025	2024	2025	2024
Differences between expected and actual experience	\$3,214,237	\$2,104,615	\$ -	\$8,576
Net difference between projected and actual investment earnings on pension plan investments	-	-	989,990	1,061,422
Changes of assumptions	1,698,965	2,045,281	121,396	234,676
Changes in proportion and differences between contributions and proportionate share of contributions	283,336	349,926	157,599	55,736
Contributions subsequent to the measurement date	519,128	634,039	-	-
TOTAL	\$5,715,666	\$5,133,861	\$1,268,985	\$1,360,410
TOTAL ALL PLANS	\$5,718,314	\$5,388,477	\$1,341,101	\$1,483,590

Deferred outflows of resources related to pensions resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	PERS 1	PERS 2/3
2026	\$68,814	\$1,572,118
2027	(50,130)	643,200
2028	(52,059)	633,116
2029	(38,741)	258,259
2030	-	576,283
Thereafter	-	244,577
Total	(\$72,116)	\$3,927,553

Deferred Compensation Plans

The District offers qualified employees deferred compensation plans created in accordance with Internal Revenue Code Sections 457(b) and 401(a) permitting employees to defer a portion of their salary until future years. Qualified District employees include current full-time, non-represented employees with 30 or more hours per week, retirees, and those who have separated service but choose to keep their assets in the Plans. In a defined contribution plan, benefits depend solely on the amounts contributed to the plans plus investment earnings. There are no forfeitures of member assets.

As part of the 2020-2023 collective bargaining agreement, the District agreed to a 1% increase in the employer contribution rate. The new contribution rate is 3% of regular straight-time wages. Additionally, the “employer match” requirement was removed. Eligible active employees who participate may contribute between 0% up to the plan limit of pretax annual compensation, as defined in the Plans and will receive the employer contribution regardless of their contribution amount. Contributions to employee accounts are immediately fully vested.

The deferred compensation is generally not available to employees until separation from service through termination, retirement, death, or unforeseeable emergency. Upon separation, a participant may elect to receive either a lump sum payment or periodic installments. The 457 plan does contain an employee loan provision. Employees may apply with the Plan Administrator; terms of repayment are set by the Administrator. The plan assets are held in trust for the exclusive benefit of plan participants and beneficiaries. The plans are administered by MissionSquare Retirement.

The total employer contributions for all plans were \$654,838 for 2025 and \$559,966 for 2024. Expenses for the Plans is reported within the balances on the Statement of Revenues, Expenses, and Changes in Net Position. The deferred compensation plans do not have separately available financial statements.

Note 7 - Health Benefit Plans

Health Reimbursement Arrangement (HRA VEBA)

The District, effective January 1, 2015, converted the employee incentive for voluntary participation in the employer provided wellness program to a fixed monthly contribution into an HRA. This payment is intended to help employees pay for qualified health care costs and insurance premiums upon retirement. Contributions are held in trust for the exclusive benefit of participants and beneficiaries. The plan was administered by Gallagher VEBA during the year.

The District, effective January 1, 2020, implemented a new benefit to employees in accordance with the 2020-2023 Collective Bargaining Agreement. The benefit provides a monthly VEBA contribution to all employees in a regular full-time position. In addition, effective June 17, 2024, a new benefit amount for non-represented employees was implemented in accordance with District Resolution 2256.

HealthInvest Health Reimbursement Arrangement (HealthInvest HRA)

The District adopted an HealthInvest HRA plan, with contributions effective January 1, 2019. This payment is intended to help eligible employees pay for qualified insurance premiums only after an employee has separated service or upon retirement. Contributions are held in trust for the exclusive benefit of participants and beneficiaries. The plan was administered by Gallagher VEBA during the year.

Note 8 - Long-Term Purchased Power Commitments

Bonneville Power Administration (BPA)

BPA was established by the Bonneville Project Act of 1937. BPA markets power from 31 federal hydroelectric projects, most of which are located in the Columbia River basin and all of which are owned and operated either by the United States Army Corps of Engineers or the United States Bureau of Reclamation. BPA also acquired on a long-term basis and markets power from several non-federally owned and operated projects, including an operating nuclear generating station owned by Energy Northwest. In addition, firm energy from transfers, exchanges, and purchases comprise the remaining portion of BPA's electric power resources.

Effective October 1, 2023, with BPA's consent, the District switched its power sales agreement from Slice/Block to the Load Following product for the remainder of the contract term, through September 30, 2028. Under the Load Following agreement, BPA is obligated to meet all of the District's electric power load to the extent not met by power the District has otherwise committed to meet its loads. This change was made to eliminate the District's direct participation in power markets as a buyer and seller and is expected to reduce power supply price risk and the risk of not having adequate physical generation to meet demand.

The District and other publicly owned utilities and cooperatives are "preference" customers of BPA pursuant to federal legislation, which requires BPA to give preference and priority to public agencies and cooperatives in the distribution and marketing of federal power. Under all of the BPA contracts, the amount of power that BPA's preference customers may purchase under BPA's lowest cost rate is limited to an amount equal to the generating output of the current Federal System, with some limited amounts of augmentation ("Tier 1" power). Any incremental purchases by preference customers from BPA above this base amount of power is sold at a higher rate reflecting the incremental cost to BPA of obtaining additional power ("Tier 2" power). BPA has established for each preference customer a contractually defined level of access to power available at BPA's lowest cost preference rate ("Tier 1" rates). This Tier 1 amount is based on the customer's net requirement load for the 12-month period ended September 23, 2010.

Beginning October 1, 2023, the District has elected to serve its net requirement above the Tier 1 allocation with Tier 2. In fiscal years 2024 and 2025, the District will receive 201 aMW in the form of Tier 1 power and the remainder of its net requirement will be served with 10-11 aMWs of Tier 2 power.

BPA is required by federal law to recover all its costs through the rates it charges its customers. BPA's price varies among preference customers, depending on what product the customer has purchased. BPA conducts a rate case every two years, but the rates are subject to a cost recovery adjustment clause that allows power rates to increase during a two-year rate period if certain events occur. There are any number of factors that have impacted and could impact BPA's cost of service and rates, including federal legislation, BPA's obligations regarding its outstanding federal debt, number of customers, water conditions, fish and other environmental regulations, capital needs of the Federal System, outcome of various litigation, and regional transmission issues. During the two-year rate period, BPA may impose a financial reserve surcharge if its reserves drop below a set amount.

BPA's Tier 1 power effective annual rates decreased by an average of 0.9% for fiscal years 2024-2025 rate period from the 2022-2023 rate period. Benton PUD's forecasted Tier 1 power effective annual rate decreased from \$33.72 per megawatt-hour ("MWh") for fiscal years 2022-2023 to \$33.42 per MWh for 2024-2025.

At the beginning of each BPA fiscal year, which starts in October, of a rate period (that is, each "applicable year"), BPA will calculate financial reserves available for risk that are attributed to Power Services (Power RFR) as of the end of the fiscal year preceding the applicable year. Based on the calculation criteria in BPA's Power Rate Schedules and General Rate Schedule Provisions, a Power FRP Surcharge may trigger, resulting in a temporary rate increase that will go into effect for the period of December 1 through September 30 of the applicable year. BPA notified the District a surcharge of \$40 million would be recovered in rates for the period above. The District's portion is estimated at \$1.52 million.

BPA requires that transmission services be purchased separately. The District has executed BPA's Network Integration Transmission (NT) Service Agreement for transmission service from October 1, 2023 through September 30, 2031. The District previously had a Point-to-Point (PTP) Transmission Agreement that began in May 1997, but it was converted to NT service effective October 1, 2023. BPA's transmission rate was \$2.031 per kilowatt per month for fiscal years 2022-2023 and 2024-2025.

In October 2025, the District executed a Load Following Power Sales Agreement with BPA for the period commencing October 1, 2028, and expiring September 30, 2044.

BPA Prepay Program

BPA developed a Prepay Program to help fund hydro system infrastructure and as a means to allow customers to prepay for the future delivery of power consistent with the existing power supply agreements, except that payment provisions would be revised to reflect the prepayment. The District submitted an offer for one block in the amount of \$6.8 million that was accepted and, in return, would receive a total of \$9.3 million in credits resulting in net present value savings of \$1.1 million. The District made a lump-sum up-front payment in March 2013, and began receiving a \$50,000 credit each month on its power bill beginning April 2013 and continues until September 2028.

Energy Northwest – Nine Canyon Wind Project

The District entered into a Nine Canyon Wind Project Power Purchase Agreement with Energy Northwest for the purchase of 3 MW of capacity (1 aMW) of Phase I through July 1, 2023. The project reached commercial operation in late 2002. On October 30, 2006, the District signed an Amended and Restated Agreement with Energy Northwest and the other purchasers, which extended the term of the Agreement through July 1, 2030, (with rights to extend the agreement for 5-year terms) and provided the District with 6 MW (2 aMW) from the Phase III expansion (see Note 12).

Energy Northwest - Packwood Lake Hydroelectric Project (Packwood)

The District is a 14% participant in Energy Northwest's 27 MW Packwood Project, located in the Cascade Mountains south of Mount Rainier. The Packwood Agreement with Energy Northwest obligates participants to pay annual costs and receive excess revenues. Energy Northwest recognizes revenues equal to expenses for each period. No net revenue or loss is recognized, and no equity is accumulated. Accordingly, no investment for the joint venture is reflected on the District's Statement of Net Position..

Lakeview Light and Power (LL&P) Wind Energy, Inc.

In April 2007, the District entered into a 20-year Energy and Environmental Attributes Purchase Agreement with LL&P to purchase 3 MW of capacity (1 aMW) at the White Creek Wind Project. This project is a wind generation facility with capacity of 204.7 MW. It is located in Klickitat County and was declared to be in commercial operation in November 2007. The purchase is part of the District's strategy for meeting renewable resource requirements of the Energy Independence Act (EIA) (see

Note 12). The District pays for only the energy and associated environmental attributes generated by the project.

White Creek Wind Project

In September 2008, the District entered into an Assignment Agreement with Klickitat PUD under which Klickitat PUD assigned the District a 3% share of its Energy Purchase Agreement with White Creek Wind I, LLC for \$11.1 million. The purchase is part of the District's strategy for meeting renewable resource requirements of EIA (see Note 12). The purchase cost is being amortized on a straight-line basis over a 19-year term resulting in a power supply expense of \$578,400 each year. This 3% share of the 204.7 MW project represents 6.14 MW (2 aMW).

BioFuels Washington, LLC Project/Emerald City Renewables LLC

In February 2013, the District entered into a contract with BioFuels Washington, LLC of Encinitas, CA, to purchase 33,000 Renewable Energy Credits (REC) annually, with a contract term of March 1, 2013, through March 31, 2026, with delivery beginning January 1, 2016. This REC purchase counts toward the District's compliance with the EIA target of 15% renewable energy.

Subsequently, on September 18, 2013, the State of Washington Department of Commerce issued an advisory opinion stating that electricity generated by the BioFuels Washington facility qualifies as distributed generation under RCW 19.285.040(2)(b). For purposes of the compliance with EIA, the Renewable Energy Credits purchased from BioFuels will count double. Therefore, for compliance purposes, this contract provides 66,000 RECs annually toward the District's compliance with the EIA target of 15% renewable energy.

In October 2015, the District consented to the assignment of contracts of the facility to Emerald City Renewables LLC. There were no changes to the District's rights or obligations.

3Degrees Group, Inc.

In September 2018, the District entered into a contract with 3Degrees Group, Inc. of San Francisco CA, to purchase 60,000 firm RECs annually, with a contract term of April 1, 2019, through April 15, 2028, with delivery beginning no earlier than April 1, 2019.

In December 2025, the District entered into a contract with 3Degrees Group, Inc. of San Francisco CA, to purchase 50,000 firm RECs annually, with a contract term of January 1, 2026, through December 31, 2030, with delivery beginning no earlier than July 1, 2026, and shall continue until April 15, 2031.

These REC purchases count toward the District's compliance with the EIA target of 15% renewable energy.

RPS Advisors

In September 2019, the District entered into a contract with RPS Advisors of Denver CO, to purchase 40,000 firm RECs annually, with a contract term of January 1, 2020, through April 15, 2030, with delivery beginning no earlier than January 1, 2020. This REC purchase counts toward the District’s compliance with the EIA target of 15% renewable energy.

Caely Renewables

In December 2025, the District entered into a contract with Caely Renewables US LLC of Houston TX, for delivery of 40,000 contingent RECs annually, with a contract term of January 1, 2026, through December 30, 2026, with delivery beginning no earlier than July 1, 2026, and shall continue until April 15, 2027. This REC purchase counts toward the District’s compliance with the EIA target of 15% renewable energy.

Morgan Stanley Capital Group, Inc

In January 2020, the District entered in a contract with Morgan Stanley Capital Group, Inc, to purchase a seasonal capacity product. The contract helped reduce the District’s power supply risk after the conclusion of the Fredrickson contract by having a firm physical resource it could call on if the market did not have adequate supply during the District’s highest deficit months. The term of the contract was December 2022 to August 2025. The District had the option to call upon the following amounts:

<u>Seasonal Months</u>	<u>Volume</u>
July/August	75MW HLH
December/January/February	25MW HLH

As a result of changing to the load following agreement with BPA effective October 1, 2023, the District resold the same rights as contained in this contract for the term of December 1, 2023, to August 31, 2025, to The Energy Authority (TEA).

Other Power Related Contracts

As a result of changing to the load following product with BPA effective October 1, 2023, the District amended its resource management agreement with TEA to provide trading services for some of its wind resources as well as for other services including carbon management tracking services. Before the change, TEA provided scheduling, dispatching, fuel management, and other power management services.

Note 9 - Self-Insurance

In the normal course of business, the District is exposed to various risks of loss related to liability claims, property damage, and employee health and welfare programs. The District participates in the following self-insurance programs to protect against such losses.

Public Utility Risk Management Services Self-Insurance Fund

The District is a member of the Public Utility Risk Management Services (PURMS) Self-Insurance Fund. PURMS is a public entity risk pool organized on December 30, 1976, in the State of Washington under RCW 54.16.200 and interlocal governmental agreements. It currently operates under RCW 48.62. Its members include 18 public utility districts and one non-profit mutual corporation. The objectives of PURMS are to formulate, develop, and administer a program of self-insurance in order to obtain lower costs for the various coverages provided to its members and to develop a comprehensive loss control program.

The risks shared by the members are defined in the Self-Insurance Agreement (SIA). The fund consists of three pools for liability, property, and health and welfare coverage. The pools operate independently of one another. All members do not participate in all pools. The District does not participate in the health and welfare pool.

The pools are governed by a Board of Directors which consists of one designated representative from each participating member. The Administrator and an elected Administrative Committee are responsible for conducting the business affairs of the Pool.

PURMS engages an independent qualified actuary on an annual basis to determine the claim financing levels, liabilities for unpaid claims, and claims adjustment expenses for the Liability Pool and the Property Pool. A copy of these reports is provided to the Washington State Risk Manager and to the Washington State Auditor’s Office. Audit reports for PURMS are available from the Washington State Auditor’s Office (Report Nos. 1037933 issued in fiscal year 2025 and 1035465 issued in fiscal year 2024).

The pools are fully funded by its current and former members. Members that withdraw from PURMS are responsible for their share of contributions to the pools for any unresolved, unreported, and in-process claims for the period they were signatory to the SIA. Claims are filed by members with the Administrator, Pacific Underwriters, Seattle, WA, which serves by contract as the fund’s Administrator and provides claims adjustment and loss prevention services. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

Liability Risk Pool

The liability pool has a \$1 million liability coverage limit per occurrence. In addition, the fund maintains \$35 million of excess general liability insurance over the \$1 million retention. A second layer of excess

general liability insurance of \$65 million is also maintained over the first layer of \$35 million. The fund maintains \$35 million in directors and officers liability coverage with a retention level of \$500,000. The fund also maintains \$10 million in cyber security liability coverage with a retention level of \$1,000,000. The deductible is \$250.

The liability pool reserve balance is \$3.5 million. Liability assessments are levied at the beginning of each calendar year to replenish the reserves to the designated level and at any time during the year that the actual reserves drop to \$500,000 less than the designated level. The minimum reserve balance may be increased above \$3.5 million through member assessments to meet legal funding requirements based on annual actuarial reviews.

Property Risk Pool

The majority of the property in the property pool has a self-insured retention of \$250,000 per property loss. Certain classes of property have higher retention requirements up to \$750,000. In addition, the fund purchases \$200 million of excess insurance over the \$250,000 (or higher) retention level. The deductible varies but for most classes of property it is \$250.

The designated property pool reserve balance is \$750,000. Property assessments are levied at the beginning of each calendar year to replenish the reserves to the designated level and at any time during the year that the actual reserves drop below \$500,000. The minimum reserve balance may be increased above \$750,000 through member assessments to meet legal funding requirements based on annual actuarial reviews.

Central Washington Public Utilities Unified Insurance Program Trust

The District is a member of the Central Washington Public Utilities Unified Insurance Program Trust (Trust). The Trust was organized October 1, 1982, pursuant to the provisions of RCW Title 54 and interlocal governmental agreements. The Trust's general objectives are to provide a central fund for the collection and disbursement of employee benefit premiums and claims involving medical, dental, vision, life, and long-term disability coverage. The Trust is administered by a Board of Trustees consisting of an appointed Trustee and Alternate Trustee from each of the seven member Districts. The Trustees are authorized to negotiate, obtain and maintain insurance policies, and authorize disbursements made from the Trust to Third-Party Administrators or other entities. Effective August 1, 2002, the Trust established a self-insured medical and vision plan. Effective January 1, 2009, the Trust established a self-insured dental plan. Both plans are approved by the State Risk Office. The audit reports for the Trust are available from the Washington State Auditor's Office (Report Nos. 1037732 issued in fiscal year 2025 and 1035313 issued in fiscal year 2024).

Unemployment Claims

The District pays unemployment claims on a reimbursement basis with claims administered by the Washington State Department of Employment Security.

Short-Term Disability Insurance

The District self-pays short-term disability benefits up to \$1,542 in 2025 and \$1,456 in 2024 per week or 70% of base salary, whichever is greater, through a continuation program. Effective July 1, 2023, the benefit is provided to employees with an inability to work due to a serious health condition following fulfillment of a one week waiting period per benefit year. The benefit year is defined as 52 weeks beginning the Sunday of the week the employee submits the initial application for leave. No waiting period is required when the medical leave is for the birth of a child. Prior to July 1, 2023, the benefit commenced from the 9th consecutive scheduled hour of inability to work due to a serious health condition and concluded when the employee either recovers and returns to work or completes the waiting period required for long-term disability insurance eligibility, whichever is earlier. Certification of illness or injury by a licensed, competent medical authority is required.

Paid Family Medical Leave Act

The District administers a voluntary plan for paid medical leave benefits for its employees. Voluntary plans are approved by the Employment Security Department and are available for employers who wish to opt out of the State of Washington's Paid Family & Medical Leave Program for either family leave benefit, medical leave benefit, or both, and instead administer their own internal plan. Employers with voluntary plans are required to offer benefits that are equal to or exceed the benefits offered by the State's program and must report employee hours, wages, premiums deducted from employee pay, and other information to the Employment Security Department on a quarterly basis.

The District elected to opt out of the medical leave portion of the program. The District's voluntary medical plan was initially approved in 2020 and reaffirmed in 2022. The plan is fully funded by the District and employee premiums do not apply.

Note 10 – Associated Organizations

Participation in Northwest Open Access Network, Inc. (NoaNet)

The District, along with nine other Washington State public entities, is a member of NoaNet, a Washington nonprofit mutual corporation. NoaNet was incorporated in February 2000 to provide a broadband communications backbone over public benefit fibers leased from BPA throughout Washington. The network began commercial operation in January 2001. The membership interest of NoaNet is evenly distributed across its current members.

As a member of NoaNet and as allowed by RCW 54.16, the District has guaranteed a portion of the 2020 NoaNet \$24.775 million bonds based upon an agreed share of 12.12% of the outstanding balance. See Note 12 for additional details. NoaNet reserves the right to assess members to cover deficits from operations. There have been no member assessments since 2011.

In 2023, the District's Commission authorized a payment agreement with NoaNet to provide financing totaling \$1 million. NoaNet has a pension liability that must be paid as it moves employees to the PERS retirement system. The payment is necessary for NoaNet to continue its operations and fulfill its purpose to provide cost-effective high-speed communications to its members under its agreement. The loan amount will be repaid in equal annual installments commencing May 1, 2024. The interest rate on each annual payment is equal to the 12-month average of the 30-day yield published for the Local Government Investment Pool on the Washington State Treasurer's website, calculated on April 1st proceeding the annual payment. All outstanding principal and interest on the loan must be repaid by May 1, 2034. NoaNet made principal payments of \$83,630 and \$78,350 in 2025 and 2024 respectively.

NoaNet recorded an increase in net position of \$5,308,308 (unaudited) for 2025 and a increase of \$4,081,060 (audited) for 2024. In accordance with GAAP a proportionate share of these gains/losses has not been recorded by the District.

Financial statements for NoaNet may be obtained by writing to: Northwest Open Access Network, Chief Financial Officer, 113 Cherry St, PMB 99352, Seattle, WA 98104-2205.

Additionally, the District and NoaNet entered into a professional services contract (public-public partnership) in 2010 for the assistance in management, administration, sales, engineering, and operations of the District's broadband network. The District holds title to all improvements to the network and are reported on the Statement of Net Position in the electric plant in service balance, in Note 4 capital assets being depreciated general balance, and in Note 11, Telecommunication Services. There are no liabilities, deferred inflows, or deferred outflows reported in the financial statements. Payments made to NoaNet are variable based on the various services mentioned above as well as retail services provided.

NoaNet has the following rights and responsibilities in part:

- Day to day operation and overall management of the network; including, design and deployment, plant management, construction management, and customer billing,
- Authority to sign and execute service orders on behalf of the District as outlined in the contract,
- Form local partnerships and sales generation, and
- Comply with the District's Wholesale Customer Service Policy, Rates, Terms and Conditions of Service for Telecommunications.

Participation in National Information Solutions Cooperative (NISC)

NISC is an information technology company that develops and supports software and hardware solutions for Member-Owners who are primarily utility cooperatives and telecommunications companies across the nation. NISC is an industry leader providing advanced, integrated IT solutions for consumer and subscriber billing, accounting, and engineering & operations, as well as many other leading-edge IT solutions.

NISC was formed July 2000 as a consolidation of Central Area Data Processing Cooperative (CADP) and North Central Data Cooperative (NCDC). Both predecessor organizations were formed in the mid-1960s and had a history of serving energy and telecommunications cooperatives with information processing services and accounting and billing software. NISC has 970 energy and telecommunications across the U.S., American Samoa, Palau, and Canada.

The membership interest in NISC is stated at cost, plus patronage capital credits issued, less distributions received, which as of December 31, 2025, and 2024, was \$167,608 and \$161,976 respectively. This amount is reported in the Other Receivables balance on the Statement of Net Position.

Financial statements for NISC may be obtained by writing to: NISC, One Innovation Circle, Lake Saint Louis, MO 63367.

Note 11 - Telecommunications Services

The District has installed and continues to build out a fiber optic backbone system in its service area to provide wholesale telecommunication services and for internal use by the electric system. The District has connected its fiber optic system to NoaNet’s fiber optic communications system. The District regularly reviews its product offerings and makes adjustments as needed.

Broadband operations and capital activity for the years ended December 31, 2025 and 2024, follows:

Broadband	2025	2024
Operating Revenues		
Ethernet	\$1,517,554	\$1,573,921
TDM	36,000	36,000
Internet Transport Service	94,900	95,454
Fixed Wireless	6,568	9,413
Access Internet	610,947	585,674
Other Revenue	745,545	612,462
Total Operating Revenues	\$3,011,514	\$2,912,924
Operating Expenses		
General Expenses	\$1,057,907	\$1,019,539
Other Maintenance	82,650	134,533
Subtotal before depreciation	1,140,557	1,154,072
Depreciation	1,077,515	1,048,486
Total Operating Expenses	\$2,218,072	\$2,202,558
Nonoperating Expenses	587	-
Capital Investment (Annual)	\$1,188,478	\$907,145
Capital Investment (Cumulative)	\$30,826,668	\$29,638,190

The above amounts are included in summarized line items on the Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position.

Note 12 - Other Commitments and Contingent Liabilities

Energy Northwest - Nine Canyon Wind Project

The Nine Canyon Wind Energy Project is owned and operated by Energy Northwest. The District, along with nine other public utilities, is a participant in Phases I and III of the Project. Under its Power Purchase Agreement, the District is obligated to pay its percentage share of the annual debt service of each project Phase and the operation and maintenance costs of the project in return for its percentage share of project output, whether or not the project is operating or capable of operating. Under the agreement, the District is obligated to pay an amended percentage share effective May 2008 when Phase III achieved commercial operation. Under a step-up provision, the District could be required to pay up to a maximum of 125% of its percentage share in the event of default by another purchaser. The Agreement limits Energy Northwest’s total annual operation and maintenance cost to \$4 million prior to Phase III Commercial Operation and to \$7 million post Phase III Commercial Operation. These limits will change annually based on certain inflation indexes.

The agreement terminates July 1, 2030. The District’s applicable percentage share obligations are:

Allocation of Cost	District % Share	District % Share under Step-up Provision
Debt Service - Phase I	6.25%	7.81%
Debt Service - Phase III	18.63%	23.29%
O&M Costs - Prior to Phase III Commercial Operation	4.72%	5.90%
O&M Costs - Post Phase III Commercial Operation	9.39%	11.74%

Energy Independence Act (Initiative 937)

With the passage of Initiative 937 by Washington voters in November 2006, all electric utilities with more than 25,000 customers are required to purchase renewable energy in gradually increasing percentages of 3%, 9%, and 15% of retail load, and to establish and meet a minimum biennial energy conservation target. As of December 31, 2025 and 2024, the District had renewable energy contracts in place that satisfy the Initiative’s renewable target of 15%. Total incremental expenses for qualifying renewable resources plus the cost of renewable energy credits are limited to 4% of the annual retail revenue requirement.

In 2025, the Commission established the minimum Biennial Conservation Target for 2026–2027 at 1.10 aMW. In 2023, the Commission first established the minimum Biennial Conservation Target for 2024–2025 of 0.77 aMW. In April 2024, the Commission amended the Target to be 1.1 aMW. The District exceeded the target with 1.50 aMW. Conservation programs are open to all customers on a nondiscriminatory basis.

Climate Commitment Act

In 2021, the State signed into law the Climate Commitment Act (CCA) legislation that directed the State Department of Ecology (Ecology) to design and implement a cap-and-invest program. Effective January 1, 2023, the cap-and-invest program sets a limit, or cap, on overall carbon emissions in the State and requires covered entities to obtain allowances equal to their covered greenhouse gas emissions. The emissions cap will be reduced over time to ensure the State achieves its 2030, 2040, and 2050 emissions-reduction commitments, which means Ecology will issue fewer emissions allowances each year.

All applicable emitters with more than 10,000 metric tons of carbon dioxide equivalent (MT CO2e) emissions per year are subject to the greenhouse gas reporting regulations and entities with more than 25,000 MT CO2e of covered emissions are required to participate in the cap-and-invest program and to obtain allowances to cover their emissions. Allowances can be obtained through quarterly auctions hosted by Ecology or bought and sold on a secondary market. Electric utilities that are subject to CETA, such as the District, are eligible to receive no cost allowances to mitigate their compliance cost burden from the cap-and-invest program. Electric utilities can consign these allowances at auction or retire them for compliance. The District's allowance allocation amounts for the first compliance period from 2023 through 2026 are shown in the table below, per Ecology's December 2025 published schedule for allowances:

District's No Cost Allowance Schedule		
<u>Year</u>	<u>Allocation</u>	<u>Status</u>
2023	120,731	Received
2024	120,362	Received
2025	84,459	Received
2026	85,538	Received

By November 1 of each year, starting November 1, 2024, the District must submit allowances equal to 30% of its prior year emissions. This compliance deadline requires allowances of the same year as the emissions being covered, or an earlier year. By November 1 of the year following the end of a four-year compliance period, starting November 1, 2027, the District must submit allowances to cover the remaining 70% of its total emissions for the entire four-year period. This compliance deadline is aggregate, meaning that emissions from all four years are considered as a group, and submitted allowances can be of any year in the current or previous compliance periods.

Repayment Agreement Relating to NoaNet Revenue Bonds (see Note 10)

In December 2020, NoaNet issued \$24.775 million in Telecommunications Network Revenue Bonds (2020 Bonds) to finance capital improvements and other expenses, repay loans and a line of credit,

fund a reserve account, and pay bond issuance costs. The Bonds became due beginning in December 2021 through December 2030 with interest due semi-annually at rates ranging from 0.591% to 2.120%.

Members of NoaNet, at the time of issuance, entered into Repayment Agreements to guarantee the debt of NoaNet. Under the Repayment Agreement, each guarantor acknowledged and agreed that it is a guarantor of the payment of the principal and interest on the Bonds and was liable by assessment or otherwise to repay NoaNet for amounts due and owing with respect to such principal and interest up to each Member's agreed upon percentage interest. The District's guarantee was 12.12% of the outstanding bond balance. As of December 31, 2025, the outstanding bond balance was \$12.8 million.

To the extent NoaNet's gross revenue is insufficient to pay principal amounts when due, NoaNet shall bill each guarantor no less than 65 days in advance of each principal payment date for its percentage share. Each guarantor has 30 days to pay after receipt of the bill. In the event of a failure by any guarantor to pay such amounts when due, the guarantor shall be subject to all remedies as contained in NoaNet's bylaws. Each guarantor shall remain obligated to pay its respective share of principal and interest on the bonds, when due, whether or not it remains a member of NoaNet.

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	PERS Plan 1 As of June 30, 2025 Last 10 Fiscal Years			
	2025	2024	2023	2022
Employer's proportion of the net pension liability	0.088975%	0.086638%	0.091556%	0.093018%
Employer's proportionate share of the net pension liability	\$1,049,012	\$1,539,417	\$2,089,978	\$2,589,963
Covered payroll	\$18,533,817	\$18,077,748	\$16,407,178	\$15,187,501
Employer's proportionate share of the net pension liability as a percentage of covered payroll	6%	9%	13%	17%
Plan fiduciary net position as a percentage of the total pension liability	89%	84%	80%	77%

Notes to Schedule:
There are no factors at year-end that significantly affect trends in the amounts reported above.

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	PERS Plan 2/3 As of June 30, 2025 Last 10 Fiscal Years			
	2025	2024	2023	2022
Employer's proportion of the net pension liability (asset)	0.115199%	0.112355%	0.118116%	0.121341%
Employer's proportionate share of the net pension liability (asset)	(\$4,396,197)	(\$3,703,865)	(\$4,841,200)	(\$4,500,272)
Covered payroll	\$18,533,817	\$18,077,748	\$16,407,178	\$15,187,501
Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	(24%)	(21%)	(30%)	(30%)
Plan fiduciary net position as a percentage of the total pension liability	106%	105%	107%	107%

Notes to Schedule:
There are no factors at year-end that significantly affect trends in the amounts reported above.

	PERS Plan 2/3 As of June 30, 2025 Last 10 Fiscal Years					
	2021	2020	2019	2018	2017	2016
Employer's proportion of the net pension liability (asset)	0.125568%	0.124135%	0.127033%	0.132333%	0.136394%	0.139973%
Employer's proportionate share of the net pension liability (asset)	(\$12,508,593)	\$1,587,616	\$1,233,922	\$2,259,468	\$4,739,040	\$7,047,530
Covered payroll	\$15,018,615	\$14,453,981	\$13,806,690	\$13,682,851	\$13,371,937	\$12,986,531
Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	(83%)	11%	9%	17%	35%	54%
Plan fiduciary net position as a percentage of the total pension liability	120%	97%	98%	96%	91%	86%

SCHEDULE OF EMPLOYER CONTRIBRUTIONS

	PERS Plan 1 As of December 31, 2025 Last 10 Fiscal Years			
	2025	2024	2023	2022
Statutorily or contractually required contributions	\$238,630	\$497,654	\$587,183	\$591,754
Contributions in relation to the statutorily or contractually required contributions	(238,630)	(497,654)	(587,183)	(591,754)
Contribution deficiency (excess)	-	-	-	-
Covered payroll	\$18,884,428	\$18,144,039	\$16,743,004	\$15,767,844
Contributions as a percentage of covered payroll	1%	3%	4%	4%

Notes to Schedule:
There are no factors at year-end that significantly affect trends in the amounts reported above.

	PERS Plan 1 As of December 31, 2025 Last 10 Fiscal Years					
	2021	2020	2019	2018	2017	2016
	\$658,699	\$704,510	\$699,574	\$689,118	\$678,004	\$636,516
	(658,699)	(704,510)	(699,574)	(689,118)	(678,004)	(636,516)
	-	-	-	-	-	-
	\$15,214,069	\$14,692,671	\$14,139,528	\$13,617,368	\$13,751,364	\$13,204,856
	4%	5%	5%	5%	5%	5%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

PERS Plan 2/3
As of December 31, 2025
Last 10 Fiscal Years

	2025	2024	2023	2022
Statutorily or contractually required contributions	\$1,107,694	\$1,153,962	\$1,100,696	\$1,002,836
Contributions in relation to the statutorily or contractually required contributions	(1,107,694)	(1,153,962)	(1,100,696)	(1,002,836)
Contribution deficiency (excess)	-	-	-	-
Covered payroll	\$18,884,428	\$18,144,039	\$16,743,004	\$15,767,844
Contributions as a percentage of covered payroll	6%	6%	7%	6%

Notes to Schedule:

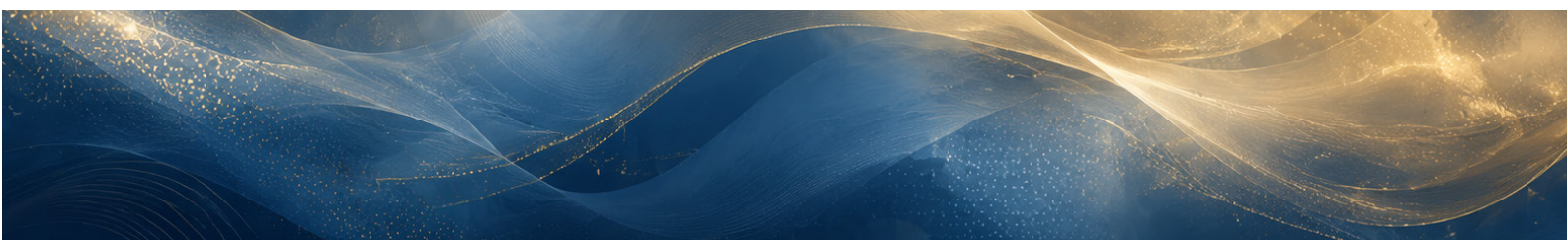
There are no factors at year-end that significantly affect trends in the amounts reported above.

PERS Plan 2/3
As of December 31, 2025
Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016
	\$1,094,430	\$1,163,559	\$1,091,135	\$1,021,040	\$936,046	\$815,729
	(1,094,430)	(1,163,559)	(1,091,135)	(1,021,040)	(936,046)	(815,729)
	-	-	-	-	-	-
	\$15,214,069	\$14,692,671	\$14,139,528	\$13,617,368	\$13,675,514	\$13,096,369
	7%	8%	8%	7%	7%	6%



STATISTICAL SECTION



STATISTICAL SECTION

This part of the District’s annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health.

Financial Trends

The schedules contain trend information to help the reader understand how the District’s financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the District’s most significant revenue source, electric sales.

Debt Capacity

These schedules present information to help the reader assess the affordability of the District’s current levels of outstanding debt and the ability of the District to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District’s financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the services the District provides and the activities it performs.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended December 31 (unaudited)

	2025	2024	2023	2022
OPERATING REVENUES				
Sales of Electric Energy - Retail	\$142,120,703	\$138,252,613	\$139,617,559	\$140,653,312
Secondary Market Sales	3,934,285	8,388,791	10,093,943	33,353,756
Transmission of Power for Others	171,487	198,665	1,225,919	1,600,411
Broadband Revenue	3,011,514	2,912,924	2,819,468	2,922,004
Other Revenue	1,937,608	2,157,070	1,885,188	1,693,674
Total Operating Revenues	151,175,597	151,910,063	155,642,077	180,223,157
OPERATING EXPENSES				
Purchased Power	71,571,750	75,747,889	82,113,188	106,002,959
Purchased Transmission & Ancillary Services	11,233,300	11,394,028	14,953,982	15,911,813
Conservation Program	(38,114)	328,244	257,919	394,324
Transmission Operations & Maintenance	66,642	118,671	65,763	45,372
Distribution Operations & Maintenance	14,276,295	13,297,226	11,872,285	11,435,999
Broadband Expense	1,140,557	1,154,072	1,218,830	1,289,313
Customer Accounting, Collection & Information	4,729,447	4,536,231	4,304,081	4,442,149
Administrative & General	9,273,187	8,746,792	8,264,674	7,692,669
Taxes	14,941,586	14,501,372	14,829,445	15,003,476
Depreciation	12,288,014	11,834,815	11,560,127	11,175,469
Total Operating Expenses	139,482,664	141,659,340	149,440,294	173,393,543
OPERATING INCOME/(LOSS)	11,692,933	10,250,723	6,201,783	6,829,614
NONOPERATING REVENUES & EXPENSES				
Interest & Other Nonoperating Income	2,659,085	5,796,188	2,567,927	702,336
Interest Expense & Other Nonoperating Expense	(3,632,433)	(5,844,086)	(2,749,490)	(2,827,041)
Debt Premium Amortization & Loss on Defeased Debt	520,766	536,247	133,808	402,824
Total Nonoperating Revenues & Expenses	(452,582)	488,349	(47,755)	(1,721,881)
INCOME/(LOSS) BEFORE CONTRIBUTIONS	11,240,351	10,739,072	6,154,028	5,107,733
CAPITAL CONTRIBUTIONS	3,721,027	2,190,936	3,177,535	3,225,724
CHANGE IN NET POSITION	14,961,378	12,930,008	9,331,563	8,333,457

NET POSITION

For the years ended December 31 (unaudited)

	2025	2024	2023	2022
Net Investment in Capital Assets	\$133,923,165	\$115,510,123	\$108,390,299	\$101,952,912
Restricted for Debt Service	-	-	-	108,200
Restricted for Net Pension	4,396,197	3,703,865	4,841,200	4,500,272
Unrestricted	63,150,864	67,294,860	60,347,341	57,685,893
Total Net Position	\$201,470,226	\$186,508,848	\$173,578,840	\$164,247,277

REVENUES AND CONSUMPTION BY CUSTOMER CLASS

For the years ended December 31 (unaudited)

	2025	2024	2023	2022
AVERAGE NUMBER OF CUSTOMERS				
Residential	49,034	48,263	47,789	47,216
General Service	6,457	6,363	6,266	6,187
Industrial	5	5	5	5
Irrigation	974	980	983	980
Miscellaneous	2,209	2,216	2,220	2,222
Total	58,679	57,827	57,263	56,610
RETAIL ELECTRIC SALES (IN THOUSANDS) ⁽¹⁾				
Residential	\$66,340	\$64,373	\$66,583	\$67,779
General Service	39,928	38,662	39,453	39,436
Industrial	3,581	3,493	3,436	3,467
Irrigation	25,174	25,024	24,528	23,083
Miscellaneous	679	661	664	686
Total	\$135,702	\$132,213	\$134,664	\$134,451
RETAIL ELECTRIC SALES IN MWh				
Residential	728,570	732,310	763,031	780,987
General Service	552,149	558,532	569,033	562,458
Industrial	64,463	64,445	63,252	64,835
Irrigation	426,421	447,192	436,799	391,794
Miscellaneous	6,319	6,343	6,326	6,309
Total	1,777,922	1,808,822	1,838,441	1,806,383
AVERAGE REVENUE PER kWh (CENTS) ⁽¹⁾				
Residential	9.11	8.79	8.73	8.68
General Service	7.23	6.92	6.93	7.01
Industrial	5.56	5.42	5.43	5.35
Irrigation	5.90	5.60	5.62	5.89
Miscellaneous	10.75	10.42	10.50	10.87
Average - All Classes	7.63	7.31	7.32	7.44

(1) Includes total retail revenue (per kWh charge, demand, and base charge); excludes city utility occupation tax, bad debt expense, and accrued unbilled revenue.

RETAIL RATES ⁽¹⁾

For the years ended December 31 (unaudited)

	2025	2024	2023	2022
Residential				
Daily System Charge ⁽²⁾	\$0.66	\$0.63	\$0.63	\$0.63
Energy Charge (cents/kWh)	7.22	6.88	6.88	7.39
Demand Charge ⁽³⁾ (\$/kW)	1.05	1.00	1.00	-
Small General Service				
Daily System Charge ⁽²⁾ (Single-Phase)	\$0.58	\$0.55	\$0.55	\$0.55
Daily System Charge ⁽²⁾ (Multi-Phase)	0.86	0.82	0.82	0.82
Energy Charge (cents/kwh)	6.22	5.92	6.30	6.63
Demand Charge ⁽³⁾ (\$/kW)	1.05	1.00	-	-
Medium General Service				
Daily System Charge ⁽²⁾ (All Phases)	\$1.73	\$1.65	\$1.65	\$1.65
Daily System Charge ⁽²⁾ (Single-Phase)	-	-	-	-
Daily System Charge ⁽²⁾ (Multi-Phase)	-	-	-	-
Energy Charge (cents/kwh)	5.60	5.33	5.48	5.77
Summer (Effective 2011-2019)	-	-	-	-
Winter (Effective 2011-2019)	-	-	-	-
Demand Charge	1.05	1.00	-	-
First 50 kW				
Excess of 50 kW	9.80	9.33	9.33	9.82
Large General Service				
Daily System Charge ⁽²⁾ (Multi-Phase)	\$2.11	\$2.01	\$2.01	\$2.01
Energy Charge - Non Time of Use (cents/kwh)	4.92	4.69	4.71	4.71
Summer (Effective 2010-2019)	-	-	-	-
Winter (Effective 2010-2019)	-	-	-	-
Demand Charge	1.05	1.00	-	-
First 50 kW				
Excess of 50 kW	8.56	8.15	8.15	8.15

(1) These rates represent the typical customer. Other monthly charges may apply.
Other rate schedules also in effect are small irrigation, large irrigation, industrial, and miscellaneous.

(2) The rate is per day and applied to the number of days in the billing period.

(3) During peak hours Monday through Friday 6 a.m. to 9 a.m. (only October to April) and 5 p.m. to 8 p.m. (all year) excluding certain holidays.

	2021	2020	2019	2018	2017	2016
Daily System Charge ⁽²⁾	\$0.63	\$0.63	\$0.63	\$0.62	\$0.62	\$0.55
Energy Charge (cents/kWh)	7.39	7.39	7.39	7.18	7.18	7.18
Demand Charge ⁽³⁾ (\$/kW)	-	-	-	-	-	-
Daily System Charge ⁽²⁾ (Single-Phase)	\$0.55	\$0.55	\$0.55	\$0.54	\$0.54	\$0.46
Daily System Charge ⁽²⁾ (Multi-Phase)	0.82	0.82	0.82	0.80	0.80	0.68
Energy Charge (cents/kwh)	6.63	6.63	6.63	6.44	6.44	6.44
Demand Charge ⁽³⁾ (\$/kW)	-	-	-	-	-	-
Daily System Charge ⁽²⁾ (All Phases)	\$1.65	\$1.65	\$1.65	-	-	-
Daily System Charge ⁽²⁾ (Single-Phase)	-	-	-	\$1.08	\$1.08	\$0.92
Daily System Charge ⁽²⁾ (Multi-Phase)	-	-	-	\$1.61	\$1.61	\$1.38
Energy Charge (cents/kwh)	5.77	5.77	-	-	-	-
Summer (Effective 2011-2019)	-	-	5.24	5.09	5.09	5.09
Winter (Effective 2011-2019)	-	-	6.14	5.97	5.97	5.97
Demand Charge	-	-	-	-	-	-
First 50 kW						
Excess of 50 kW	9.82	9.82	9.82	9.55	9.55	8.77
Daily System Charge ⁽²⁾ (Multi-Phase)	\$2.01	\$2.01	\$2.01	\$1.96	\$1.96	\$1.38
Energy Charge - Non Time of Use (cents/kwh)	4.71	4.71	-	-	-	-
Summer (Effective 2010-2019)	-	-	4.23	4.11	4.11	4.11
Winter (Effective 2010-2019)	-	-	5.06	4.92	4.92	4.92
Demand Charge	-	-	-	-	-	-
First 50 kW						
Excess of 50 kW	8.15	8.15	8.15	7.93	7.93	7.45

PRINCIPAL RATEPAYERS

For the years ended December 31 (unaudited)

2025						
Ratepayer's Rate Class ⁽¹⁾	Rank	Retail Sales ⁽²⁾	Percentage of Total Retail Electric Sales	kWh	aMW	Percentage of Total kWh
Large Irrigation Customer 1	1	\$15,159,536	11.2%	250,734,637	28.8	14.1%
Large Irrigation Customer 2	2	5,126,509	3.8%	85,351,125	8.8	4.8%
Large Industrial Customer 1	3	3,591,267	2.6%	64,593,995	7.4	3.6%
Large Irrigation Customer 3	4	2,055,949	1.5%	35,402,255	4.7	2.0%
Large General Customer 1	5	1,993,556	1.5%	24,659,436	2.9	1.4%
Large General Customer 2	6	1,978,013	1.5%	26,384,589	3.0	1.5%
Large Irrigation Customer 4	7	1,719,052	1.3%	27,901,467	3.6	1.6%
Large General Customer 3	8	1,470,421	1.1%	21,334,708	2.3	1.2%
Electricity Intensive Load 1	9	1,249,143	0.9%	20,091,700	2.7	1.1%
Large Irrigation Customer 5	10	1,236,612	0.9%	21,806,690	2.0	1.2%
Large Irrigation Customer 6	-	-	-	-	-	-
Large Irrigation Customer 7	-	-	-	-	-	-
Large General Customer 4	-	-	-	-	-	-
		\$35,580,058	26.3%	578,260,602	66.2	32.5%
Total All Ratepayers		\$135,702,184		1,777,922,129		

(1) To preserve confidentiality, individual ratepayer names are not disclosed.

(2) Retail sales are before bad debt expense and unbilled revenue.

RATIOS OF OUTSTANDING DEBT

For the years ended December 31 (unaudited)

	2025	2024	2023	2022
Revenue Bonds	\$70,215,000	\$73,630,000	\$76,895,000	\$57,000,000
Unamortized Premium & Discount	6,124,819	6,642,731	7,175,930	5,327,160
Total Outstanding Revenue Debt	\$76,339,819	\$80,272,731	\$84,070,930	\$62,327,160
Total Revenue Debt to Operating Revenues	50%	53%	54%	35%
Total Revenue Debt to Total Assets	25%	28%	30%	23%
Total Revenue Debt per Ratepayer	\$1,301	\$1,388	\$1,468	\$1,101

DEBT MARGIN INFORMATION ⁽¹⁾

For the year ended December 31, 2025 (unaudited)

Net Revenues November 2023 - October 2024 ⁽²⁾	\$37,733,791
Maximum Future Annual Debt Service (2025)	\$6,332,545
Maximum Allowable Annual Debt Service per Bond Covenants ⁽²⁾	\$30,187,033
Allowable Additional Annual Debt Service	\$23,854,488

(1) As a proprietary fund, the District does not have a legal debt limitation. However, the District's bond resolutions establish restrictions on the issuance of additional debt based on a defined formula.

(2) The bond covenants state that new parity bonds may be issued if the amount of net revenue for any twelve consecutive months in the prior 24 month period divided by the maximum annual debt service in any future year is not less than 125%.

DEBT SERVICE COVERAGE

For the years ended December 31 (unaudited)

	2025	2024	2023	2022
DEBT SERVICE CALCULATION				
Change in Net Position	\$14,961,378	\$12,930,008	\$9,331,563	\$8,333,457
Adjustments to (from) Change in Net Position				
Depreciation	12,288,014	11,834,815	11,560,127	11,175,469
Prepaid Power ⁽¹⁾	1,017,144	1,017,144	1,017,144	1,017,144
Interest Expense	3,536,477	3,716,297	2,749,490	2,827,041
Debt Discount/Premium Amortization & Bond Issue Costs	(520,766)	(536,247)	(133,808)	(402,824)
GASB 68 Adjustment to pension expense noncash entry	(1,289,251)	(1,528,495)	(1,883,098)	(1,647,466)
REVENUE AVAILABLE FOR DEBT SERVICE	\$29,992,996	\$27,433,522	\$22,641,418	\$21,302,821
DEBT SERVICE ⁽²⁾	\$6,978,263	\$6,820,275	\$5,829,696	\$5,998,843
DEBT SERVICE COVERAGE RATIO	4.30	4.02	3.88	3.55

(1) White Creek Wind Project amortization and Bonneville Power Administration prepaid power
(2) Debt service annual amount does not include BABs subsidies as described in the noncash activities disclosure on the Statement of Cash Flows.

PRINCIPAL EMPLOYERS - TRI-CITIES METROPOLITAN STATISTICAL AREA

For the years ended December 31 (unaudited)

2025				
Employer	Product/Service	Employees	Rank	Percentage of Total MSA Nonfarm Employment
Battelle/Pacific NW National Laboratory	Research & Development	3,830	1	2.9%
Kadlec Medical Center	Health Care	3,087	2	2.4%
Lamb Weston Inc.	Food Processing	2,806	3	2.2%
Hanford Tank Waste Ops & Closure (H2C)	Bio & Chemical Management	2,509	4	1.9%
Kennewick School District	Education	2,204	6	1.7%
Pasco School District	Education	2,083	5	1.6%
State of Washington	Government	1,959	7	1.5%
Hanford Mission Integration Solutions	Operations of Hanford Services	1,736	8	1.3%
Richland School District	Education	1,642	9	1.3%
Amazon.com Inc	E-commerce	1,466	10	1.1%
Bechtel National, Inc.	Engineering & Construction	-	-	-
Washington River Protection Solutions	Environmental Remediation	-	-	-
Mission Support Alliance, LLC	Support Services Hanford	-	-	-
CH2MHill Hanford Group Inc./CHG	Environmental Engineering	-	-	-
Total		23,322		17.9%

Source: Tri-Cities Area Journal of Business

2016		
Employees	Rank	Percentage of Total MSA Nonfarm Employment
4,365	1	4.0%
3,304	2	3.0%
2,727	4	2.5%
-	-	-
2,130	5	2.0%
2,015	7	1.8%
-	-	-
-	-	-
1,500	9	1.4%
-	-	-
2,898	3	2.7%
2,077	6	1.9%
1,928	8	1.8%
1,400	10	1.3%
24,344		22.4%

DEMOGRAPHIC STATISTICS

For the years ended December 31 (unaudited)

	2025	2024	2023	2022
Population ⁽¹⁾				
Tri-Cities Metropolitan Statistical Area	322,875	320,150	316,600	312,050
Benton County	219,625	217,850	215,500	212,300
Kennewick	87,790	87,120	86,470	85,320
Prosser	6,650	6,610	6,445	6,195
Benton City	3,845	3,845	3,810	3,710
Total Personal Income - Benton County (000's) ⁽²⁾	N/A	\$13,080,579	\$12,260,859	\$11,587,408
Per Capita Income - Benton County ⁽²⁾	N/A	\$59,950	\$56,969	\$54,454
Unemployment Rate - Benton County ⁽³⁾	5.6%	5.2%	5.4%	5.6%
Building Permits Issued ⁽⁴⁾				
Kennewick	3,179	3,046	3,222	3,010
Benton County (Unincorporated)	817	754	890	911
Taxable Retail Sales - All of Benton County ⁽⁵⁾	N/A	\$6,049,956,940	\$5,951,828,099	\$5,766,343,266

(1) Source: Washington State Office of Financial Management
(2) Source: U.S. Bureau of Economic Analysis, Regional Data, GDP and Personal Income
(3) Source: December 2025 Unemployment Rates, Washington Employment Security Department
(4) Source: City of Kennewick and Benton County Building Departments
(5) Source: Washington State Department of Revenue



	2021	2020	2019	2018	2017	2016
	307,750	302,460	296,480	289,960	283,830	279,170
	209,400	205,700	201,800	197,420	193,500	190,500
	84,620	84,960	83,670	81,850	80,280	79,120
	6,130	6,220	6,145	6,125	5,965	5,940
	3,500	3,560	3,520	3,405	3,360	3,325
	\$11,542,478	\$10,683,932	\$10,087,552	\$9,597,733	\$9,132,345	\$8,793,589
	\$54,958	\$51,757	\$49,354	\$47,682	\$46,076	\$45,446
	4.2%	6.4%	5.4%	5.8%	6.1%	7.0%
	2,356	2,002	2,203	2,409	2,064	2,211
	997	897	895	1,014	997	919
	\$5,625,466,168	\$4,674,787,996	\$4,631,058,885	\$4,166,770,833	\$3,905,643,498	\$3,789,869,697

OPERATING INDICATORS

For the years ended December 31 (unaudited)

	2025	2024	2023	2022
Operating Expenses / Revenues	92.3%	93.3%	96.0%	96.2%
Total Electric Sales in MWh				
Retail Sales	1,777,922	1,808,822	1,838,441	1,806,384
Secondary Market Sales	44,580	75,320	116,433	378,189
Total MWh Sales	1,822,502	1,884,142	1,954,874	2,184,573
Average Annual kWh per Customer				
Residential	14,858	15,173	15,967	16,541
General Service	85,512	87,778	90,813	90,910
Industrial	12,892,600	12,889,000	12,650,400	12,967,032
Irrigation	437,804	456,318	444,353	399,790
Miscellaneous	2,861	2,862	2,850	2,839
Average Annual kWh per Customer - All Classes	30,299	31,280	32,105	31,909
Average Revenue per Customer				
Residential	\$1,353	\$1,334	\$1,393	\$1,436
General Service	6,184	6,076	6,296	6,374
Industrial	716,200	698,600	687,200	693,318
Irrigation	25,846	25,535	24,952	23,554
Miscellaneous	307	298	299	309
Average Revenue per Customer - All Classes	\$2,313	\$2,286	\$2,352	\$2,375
Additions to Electric Plant, excluding work-in-progress	\$40,547,166	\$23,477,012	\$19,002,988	\$18,655,109
Net Electric Utility Plant	\$214,062,455	\$195,801,234	\$175,139,366	\$164,304,731
Capitalized Payroll	\$3,732,314	\$3,660,131	\$3,046,520	\$2,832,390
Total Payroll Expense	\$19,139,462	\$18,643,880	\$16,969,343	\$16,221,789
Full Time Equivalent Employees ⁽¹⁾	150	152	153	148
Cooling Degree Days ⁽²⁾	1,434	1,305	1,473	1,387
Heating Degree Days ⁽²⁾	4,881	4,706	4,888	5,509
Annual Precipitation (inches) ⁽²⁾	8.45	7.38	6.02	7.33
Peak Load (MW's) ⁽³⁾	453	438	438	455

(1) Includes regular and temporary employees. In 2017, all years employee counts were reduced to account for shared employees billed to other governments.

(2) Source: degreedays.net, Station KPSC

Heating degree days are indicators of household energy consumption for space heating. When the average outdoor temperature is less than 65 degrees Fahrenheit, most buildings require heat to maintain a temperature of 70 degrees inside. Similarly, when the average outdoor temperature is 65 degrees or more, most buildings require air-conditioning to maintain a temperature of 70 degrees inside.

(3) Source: Bonneville Power Administration



Your Trusted Energy Partner

Public Utility District No. 1 of Benton County, Washington
for the fiscal years ended December 31, 2025 and 2024

BentonPUD.org