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80  
years!  
1946-2026



SNOHOMISH COUNTY  
**PUD**  
PUBLIC UTILITY DISTRICT NO. 1  
*Energizing Life in Our  
Communities*

# 2026 BUDGET

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



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**A LEGACY OF SERVICE**

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

*Our 1,200 employees are dedicated to serving Snohomish County and Camano Island, some of the fastest growing communities in the country. Currently we provide electricity to more than 880,000 people and 25,000 businesses through 380,000 electric meters. We directly serve 23,750 water customers and supply wholesale water to six local utilities.*

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

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

**OUR PURPOSE, VALUE AND VISION**

**> OUR PURPOSE (what guides us)**

We deliver essential utility services to help our communities thrive.

**> OUR COMMITMENT (the tenets that anchor us)**

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

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

**> OUR VALUES (how we behave)**

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

Every day we **SAFEGUARD** what matters, putting employee and community safety first.

We have **INTEGRITY**. We are a **TEAM**.

We **SERVE** with pride, **RISE** to challenges.

We choose to **INCLUDE** all, **SEEK** growth, and be **BOLD**.

**> OUR VISION (where we are going)**

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

RESOLUTION NO. 6257

A RESOLUTION Adopting the 2026 Budget for Public Utility District No. 1 of Snohomish County, Washington

WHEREAS, a proposed budget for Public Utility District No. 1 of Snohomish County, Washington (the "District"), was filed by the Commission of the District in accordance with the requirements of applicable law; and

WHEREAS, after having given prior notice to the public in accordance with the requirements of applicable law, the Commission held public hearings to take testimony on issues relating to spending levels under consideration for the year 2026; and

WHEREAS, Resolution No. 5853 Modifying the Electric System's Financial Reserve Policy provides that cash reserves and funds are presented in the annual budget and that the staff discuss with the Board proposed modifications of funds; and

WHEREAS, the Commission's Governance Policy on Executive Limitations specifically prohibits the General Manager from financial planning/budgeting which "plans for rate increases in excess of three percent (3%) in any year, or compound increases in excess of ten percent (10%) over any consecutive five-year period..." (Financial Planning and Budgeting (EL-4 (6)); and

WHEREAS, staff has provided public hearing presentations which demonstrate that inflation, market prices, supply chain delays, and other cost pressures have increased revenue requirements for the Water System, and the policy limitation was not met; and

WHEREAS, after having considered staff's estimates of income for 2026 and estimates of expenditures, capital construction requirements, and projected use of reserve funds, and having considered the public testimony of those customers submitting and offering testimony, the Commission has concluded that the 2026 District budget summarized

in Exhibit "A" hereto is fairly structured to maintain the financial health of the District and meet the needs of its customers.

NOW, THEREFORE, BE IT RESOLVED by the Commission of Public Utility District No. 1 of Snohomish County, Washington, as follows:

1. The EL-4 (6) limitation on planned rate increase percentages is hereby waived for this budget and forecasting cycle, and the 2026 budget and the fund transfers for Public Utility District No. 1 of Snohomish County, as summarized in the attached Exhibit "A," is hereby adopted.

PASSED AND APPROVED this 2<sup>nd</sup> day of December 2025.

  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
Vice-President

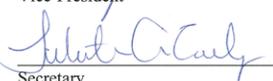
  
\_\_\_\_\_  
Secretary

Exhibit A

Snohomish County PUD 2026 Budget

(\$000's)	Electric	Generation	Water
<b>Operating Revenues</b>			
Energy/Water Retail Sales	\$ 766,866	\$ 28,163	\$ 18,069
Energy/Water Wholesale Sales	27,678	-	753
Other Operating Revenues	38,565	-	451
<b>Total Operating Revenues</b>	<b>\$ 833,109</b>	<b>\$ 28,163</b>	<b>\$ 19,272</b>
<b>Operating Expenses</b>			
Purchased Power/Water	\$ 317,905	-	\$ 4,497
Operations & Maintenance	305,446	16,816	9,706
Taxes	47,761	98	941
Depreciation (non-cash)	71,116	6,222	3,927
<b>Total Operating Expenses</b>	<b>\$ 742,229</b>	<b>\$ 23,136</b>	<b>\$ 19,072</b>
<b>Net Operating Income</b>	<b>\$ 90,880</b>	<b>\$ 5,028</b>	<b>\$ 200</b>
<b>Non-Operating Income (Expense)</b>			
Interest Income & Other	\$ 29,529	\$ 977	\$ 286
Interest Charges	(25,516)	(2,874)	(1,549)
Contributions	36,702	50	4,151
<b>Total Non-Operating Income (Expense)</b>	<b>\$ 40,715</b>	<b>\$ (1,846)</b>	<b>\$ 2,889</b>
<b>Net Income</b>	<b>\$ 131,595</b>	<b>\$ 3,181</b>	<b>\$ 3,089</b>
<b>Other Expenditures</b>			
Capital Expenditures	\$ 248,975	\$ 5,681	\$ 21,268
Debt Service Principal	13,194	3,718	1,103
<b>Reserves Additions/(Uses)</b>			
Revenue Fund/GFC Fund	\$ (7,996)	-	\$ (10,028)
Bond Construction Funds	(59,200)	-	(6,648)



## 2026 BUDGET

The 2026 Budget for Snohomish County PUD reflects a substantial effort of leaders, project leads, planners, and staff from across the organization. It is driven by our strategic values and represents a prudent strategy of reliability, modernization, and infrastructure investment in the future, while continuing to balance the continuing inflation, power supply costs, supply chain and other challenges brought forward from our current economy. With the 2026 Budget, the PUD continues to focus on its commitment to its customers, investing in the quality of its people, preparing for the needs of the future, and responsible cost and fiscal management.



 John Haarlow, CEO/  
General Manager



### 2026 BUDGET KEY FEATURES

The 2026 Budget and expenditure plan provides funding to develop, maintain, and enhance the PUD's Electric, Generation, and Water systems and continue to provide excellent service and enhance reliability to our customers while continuing to pursue cost-effective conservation.

The 2026 operating budget for the Electric System is \$742.2 million, a decrease of \$48.7 million from 2025. The expenditure plan also includes \$249 million in capital expenditures; the majority of those expenditures are for system reliability improvements and upgrades across the PUD's territory and investment in the Connect Up project, a multi-year project to modernize the PUD's meters and network infrastructure.

The 2026 operating budget for the Generation System is \$23.1 million, a \$3.9 million increase from 2025. The expenditure plan also includes \$5.6 million in capital expenditures for construction and improvements, primarily at the Jackson Hydroelectric Project. The Water System's 2026 operating budget is approximately \$19.0 million, a \$1.8 million-decrease from the 2025 operating budget. The expenditure plan for the Water System also includes \$21.3 million in capital improvements, the majority of which are for the advanced water meter conversion project and construction of a new 3,600,000-gallon reservoir on Burn Road.

The following highlights some of the major components of the 2026 Electric System operating budget and capital expenditures:

- ♦ **Recovery from Extreme Power Market Events** – In 2024, the PUD faced significant financial challenges due to severe weather events, leading to substantial power expenditures and a negative impact on our cash reserves. The 2026 Budget aims to initiate financial recovery through the following strategies;
  - » **Cost Containment** – PUD staff have prioritized projects and identified approximately \$12 million in expenditure reductions for the 2026 Budget.

- » **Rate adjustments** – the 2026 Budget includes a 2.5% general rate adjustment in April 2026 subject to Board review and approval.
- » **Use of bond proceeds** – We plan to utilize \$59.2 million of the \$185 million in revenue bonds issued in 2025 to fund major capital projects.
- + **Retail power consumption** – Retail loads, primarily from residential customers, are expected to increase 1% in 2026 compared to the 2025 Budget.
- + **New connections** – The estimate for the 2026 Budget new premise connections is 5,221, an increase from the 2025 budget.
- + **Bonneville Power Administration (BPA) Product change** - In August 2024, the Commission approved a significant change in the power product that will supply the majority of the power to the PUD beginning in October 2025. The change will move us from the Block/Slice product to the Load Following product. This change will result in lower power costs of approximately \$55M in 2026.
- + **System reliability investments** – The 2026 capital plan includes several major projects aimed at increasing reliability for customers – these include miscellaneous line improvement projects, major substation projects such as the Stimson Crossing Substation and the Stimson-Stanwood 115KV Line Rebuild as well as continuation of the wood pole and underground cable replacement programs.
- + **Connect Up Program** – The budget for this program is \$16.2 million, a portion of a multi-year project, to modernize the PUD’s meters and network infrastructure. This project is primarily funded by bond proceeds.
- + **SnoSMART Program** – This project, in partnership with the Department



of Energy (DOE), will enhance community and grid resiliency and support safe, healthy, sustainable, and equitable communities by replacing fire-causing expulsion fuses in highest risk areas, installing hundreds of wireless smart grid devices to improve grid reliability, and upgrading aging software and technology systems to enable a more efficient grid. Capital funding is \$15.5 million in 2026, partially funded by grant revenues from the DOE.

- + **Energy Services programs** – The PUD continues investment in energy-efficiency and related programs with \$22.5 million in planned expenditures. These expenditures are reported as part of operating and maintenance costs. A portion of these costs will be reimbursed by BPA.

## CASH RESERVES

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

The PUD maintains reserve categories as follows:

- + **Unrestricted**, category includes funds that may be used, or redirected for use by the Commission, to meet any operating obligations.
  - » **For the Electric System**, the funds listed below will represent a combined minimum of 180 days of operating expenses (less depreciation expense) in order to meet any operating obligations, beginning, at the latest, with the 2027 annual budget. To gradually work toward this target, the 2026 Budget includes a minimum of 170 days of operating expenses (less depreciation expense) in the Unrestricted Category.
  - » **For the Water System**, the funds listed below will represent a combined minimum of 150 days of operating expenses (less depreciation expense) in order to meet any operating obligations, beginning, at the latest, with the 2029 annual budget. To gradually work toward this target, the 2026 Budget includes a minimum of 100 days of operating expenses (less depreciation expense) in the Unrestricted Category.
  - » **Operating Reserve**, which includes the Revenue Fund, provides adequate working capital for operational liquidity, capital infrastructure investment, seasonal revenue and expenditure fluctuations, and unforeseen events not addressed by other funds.
  - » **Contingency Reserve**, the unrestricted portion which includes the Rate

Stabilization Fund, may be utilized to absorb future costs of significant operating changes compared to budgeted expectations, including wholesale market volatility. Use of these funds will mitigate the impact of unforeseen events that could have an immediate impact on the District's ability to provide low-cost power to its customers.

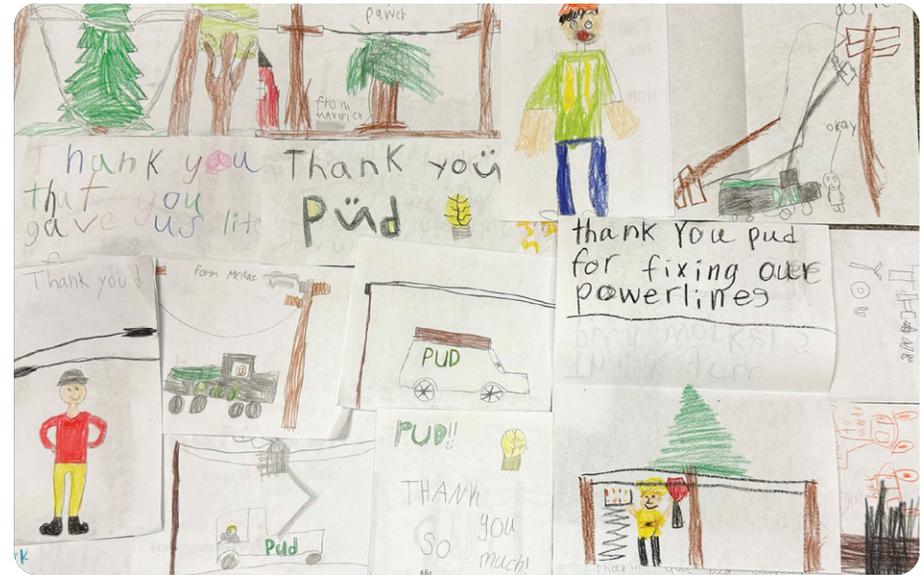
- » **Sinking Reserves**, the unrestricted portion which includes the Privilege Tax Fund within the Electric System only, are funds set aside on a monthly basis to meet the annual privilege tax payment.
- ♦ **Restricted**, category includes funds that contain a legally enforceable requirement through Master Bond Resolution, law, contractual agreement, or as committed by the Commission to be used only for a defined purpose.
  - » **Project Reserve**, which represents funds expected to be used for capital and other projects as approved by the Commission, required by the State, or with respect to Bond Construction Funds.
  - » **Benefit Reserve**, which are set aside to fund between 70-100% of the actuarial cost of post-employment benefit obligations.
  - » **Contingency Reserve**, the restricted portion which includes the Self-Insurance Fund, provides for self-insurance retentions and insurance carrier deductibles.
  - » **Sinking Reserve**, the restricted portion, which includes bond sinking funds, includes funds set aside on a monthly basis for annual debt service payments.
  - » **Bond Debt Service Reserve**, which are held pursuant to bond covenants to secure individual series of bonds issued by the District.

## LONG-TERM STRATEGY & STRATEGIC PLAN

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

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

The 2026 Budget includes funding for several key initiatives and activities that are



directly related to implementation of the Strategic Plan, noted as follows:

## OUR STRATEGIC PRIORITIES

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

### BOLSTER OPERATIONAL RELIABILITY AND RESILIENCY

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

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

## EVOLVE AND ENHANCE CUSTOMER EXPERIENCES

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

- Center our work around customer desires, challenges and expectations,
- Deliver creative, personal and convenient solutions,
- Give customers increased flexibility and control over their usage and costs.

## ACTIVELY HELP OUR COMMUNITIES THRIVE

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

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

## BUILD A SUSTAINABLE FUTURE WITH OUR COMMUNITIES

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

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

## CREATE THE CULTURE AND CAPABILITIES NEEDED FOR THE FUTURE

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

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





# 2026 BUDGET

The Electric System operates primarily to provide electrical service to 880,000 people and 25,000 businesses through 380,000 electric meters. The Electric System purchases the majority of the electrical energy it sells to customers from the Bonneville Power Administration (BPA). The Electric System consists of the PUD's transmission lines, substations, distribution lines, transformers, meters, and general plant. It also includes customer service, engineering and design, energy-efficiency services, and administrative functions that support the construction, operations and maintenance of the transmission and distribution system.



Schedule 1 shows the 2026 Budget compared to the 2025 Budget.

## Schedule 1 ELECTRIC SYSTEM COMPARATIVE FINANCIAL DATA (000s)

	2025 Budget	2026 Budget
<b>Operating Revenues</b>		
Energy Retail Sales	\$ 745,728	\$ 766,866
Energy Wholesale Sales	53,824	27,678
Other Operating Revenues	32,130	38,565
<b>Total Operating Revenues</b>	<b>\$ 831,682</b>	<b>\$ 833,109</b>
<b>Operating Expenses</b>		
Purchased Power	\$ 373,471	\$ 317,905
Operations & Maintenance	302,017	305,446
Taxes	46,395	47,761
Depreciation Expense	69,045	71,116
<b>Total Operating Expenses</b>	<b>\$ 790,927</b>	<b>\$ 742,229</b>
<b>Net Operating Income</b>	<b>\$ 40,755</b>	<b>\$ 90,880</b>
Other Income & Expense	24,991	29,529
Interest Charges	(22,717)	(25,516)
Contributions	33,735	36,702
<b>Net Income</b>	<b>\$ 76,764</b>	<b>\$ 131,595</b>
<b>Other Expenditures</b>		
Capital Expenditures	221,007	248,975
Debt Service Principal	15,545	13,194
<b>Reserve Funds Additions/(Uses)</b>		
Revenue Fund	(26,399)	(7,996)
Bond Construction Funds	(59,500)	(59,200)

## OPERATING REVENUES

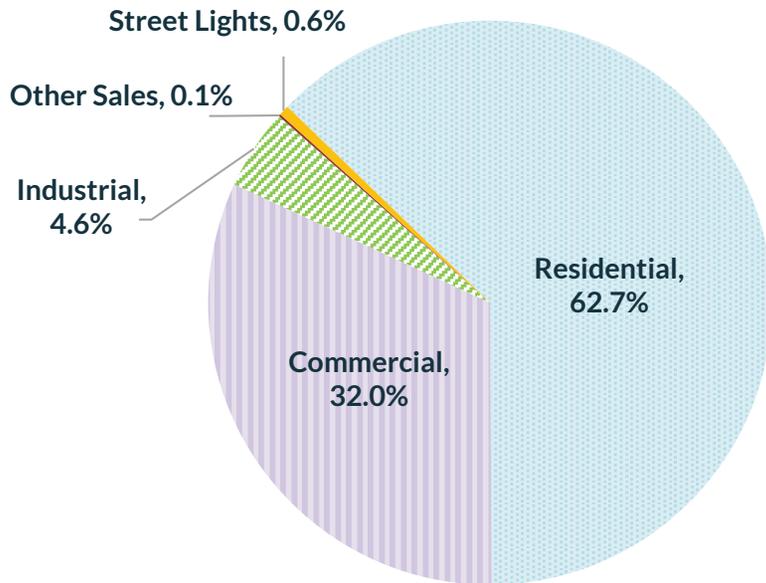
Retail energy sales included in the 2026 Budget are sales within the PUD’s service territory to residential, commercial and industrial customers and are projected to be \$21.1 million higher in the 2026 Budget due to expectations of higher customer consumption and a rate increase.

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

Wholesale Energy Sales Revenues are \$27.6 million in the 2026 Budget, \$26.1 million less than the 2025 Budget. This decrease reflects the change to the Load Following product.

Other Operating Revenues are \$38.5 million in the 2026 Budget, a \$6.4 million increase from 2025 levels. These revenues include sales of the PUD’s transmission capacity, BPA energy-efficiency program reimbursements, customer fees and other revenues.

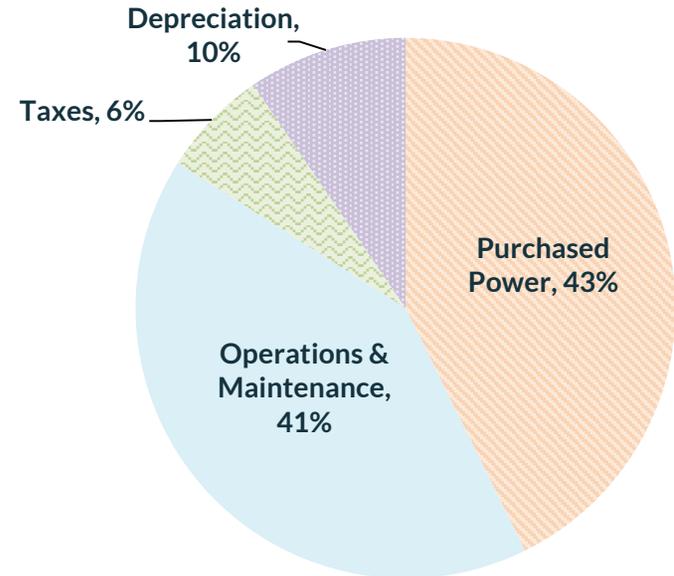
**Chart A: Energy Retail Sales**



## OPERATING EXPENDITURES

The 2026 Budget for operating expenditures is \$48.7 million less than the 2025 Budget. *Chart B highlights the major components of the 2026 operating expenditures.*

**Chart B: Operating Expenses**



## PURCHASED POWER

The 2026 purchased power budget reflects a strategy for power supply that focuses on securing stable, reliable power at predictable prices while keeping risk within acceptable levels.

Purchased power costs of \$317.9 million are \$55.5 million lower than the 2025 Budget.

- + **Bonneville Power Administration (BPA)** - The 2026 Budget reflects a long-term power purchase agreement effective October 1, 2012, and amended to run through September 30, 2025, for the purchase of up to 811 aMW through the Block and Slice products. Beginning in October 2025, the PUD will switch to the Load-Following Product until contract expiration on September 30, 2028.

- **Load Following Product** – The load following product automatically adjusts to meet the customer’s hourly load requirement, ensuring that our power supply is matched in real time. With this product, BPA, rather than the PUD, manages the risk associated with load variability. The 2026 Budget estimates receiving 6.7 million MWh from the load following product at a cost of \$246.1 million.
- **Jackson Hydroelectric Project** – The Electric System is expected to purchase 388,627 MWh of power from the Jackson Hydroelectric Project, a component of the PUD’s Generation System, at a cost of \$14.4 million in the 2026 Budget.
- **Small Hydroelectric Projects** – The Generation System owns four small hydroelectric projects: the Woods Creek Project and the Youngs Creek Project in Snohomish County and the Calligan Creek Project and the Hancock Creek Project in King County. The 2026 Generation System budget includes \$6.2 million in purchased power expenditures related to these projects.
- **Renewable Energy Credits (RECs)** – In the 2026 Budget, the PUD anticipates REC purchases to supplement the PUD’s existing renewables portfolio and more cost-effectively meet the target increase of 15% renewables that occurred in 2020. The 2026 Budget includes \$6.3 million for forecasted REC purchases.
- **Renewable Power Purchases** – In addition to the PUD’s owned resources, the utility has acquired eligible renewable resources through long-term power supply contracts. These include the White Creek Wind Agreement, the Wheat Field Wind Agreement, the Hay Canyon Wind Agreements, the Packwood Agreement, the Small Renewables Generation Agreement, and the Hampton Lumber Mill – Darrington, WA Agreement. The 2026 Budget forecasts a total of 402,182 MWh from these contracts at a forecast total cost of \$31.8 million.

*In 2026 the PUD rebalanced its portfolio of resources to result in the lowest costs for customers. This includes remarketing wind resources and the output of Hancock and Calligan hydropower to third-parties, providing new revenue to the PUD. These values are reflected in the wholesale energy sales volumes listed in Exhibit 1.*

## OPERATING AND MAINTENANCE (O&M) EXPENDITURES

Operating and maintenance expenditures in the 2026 Budget are \$305.4 million, \$3.4 million higher than the 2025 Budget, and account for 41% of total PUD operating expenditures. O&M expenditures include energy-efficiency programs and transmission and ancillary services. Exhibit 3 (page 13) provides detail for O&M expenditures by division, and Exhibit 4 (page 14) provides detail for O&M expenditures by cost element.

### O&M expenditures include the following areas:

- Operating and maintaining the Electric System to provide reliable service to our customers. This effort includes the regular maintenance of lines and stations, response to customer outages, and tree trimming efforts;
- Providing effective customer service through the call center, local offices, account control and front-line operations, as well as executive account attention and effective communications;



- Maintaining an effective program that ensures the safety of employees in the performance of their duties;
- Providing the internal support needed to serve our customers effectively in areas such as human resources and safety, finance and accounting, material procurement and management, and information technology;
- Providing maintenance and upkeep of our facilities, vehicles, and equipment;
- Ensuring compliance with environmental and other government regulations;
- Supporting the policy-making, regulatory and management oversight functions; and maintaining an effective energy-efficiency program.

Operating and maintenance expenditures also include transmission and ancillary services forecasted at \$44.5 million, which is \$18.7 million lower than 2025 Budget levels due to the change in BPA products to Load Following.

## ENERGY SERVICES PROGRAMS

PUD programs are designed so that all customers (residential, commercial, and industrial) have an opportunity to become more energy efficient and have access to the newest energy technologies. The 2026 Budget includes continued enhancements to the energy services program portfolio designed to improve customer experience, meet the PUD’s growing capacity needs, and offer choices that deliver maximum investment value.

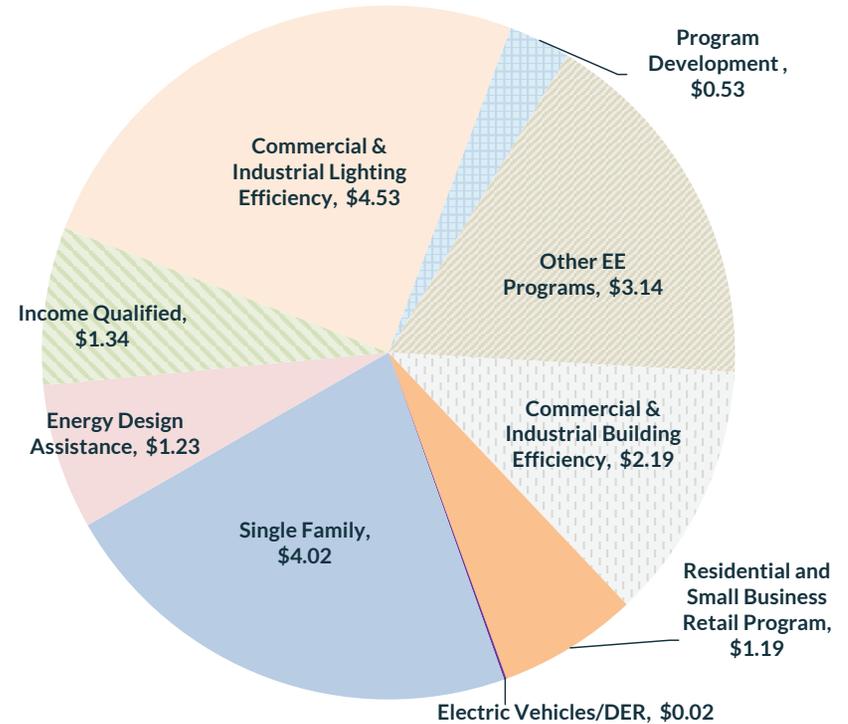
The PUD has allocated an overall Energy Services budget of \$32.2 million, which includes \$22.5 million in energy-efficiency program incentives and rebates. Revenue sources related to energy-efficiency through BPA Energy Efficiency Incentives (EEI) will recover approximately \$9.5 million.

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

### Energy-efficiency programs for the 2026 Budget include the following items:

- Retail discounts on electric hybrid water heaters, smart thermostats, and other high-efficiency appliances and electronics. Weatherization for income-qualified

**Chart C: Energy Service Programs (\$ millions)**



residential customers, provided in partnership with local agencies and supporting dual fuel customers electrifying their homes.

- Incentives for residential insulation, high-efficiency windows, efficient heat pumps (air source, ground source, and ductless); and heat pump water heaters
- Rebates for energy-efficient commercial lighting, networked or advanced lighting controls, HVAC, and other end-uses; as well as midstream lighting incentives at the distributor level for customers that can install themselves
- Builder incentives for efficiency upgrades that exceed the levels set by building code in residential new construction, single family, multifamily, and manufactured homes;
- Strategic energy management and coaching relationships with commercial and industrial customers to identify process, behavioral, and capital energy savings projects;

- Custom incentives to businesses tailored to their unique business processes for installing a wide variety of energy-efficient technologies at commercial and industrial customer sites;
- Energy design assistance for commercial and multi-family new construction projects, including enhanced rebates for demand-response-ready buildings, income-qualified occupancy, electric-vehicle supply equipment, or electric-only design; and
- Expanding our reach with small and medium businesses by leveraging regional partnerships to provide enhanced value and opportunity with direct install programs and energy audits.
- Enhancing state and federal incentives for energy efficient whole home electrification.

**The 2026 Budget also includes resources for the following items:**

- Advancing innovative program development and design;
- Leveraging data to inform more sophisticated strategic planning and target market segments for energy-efficiency resource acquisition;
- Supporting a shift toward capacity benefits as a program outcome in addition to traditional deliverables;
- Continued support of electric vehicle adoption through customer education, engagement and incentive programs;
- Working across departments to deliver Distributed Energy Resources (DER) pilots to learn more about capacity and rate benefits;
- Partnering with outside agencies to co-fund projects by applying for, and managing strategic grants for new technology and opportunities;
- Enhancing outreach and education to couple energy efficiency with the PUD’s

income-qualified energy assistance programs;

- Trade ally network training and development, supporting new jobs in the community and providing incentives for the administration of our programs directly to those implementing;
- Measurement, evaluation, and continual improvement of program performance;
- Providing information and promotion of programs via traditional channels, at events and home shows, and directly in customers’ homes;
- Market research at the local level as well as leveraging regional research efforts; and
- Technology demonstration and evaluation projects conducted in Snohomish County with support from EPRI, BPA, NEEA, and local community partners.

**TAXES AND DEPRECIATION**

Budgeted taxes of \$47.7 million are \$1.3 million higher than 2025 reflecting higher retail energy sales. Taxes include a 3.873% state excise tax and a 2.14% privilege tax.

Estimated depreciation expenditures of \$71.1 million are \$2.0 million higher than 2025. Depreciation is an estimate of the reduced value of the PUD’s fixed assets and are part of operating expenditures in the 2026 Budget.

**CAPITAL EXPENDITURES**

The 2026 Budget includes costs related to expansion, upgrades and maintenance of the Electric System infrastructure, including funding for depreciated cable replacement, distribution system line improvements, and state-requested relocation work. In addition, capital expenditures include the costs for the Connect Up Program, telecommunications infrastructure, information systems applications and hardware, work on existing facilities, development of new facilities, and purchases of vehicles and equipment.

The major capital projects included in the 2026 expenditure plan are presented in the table below and Exhibit 5 on page 15 highlights the capital projects by major category in the 2026 Budget.

- **Capital Asset Programs:** The existing electric system facilities must be routinely refurbished and/or replaced to provide a reliable, cost-effective and safe system. This program provides for facility relocations, replacement of malfunctioning or deteriorated plant and improving operational efficiency. Each of the programs included in this category consists of specific improvement projects

that are continuous and ongoing over a number of years. The 2026 expenditure plan is \$67.2 million for this program.

- Customer and Reimbursable Work:** The Customer and Reimbursable work portion of the capital expenditure plan funds the PUD’s response to customer requests for new electrical service, upgrades to existing services and other services including street and area lighting, as well as new equipment such as transformers and meters. The 2026 Budget includes \$47.6 million in funding for this program, the majority of which is reimbursable.
- New Facilities and Upgrades:** The Facilities Department expenditure plan for capital expenditures is related to design, construction, upgrade and replacement of PUD facilities. The 2026 expenditure plan includes \$7.8 million for this program.
- Major Capital Expansion Projects:** The steady growth and changing load patterns of residential, industrial and commercial customers continue to require new facilities and property as well as increase peak load demands. The purpose of this program is to provide increased electric system capacity by constructing new facilities and large specific system expansions, such as new substations and new lines. These projects generally extend over a number of years. The 2026 expenditure plan for this program is \$24.3 million.
- Vehicles and Equipment:** The replacement of aged vehicles and equipment reaching the end of their useful lives is necessary to ensure safe operation, reliable service and optimal efficiency. Vehicle and equipment replacements are planned by Transportation Services with the intent to remove them from service before extensive maintenance costs and downtime are realized. New technology is continually being investigated to reduce environmental impact and improve workforce efficiency. The 2026 expenditure plan includes \$12.1 million for new and replacement vehicles and equipment.
- Major Capital Upgrade Projects:** A reliable, cost-effective and safe electric system network requires that facilities be upgraded to provide anticipated levels of service. The upgrades to the existing facilities are prompted by localized load growth, land-use changes and infrastructure expansions. This category consists of large specific system upgrades, such as substation upgrades or line reconductoring. The expenditure plan for this program in the 2026 Budget is \$16.3 million.
- Other Capital Outlay:** This program funds anticipated but as yet unidentified work, such as emergency line expansions and replacements and substation im-

provements. This category consists of small system improvements that experience indicates are necessary each year. This program’s expenditure plan for the 2026 Budget is \$395,263.

- Information Technology Upgrades:** The Information Technology Services capital expenditure plan supports the technology infrastructure (such as servers, network, applications, and telecommunications) that provides the basic framework for the PUD’s computer and communications systems. The 2026 expenditure plan includes \$1.7 million in funding for new software and business capabilities, replacement of aging infrastructure and equipment, system software application improvements and telecommunications.
- The TWO: The Cloud** program represents a comprehensive digital transformation initiative aimed at modernizing several of the District’s enterprise systems. The scope includes migrating from the current SAP environment to the next-generation SAP Cloud platform, as well as replacing deprecated SAP modules with more modern third-party software tools that will integrate with the new SAP Cloud platform. The \$23.7 million budget includes the procurement of the SAP Cloud platform and ongoing support, third-party software and support, and internal labor and overhead costs from multiple workgroups across the District.
- Other Capital Expenditures:** Other categories of capital expenditures include funding to modernize our telecommunications system, emergency work and construction, and other smaller projects.

## TWO: The Cloud



### Significant 2026 Electric System Capital Projects/Programs (\$000s)

Two: The Cloud	\$ 23,735
Wood Pole Program	17,365
Connect Up	16,262
Hat Island Cable Replacement	14,827
SnoSMART	15,526
Getchell Switching Station	7,999

## Electric System Operating Revenues

<u>Operating Revenues</u>	2024 Results		2025 Budget		2026 Budget	
	MWh	Amount	MWh	Amount	MWh	Amount
Residential	3,933,257	\$ 452,788,579	3,812,932	\$ 465,030,194	3,826,652	\$ 480,737,138
Commercial	2,407,322	226,541,381	2,423,939	241,367,954	2,402,169	245,247,309
Industrial	440,364	33,544,789	442,736	34,849,312	457,056	35,401,032
Street Lights	30,112	4,549,779	28,000	4,480,543	28,000	4,480,543
Unbilled Revenue	-	(3,600,000)	-	-	-	-
Other Sales - Climate Commitment Act (CCA)	-	11,627,000	-	-	-	1,000,000
<b>Total Retail Energy Sales</b>	<b>6,811,055</b>	<b>\$ 725,451,528</b>	<b>6,707,607</b>	<b>\$ 745,728,003</b>	<b>6,713,877</b>	<b>\$ 766,866,022</b>
<b>Total Wholesale Energy Sales</b>	<b>2,031,807</b>	<b>103,988,227</b>	<b>1,530,709</b>	<b>53,823,965</b>	<b>-</b>	<b>27,677,787</b>
<b>Total Energy Sales</b>	<b>8,842,862</b>	<b>\$ 829,439,756</b>	<b>8,238,315</b>	<b>\$ 799,551,969</b>	<b>6,713,877</b>	<b>\$ 794,543,809</b>
 <u>Other Operating Revenues</u>						
Transmission Sales		\$ 13,965,167		\$ 9,415,440		\$ 14,547,468
Miscellaneous Operating Expense Reimbursements		2,538,231		1,785,408		1,821,116
Surplus REC and Emission Sales		851,316		200,000		-
BPA ECA Reimbursement		4,111,278		7,500,000		9,500,000
Residential Exchange Credit		686,954		618,000		-
Miscellaneous Service Charge Revenue		16,319,710		5,510,590		5,667,151
Rents from Electric Property		4,191,161		7,100,455		7,029,139
<b>Total Other Operating Revenues</b>		<b>\$ 42,663,818</b>		<b>\$ 32,129,893</b>		<b>\$ 38,564,875</b>
<b>Total Operating Revenues</b>		<b>\$ 872,103,574</b>		<b>\$ 831,681,862</b>		<b>\$ 833,108,683</b>

**Electric System  
Purchased Power**

	<b>Total 2024 MWh's</b>	<b>2024 Results</b>	<b>Total 2025 MWh's</b>	<b>2025 Budget</b>	<b>Total 2026 MWh's</b>	<b>2026 Budget</b>
BPA Block	3,289,162	\$ 110,379,777	2,405,522	\$ 82,851,121	-	\$ -
BPA Slice/Slice True-up	3,438,464	128,970,055	2,670,100	102,005,404	-	-
BPA Load Following	-	-	1,890,827	74,720,876	6,692,568	246,095,184
<b>Total BPA Power Costs</b>	<b>6,727,626</b>	<b>\$ 239,349,832</b>	<b>6,966,450</b>	<b>\$ 259,577,401</b>	<b>6,692,568</b>	<b>\$ 246,095,184</b>
Jackson Hydro	366,518	10,897,664	366,503	12,883,947	388,627	14,405,753
Generation System - Other Debt Service	-	8,437,965	-	4,395,146	-	7,155,153
Youngs Creek Hydro	18,649	1,963,861	16,421	1,905,159	17,114	1,900,221
Woods Creek Hydro	1,625	310,910	1,094	360,724	1,273	486,551
Hancock Creek Hydro	22,945	2,329,863	24,952	2,243,753	27,308	2,033,651
Calligan Creek Hydro	17,094	2,005,581	22,863	1,864,459	24,598	1,779,352
Biofuel/Renewable Generation	-	395,864	-	234,776	-	402,757
<b>Total Generation System</b>	<b>426,831</b>	<b>\$ 26,341,708</b>	<b>431,833</b>	<b>\$ 23,887,965</b>	<b>458,920</b>	<b>\$ 28,163,439</b>
Small Power Producer	316	21,221	229	11,322	238	11,789
Qualco	4,878	-	5,033	-	5,033	-
Packwood	12,152	718,830	16,461	762,395	17,045	739,265
Hampton Lumber Mills	17,049	1,182,491	18,767	1,249,018	18,767	1,255,899
Wind Power Contracts	355,876	28,606,505	366,371	29,308,980	366,371	29,782,500
Arlington Battery Storage Project	-	-	-	-	-	2,880,000
<b>Total Other Renewable Power Sources</b>	<b>390,271</b>	<b>\$ 30,529,047</b>	<b>406,861</b>	<b>\$ 31,331,715</b>	<b>407,454</b>	<b>\$ 34,669,453</b>
<b>Market/Short Term Purchases</b>	<b>1,451,131</b>	<b>130,277,797</b>	<b>768,864</b>	<b>50,640,185</b>	<b>-</b>	<b>-</b>
Other Non-Power Services	-	236,511	-	278,245	-	-
Renewable Energy Credits (REC) Purchases	-	2,375,272	-	2,250,000	-	6,300,000
Power Resource Management	-	6,377,263	-	5,505,379	-	2,377,387
Climate Commitment Act (CCA)	-	-	-	-	-	300,000
<b>Total Purchased Power</b>	<b>8,995,859</b>	<b>\$ 435,487,430</b>	<b>8,574,008</b>	<b>\$ 373,470,890</b>	<b>7,558,942</b>	<b>\$ 317,905,463</b>

**Electric System**  
**Operating Maintenance Expenses - By Division**

<b>Operating &amp; Maintenance - by Division</b>	<b>2024 Results</b>	<b>2025 Budget</b>	<b>2026 Budget</b>
Distribution & Engineering Services	\$ 115,013,083	\$ 90,729,276	\$ 100,429,534
Transmission and Ancillary Services	68,460,501	63,279,825	44,511,742
Customer and Energy Services	42,401,536	53,356,608	59,354,897
Information Technology Services	35,812,365	38,965,248	48,748,417
Finance Division	26,915,861	21,290,460	24,813,765
Facilities and Security	15,142,396	17,200,968	19,501,023
Human Resources	15,891,385	16,026,960	21,349,457
Chief Executive Officer/Commission Office/Gov't Relations	4,085,980	4,462,668	4,350,919
Communications, Marketing and Business Readiness	6,998,292	8,288,880	8,599,126
General Counsel and Records Management	6,406,241	8,985,516	7,966,508
Power and Transmission Services Division	1,926,687	2,345,340	1,413,877
Other Costs/Credits	(31,571,602)	(22,915,308)	(35,594,179)
<b>Total Operating &amp; Maintenance Expenses by Division</b>	<b>\$ 307,482,725</b>	<b>\$ 302,016,524</b>	<b>\$ 305,446,086</b>

**Electric System  
Operating Maintenance - By Cost Element**

<u>Operating &amp; Maintenance by Cost Element</u>	<u>2024 Results</u>	<u>2025 Budget</u>	<u>2026 Budget</u>
Labor and Overtime	\$ 117,102,888	\$ 109,716,988	\$ 114,395,758
Transmission and Ancillary Services	68,460,502	63,279,825	44,511,742
Contracts and Services	58,084,775	60,902,863	65,396,699
Overheads	43,614,324	31,776,934	34,342,473
Materials, Equip and Supplies	18,725,942	12,655,476	17,412,698
Employee and Retiree Benefits	(14,543,445)	7,966,632	10,673,411
Bad Debt Expense	4,304,107	2,999,664	4,000,000
Insurance and Claims	4,014,271	3,537,420	5,450,156
Other Miscellaneous Expense	3,577,019	4,152,444	3,810,756
Rents and Utilities	2,383,404	2,459,964	2,581,139
Travel and Training	1,426,443	2,333,414	2,633,253
Land, Property and Easements	332,495	234,900	237,000
<b>Total Operating &amp; Maintenance by Cost Element</b>	<b>\$ 307,482,725</b>	<b>\$ 302,016,524</b>	<b>\$ 305,446,086</b>

## Electric System Capital Expenditures

<u>Capital Projects by Major Category</u>	<u>2024 Results</u>	<u>2025 Budget</u>	<u>2026 Budget</u>
Asset Programs	\$ 37,594,817	\$ 53,744,414	\$ 67,210,718
Customer & Reimbursable Work	40,827,803	37,735,970	47,649,297
Expansion Projects	17,062,245	26,582,627	24,280,959
Vehicles and Equipment	10,070,765	11,356,105	12,098,759
Connect Up Program	11,560,337	29,483,854	16,262,307
Other Distribution Capital	6,594,608	14,698,785	6,443,937
Upgrade Projects	9,320,044	9,709,564	16,331,562
Emergency Work and Construction	8,244,857	6,500,000	9,000,000
Outlay Programs	(552,296)	403,771	395,263
Renewable/Microgrid Development	2,889,529	-	-
SnoSmart	245,240	12,970,316	15,526,296
New Facilities and Upgrades	14,348,224	16,364,707	7,802,825
Information Technology Upgrades	3,177,569	1,456,764	1,763,000
Corporate	(1,558,030)	-	629,554
Two the Cloud	-	-	23,734,950
<b>Total Capital Programs</b>	<b>\$ 159,825,711</b>	<b>\$ 221,006,878</b>	<b>\$ 248,975,001</b>



# Generation System 2026 BUDGET

**T**he Generation System is financed and accounted for as a system separate from the Electric System.

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

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

Schedule 2 is a summary comparing the 2026 Budget for the Generation System with the 2025 Budget.

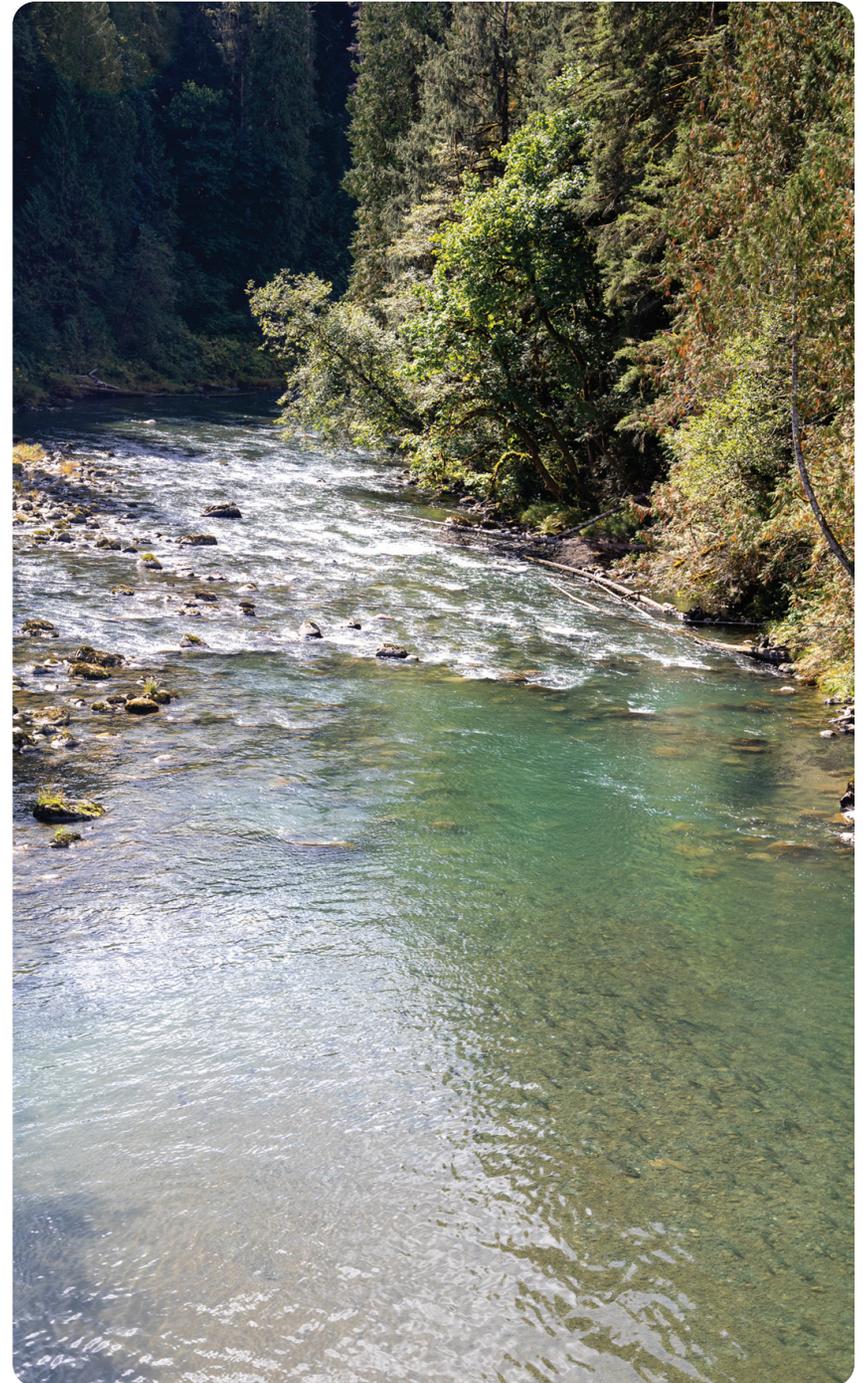
## OPERATING REVENUES

The majority of the Generation System's costs, and the MWh generated, are passed on to the Electric System via energy sales (recorded as purchased power by the Electric System). Energy Sales are higher than the 2025 budget.

## OPERATING EXPENDITURES

Operating and maintenance expenditures in the 2026 Budget are up \$3.8 million compared to 2025 levels due to a higher shared services from the Electric System.

Estimated depreciation expenditures of \$6.2 million reflect the current depreciation schedules on assets for 2026. Depreciation is an estimate of the reduced value of the Generation System's fixed assets.



## CASH ADJUSTMENTS TO NET INCOME

Capital expenditures in the 2026 Budget are \$5.6 million, \$1.0 million higher than the 2025 Budget.

Debt service principal is lower in the 2026 Budget compared to 2025, reflecting current debt service payment schedules.

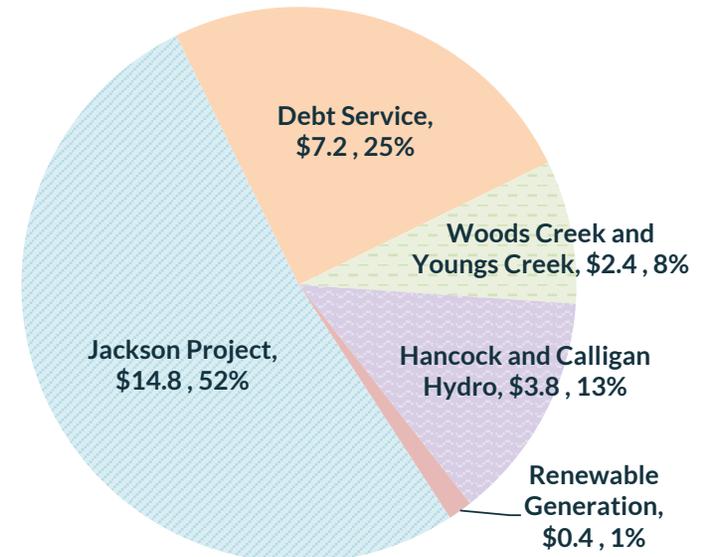
### Schedule 2 GENERATION SYSTEM COMPARATIVE FINANCIAL DATA (000s)

	2025 Budget	2026 Budget
<b>Operating Revenues</b>		
Energy Sales	\$ 23,888	\$ 28,163
Other Operating Revenues	-	-
<b>Total Operating Revenues</b>	<b>\$ 23,888</b>	<b>\$ 28,163</b>
<b>Operating Expenses</b>		
Operations & Maintenance Expenses	\$ 13,003	\$ 16,816
Taxes	98	98
Depreciation	6,100	6,222
<b>Total Operating Expenses</b>	<b>\$ 19,200</b>	<b>\$ 23,136</b>
<b>Net Operating Income</b>		
	<b>\$ 4,688</b>	<b>\$ 5,028</b>
Other Income & Expense	987	977
Interest Charges	(3,476)	(2,874)
Contributions	50	50
<b>Net Income</b>	<b>\$ 2,249</b>	<b>\$ 3,181</b>
<b>Other Expenditures</b>		
Capital Expenditures	\$ 4,598	\$ 5,680
Debt Service Principal	3,746	3,718



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

**Chart D: Generation System Sales  
(\$ millions)**



<b>Generation System Net Energy Sales</b>	<b>2024 Results</b>	<b>2025 Budget</b>	<b>2026 Budget</b>
Jackson Hydro	\$ 10,897,664	\$ 12,883,947	\$ 14,405,753
Generation System - Other	8,437,965	4,395,146	7,155,153
Youngs Creek Hydro	1,963,861	1,905,159	1,900,221
Woods Creek Hydro	310,910	360,724	486,551
Hancock Creek Hydro	2,329,863	2,243,753	2,033,651
Calligan Creek Hydro	2,005,581	1,864,459	1,779,352
Biofuel	395,864	234,776	402,757
<b>Total Generation System Net Energy Sales</b>	<b>\$ 26,341,708</b>	<b>\$ 23,887,965</b>	<b>\$ 28,163,439</b>

<b>Generation System O&amp;M by Cost Element</b>	<b>2024 Results</b>	<b>2025 Budget</b>	<b>2026 Budget</b>
Labor	\$ 5,134,968	\$ 5,059,440	\$ 5,056,112
Contracts and Services	2,472,193	2,113,200	6,500,015
Overheads	2,868,017	2,973,948	2,836,776
Materials, Equip and Supplies	822,761	953,136	1,182,124
Insurance and Claims	739,714	1,521,804	786,871
Other Miscellaneous Expense	6,822	7,032	7,330
Rents and Utilities	250,192	285,408	299,617
Travel and Training	41,547	69,504	114,975
Land, Property and Easements	10,632	19,092	32,590
<b>Total Generation System O&amp;M by Cost Element</b>	<b>\$ 12,346,846</b>	<b>\$ 13,002,564</b>	<b>\$ 16,816,410</b>

<b>Generation System Capital Expenditures</b>	<b>2024 Results</b>	<b>2025 Budget</b>	<b>2026 Budget</b>
Jackson Hydro	\$ 2,959,379	\$ 2,959,379	\$ 5,160,211
Youngs Creek Hydro	46,059	-	116,481
Woods Creek Hydro	94,006	168,425	403,828
Hancock Creek Hydro	20,888	80,000	-
Calligan Creek Hydro	20,987	-	-
Biofuel	3,448	-	-
<b>Total Generation System Capital Expenditures</b>	<b>\$ 3,144,767</b>	<b>\$ 3,207,804</b>	<b>\$ 5,680,519</b>

# Water System *Celebrating 80 years!* 1946-2026

# 2026 BUDGET

The Water System is financed and accounted for separately from the Electric and Generation Systems. It operates primarily to provide water service to 23,750 customers in central Snohomish County. The Water System purchases the majority of the water it sells to customers from the City of Everett. The assets of the system include transmission mains, pump stations, distribution mains and services, supply wells, reservoirs, treatment facilities, meters, maintenance facilities, and equipment. The Water System is charged for administrative functions provided by the Electric System.



## ASSUMPTIONS

The 2026 Budget is based on the following assumptions:

- Water Purchases:** The majority of the water sold by the PUD is purchased from the City of Everett. The City of Everett anticipates a 13% increase in wholesale rates in 2026, which is reflected in the budget for purchased water costs.
- General Rate Increase:** The 2026 Budget includes a 5.75% general water retail rate increase, effective January 2026, to help address rising inflation and other cost pressures as well as a 2.5% pass-through to address the rising City of Everett water costs. This increase is subject to public hearing and Board approval.

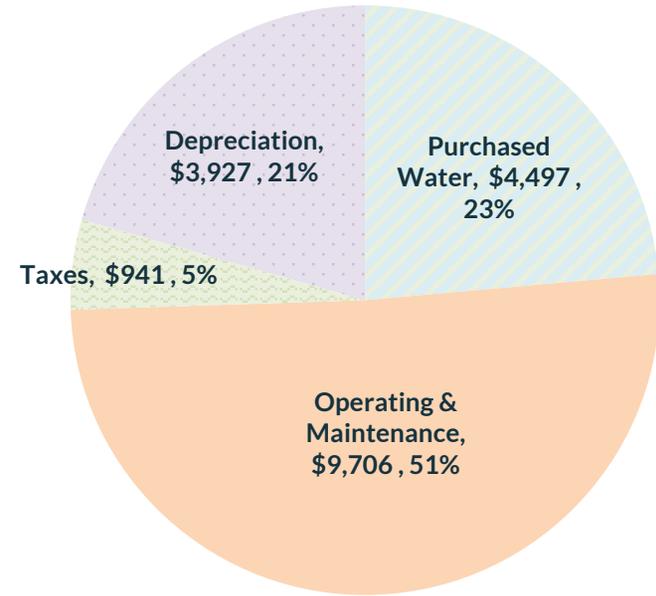
Schedule 3 is a summary comparing the 2026 Budget for the Water System with the 2025 Budget.

### Schedule 3 WATER SYSTEM COMPARATIVE FINANCIAL DATA (000s)

	2025 Budget	2026 Budget
<b>Operating Revenues</b>		
Water Retail Sales	\$ 18,080	\$ 18,069
Water Wholesale Sales	774	753
Other Operating Revenues	410	451
<b>Total Operating Revenues</b>	<b>\$ 19,264</b>	<b>\$ 19,272</b>
<b>Operating Expenses</b>		
Purchased Water	\$ 4,889	\$ 4,497
Operating & Maintenance	11,296	9,706
Taxes	945	941
Depreciation	3,818	3,927
<b>Total Operating Expenses</b>	<b>\$ 20,948</b>	<b>\$ 19,072</b>
<b>Net Operating Income</b>	<b>\$ (1,683)</b>	<b>\$ 200</b>
Other Income & Expense	1,004	286
Interest Charges	(1,149)	(1,549)
Contributions	4,232	4,151
<b>Net Income</b>	<b>\$ 2,405</b>	<b>\$ 3,090</b>
<b>Other Expenditures</b>		
Capital Expenditures	14,555	21,268
Debt Service Principal	1,128	1,103
<b>Reserve Funds Additions/(Uses)</b>		
Revenue Fund/GFC Fund	(798)	(10,028)
Bond Construction Funds	(8,006)	(6,648)



**Chart E: Water System Expenditures (\$000s)**



- ♦ **Operating Revenues:** Water retail sales are estimated at \$18 million. Other operating revenues include \$450,747 in property rental and other miscellaneous fees. The 2026 Budget includes a 5.75% general retail water rate increase and a 2.5% pass through, effective January 1, 2026, needed to help offset the wholesale water increase effective January 1, 2026, from the City of Everett and other cost pressures.
- ♦ **Operating Expenditures:** Purchased water costs are budgeted at \$4.5 million, a decrease of \$392,000 from 2025 levels. Water purchases needed from the City of Everett include the impact of a projected 13% wholesale water rate increase, and increased use of the Lake Stevens well compared to 2025 and the anticipated short-term shutdown. Water purchases are offset partially by production from the PUD’s Lake Stevens well water treatment facility. *Chart E reflects the relative amount of the expenditure categories in the Water System.*

  - » Operating and maintenance expenditures for the 2026 Budget are lower than 2025 budgeted levels primarily due to a reduction in FTEs following the full deployment of Connect Up. Additionally we are evaluating on-call contracts as we look to identify opportunities to transition work in-house where possible.

- » Estimated depreciation of \$3.9 million is roughly equivalent to 2025. Depreciation is an estimate of the reduced value of the PUD’s fixed assets.
- ♦ **Cash Adjustments to Net Income:** The 2026 Budget provides approximately \$21.3 million for capital expenditures as well as construction projects and features several significant water main replacements as well as funding a new 3,600,000 gallon reservoir on Burn Road. The table below lists the significant capital expenditures included in the 2026 Budget.

<b>Significant 2026 Water System Construction Projects/Programs (\$000s)</b>	
Burn Road 726 Reservoir (3.6 MG)	\$ 7,521
Water AMI Conversion	3,470
103rd Avenue SE Main Replacement	1,489
150th St NE Main Extension (Burn Road)	1,196
Vehicles and Equipment	1,010

**Water System  
Operating and Other Revenue**

**Operating Revenues**

	<u>2024</u>	<u>2025</u>	<u>2026</u>
<u>Water Retail Sales</u>	<u>Results</u>	<u>Budget</u>	<u>Budget</u>
Sale of Water - Retail SF & MF (includes Surcharge)	\$ 14,366,304	\$ 16,829,227	\$ 16,836,787
Sale of Water - Commercial	1,051,366	1,250,474	1,231,876
<b>Total Water Retail Sales</b>	<b>\$ 15,409,670</b>	<b>\$ 18,079,701</b>	<b>\$ 18,068,663</b>
Sale of Water - City of Granite Falls Wholesale	\$ 381,675	\$ 397,045	\$ 394,012
Sale of Water - City of Arlington Wholesale	241,182	280,628	266,710
Sale of Water - Other (Snohomish & Goldbar)	90,452	96,790	91,879
<b>Total Wholesale Water Sales</b>	<b>\$ 713,309</b>	<b>\$ 774,463</b>	<b>\$ 752,601</b>
<b>Total Water Sales</b>	<b>\$ 16,122,979</b>	<b>\$ 18,854,164</b>	<b>\$ 18,821,264</b>
<b><u>Other Operating Revenues</u></b>			
Lake Roesiger Septic Tank Pumping Revenue	\$ 14,921	\$ 14,425	\$ 14,615
Property Rental	244,464	246,901	232,273
Miscellaneous Receipts & Engineering Fees/Other	179,193	148,992	203,859
<b>Total Other Revenues</b>	<b>\$ 438,577</b>	<b>\$ 410,318</b>	<b>\$ 450,747</b>
<b>Total Operating Revenues</b>	<b>\$ 16,561,556</b>	<b>\$ 19,264,482</b>	<b>\$ 19,272,011</b>
<b><u>Other Revenue</u></b>			
Investment Income	\$ 2,091,689	\$ 161,765	\$ 267,056
Assessments for LUDS Interest	17,106	18,247	19,057
<b>Total Interest Income and Other</b>	<b>\$ 2,108,795</b>	<b>\$ 180,012</b>	<b>\$ 286,113</b>
<b><u>Contributions</u></b>			
General Facilities Charges	\$ 1,346,572	\$ 1,652,771	\$ 1,455,512
New Service Connections	207,817	191,276	205,017
Distribution Service Charges	222,426	188,390	190,858
Non-Cash Contributions/Donated Plant	2,248,147	2,200,000	2,300,000
<b>Total Contributions</b>	<b>\$ 4,024,962</b>	<b>\$ 4,232,437</b>	<b>\$ 4,151,387</b>

## Water System Operating Expenses

## Operating Expenses

Operating & Maintenance by Cost Element	2024 Results	2025 Budget	2026 Budget
Labor and Overtime	\$ 4,397,671	\$ 5,413,418	\$ 4,504,888
Contracts and Services	2,355,093	2,023,323	1,836,647
Overheads	2,605,256	3,211,131	2,619,897
Materials, Equip and Supplies	805,801	1,217,586	1,312,698
Bad Debt Expense	36,688	68,378	66,914
Property and Liability Insurance	104,321	135,622	245,462
Other Miscellaneous Expense	32,841	41,300	99,926
Rents and Utilities	383,952	409,200	415,816
Travel and Training	70,634	24,000	53,981
Land, Property and Easements	32,329	30,000	33,748
A&G Credit	(1,044,409)	(1,277,833)	(1,483,792)
<b>Total Operating &amp; Maintenance by Cost Element</b>	<b>\$ 16,683,686</b>	<b>\$ 19,991,751</b>	<b>\$ 9,706,185</b>
<b>Purchased Water</b>	<b>\$ 3,689,307</b>	<b>\$ 4,888,899</b>	<b>\$ 4,497,292</b>
<b>Taxes</b>	<b>840,612</b>	<b>944,796</b>	<b>941,072</b>
<b>Depreciation</b>	<b>3,831,000</b>	<b>3,818,000</b>	<b>3,927,143</b>
<b>Total Operating Expense</b>	<b>\$ 25,044,605</b>	<b>\$ 29,643,446</b>	<b>\$ 19,071,692</b>

Water System  
Capital Expenditures

<u>Capital Project by Major Category</u>	<u>2024 Results</u>	<u>2025 Budget</u>	<u>2026 Budget</u>
Water Mains	\$ 2,080	\$ 2,331	\$ 3,609
Pump Stations	1,795	150	350
Reservoirs	1,006	1,423	8,381
General	5,113	8,351	6,628
Donated Plant	2,591	2,300	2,300
<b><u>Total Water System Capital Expenditures</u></b>	<b><u>\$12,585</u></b>	<b><u>\$14,555</u></b>	<b><u>\$21,268</u></b>





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  - Starting Wage \$56.06/hr
  - Journey Wage \$75.77/hr
- Meter Electrician
  - Starting Wage \$51.28/hr
  - Journey Wage \$69.29/hr
- System Operator
  - Starting Wage \$62.69/hr
  - Journey Wage \$81.25/hr

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