



3459000

2780

7890

215

148

430

2025 ANNUAL REPORT  
**BY the NUMBERS**

3789

144

# 1

*New North County Office  
opened in March 2025*



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# Caring for Our Communities

**24,014**

*Pounds of food donated to a local food bank by PUD employees during a holiday season food drive.*



**\$8,147**

*Amount of money PUD employees raised for the Community Energy Fund during a summer fundraiser.*



# Greetings

*from the Commissioners*



*Julieta Altamirano-Crosby*  
Julieta Altamirano-Crosby



*Sid Logan*  
Sid Logan



*Tanya Olson*  
Tanya "Toni" Olson

**W**e, your publicly elected Board of Commissioners, remain focused on providing our customers with affordable and reliable power and water that is safe and environmentally sustainable.

This past year brought continued progress as we strengthened our systems, advanced new technologies and worked to ensure the PUD is well positioned to meet the needs of our growing and changing communities. Several multi-year projects, including SnoSMART and Connect Up, continue to move along as we look to be a utility of the future.

Public power has deep roots in our region, and we take great pride in representing our customer-owners. As a pub-

lic utility, we value transparency, community engagement and the active voice our customers have in shaping PUD policies and services. We are proud of the work accomplished by our employees over the past year and grateful for the trust our customers place in us every day. We are the 12th largest public utility in the U.S. and the second largest in Washington state, serving a population of 877,500 citizens of Snohomish County and Camano Island and the businesses that keep them thriving.

We are pleased to share this 2025 annual report and are proud of the accomplishments of our employees and customers over the past year as we power forward.

# Message from the CEO/GM *John Haarlow*



**A**s I reflect on another year, I am constantly amazed at the dedication and professionalism of Team PUD and the work we do every day to serve our customers.

The accomplishments highlighted in this annual report reflect thousands of individual decisions made with care — decisions strengthened our electric and water systems, delivered value to our customers and put safety and wellness first.

Our Strategic Priorities remained our guiding focus throughout 2025. Across the organization, teams advanced long-term planning and near-term system improvements to ensure our grid remains dependable in the face of growth, climate impacts, and increasing complexity. Teams worked to improve how our customers interact with us every day, we delivered community events that were engaging and educational, and continued to strive to be an employer that delivers meaningful experiences and development opportunities.

Key progress in 2025 included advancing major grid modernization and planning milestones. The PUD delivered a 10-year Small Area Forecast, a 20-year Long Range Plan, and a 60-year Horizon Plan, providing a stronger foundation for investment decisions and system readiness. We also continued modernizing our infrastructure through our SnoSMART and Connect Up programs — both of which will revolutionize our grid and how our customers use power and water.

Safety remained the foundation of all this work. In 2025,

safety was embedded in how we planned, prioritized, and executed projects — from system inspections that identified practical grid-hardening fixes, to refined maintenance and asset-management practices designed to reduce risk for employees and our customers. Our shared responsibility for safety is not defined by a single initiative, but by daily actions that protect our people and our communities.

We also strengthened the tools that support reliability and transparency. In 2025, the PUD updated Transmission and Distribution Planning Guidelines, improved outage metrics reporting and mapping capabilities, and developed a clearer “blue sky” definition to better segment system reliability performance. These improvements help us better understand system behavior, prioritize investments and communicate clearly with our customers.

The work ahead remains significant, but I am confident in our direction. With disciplined planning, targeted investments, and an unwavering focus on safety, the PUD is well positioned to continue delivering reliable power and exceptional value — today and for generations to come.

# 2025 Executive Leadership Team



**John Haarlow**  
*Chief Executive Officer/  
General Manager*



**Jeff Bishop**  
*Chief Financial Officer*



**John Hoffman**  
*Chief Customer Officer*



**Lisa Hunnewell**  
*Chief Communications  
Officer*



**Kim Johnston**  
*Chief Government Relations  
& Strategy Officer*



**Jeff Kallstrom**  
*Chief Water Operations  
Officer*



**Sara Kurtz**  
*Chief Human Resources  
Officer*



**Kristi Sterling**  
*Chief Information Officer*



**Colin Willenbrock**  
*Chief Operating &  
Legal Officer*



**Jason Zyskowski**  
*Chief Energy Resources  
Officer*

# A Proud Legacy



**1936:** Snohomish County PUD was created by a majority vote of the people to provide electric and water service to Snohomish County and Camano Island.

**1947:** Officially began operations as a water utility.

**1949:** The PUD purchased the electric distribution system for Snohomish County and Camano Island from Puget Sound Power & Light and began serving its new customers.

### **Today...**

**12th** largest public utility in the U.S.

**2nd** largest public utility in Washington state.

**877,500** citizens served in Snohomish County and Camano Island and the businesses that keep them thriving.

**3** elected commissioners govern the PUD, who represent separate districts within its service territory.

*Zap greets a young customer  
at the Energy Block Party.*



# Connecting with Our Communities



*The Energy Block Party on April 26.*



The PUD continues to focus on putting customers first and finding new ways to reach, help and engage with people throughout Snohomish County and Camano Island. Our third Strategic Priority states that we will do all we can to “actively help our communities thrive.”

That goal led the way again for the PUD in 2025. We had 13 PUD-hosted events for our customers including our annual Energy Block Party and Hydropower Appreciation Day celebrations. The PUD also welcomed the community to the grand opening of our new North County Community Office in Arlington. In total, the PUD participated in about 150 events, including job recruitment fairs, community tabling events, Chamber of Commerce meetings, community presentations and more!

The PUD’s Education Team participated in 44 events alone, including STEM nights and field trips to our Woods Creek Hydroelectric Project and Sustainability Center. The team also continued to work with contracted teachers and update lesson plans that revolve around conservation and safety. The Education Team works with 15 local school districts in the PUD’s service territory, as well as several private schools across Snohomish County.

## Community Engagement by the Numbers

151 – Number of community events the PUD took part in over the course of 2025.

44 – Total number of events by our Education Team, including STEM nights and field trips to Woods Creek Hydroelectric Project and Sustainability Center.

24 – Job recruitment fairs the PUD attended.

21 – Community tabling events the PUD took part in during 2025.

13 – Number of PUD-hosted events, including the Energy Block Party and grand opening of our North County Community Office.

6 – Community Presentations on multiple transmission line projects.



*Crews work to restore power during an outage in December 2025.*

We were also hard at work behind the scenes, striving to improve our Outage Map to make things easier for our customers to during an outage. We improved the zooming function, updated Estimated Time of Restoration (ETR) messaging, made visibility better in Dark Mode, improved the “Find My Location” feature and made enhancements to improve the customer experience on a mobile device.

We had 152,780 outages reported by customers through the Outage Map in 2025 and 76% (115,447) opted-in to receiving one-time outage text alerts. We had a survey response rate of 7.66% for customers that received those alerts, with the average score being a 9.37 out of 10 in the “Likely to Recommend” the PUD to a friend category.

In addition, we received over 202,000 calls from customers to our Customer Service Call Center.

## **Outage Map by the Numbers**

345,900 – Number of enrollments in MySnoPUD customer portal for outage alerts.

152,780 – Number of outages reported by customers through the Outage Map or Interactive Voice Response (IVR) system.

76% – Amount of those customers who reported outages that signed up for one-time outage alerts (115,447).

9.37 – Average score in post-outage survey for “Likely to Recommend” the PUD category.

9.01 – Average score in post-outage survey for “Rate the Frequency of Notifications” category.

8.98 – Average score in post-outage survey for “How Helpful was the Info Provided” category.

## Conservation by the Numbers

\$19,021,620 – Total direct and indirect savings through Northwest Energy Efficiency Alliance (NEEA) in 2025.

\$144,103 – Total donations to our Community Energy Fund to help customers pay their energy bills.

71,687 – Number of Clean Energy Bill Credits for eligible low- and moderate-income families.

19,345 – Total amount of customers served with our Income Qualified Discount Program in 2025.

8,424 – Number of Low-Income Home Energy Assistance Program (LIHEAP) pledges to customers that totaled \$4,444,486.

466 – Number of homes participating in our Green Home Rewards residential program, that incentivizes above code energy efficiency when building new construction. Participants received about \$3,380 on average.

The PUD also maintained its focus on helping our customers financially, from large corporations to first-time home buyers, reduce their energy usage and save on their bills. We helped 53 households weatherize their homes, providing about \$675,000 in reimbursements.

We collaborated closely with the Northwest Energy Efficiency Alliance (NEEA), an organization that works with the Bonneville Power Administration and utilities to create and lead market transformation projects. These programs work with manufacturers to ensure energy-efficient options are commercially available for customers to access savings. NEEA's direct – and indirect – savings helped customers save over \$19 million, with some of the most successful areas related to energy-efficient heat pump water heaters and lighting controls.

For some of our most vulnerable customers, we had about 19,000 people enrolled in our Income Qualified Discount Program. Those customers were given over \$9.6 million in total discounts. Our Community Energy Fund, which provides one-time grants to families and individuals who need help paying their energy bills raised about \$144,000 in donations and provided grants to 562 households.

Finally, our Low-Income Home Energy Assistance Program (LIHEAP) had 8,424 pledges for almost \$4.5 million. LIHEAP provides energy assistance to help low-income houses in Washington state receive affordable utility services through a network of community action agencies and partners.

The PUD remains a Smart Energy Provider (SEP) by the American Public Power Association. The PUD is one of just 70 public power utilities in the nation to earn the designation. SEP designees are recognized for demonstrating commitment to, and proficiency in, energy efficiency, distributed generation and environmental initiatives that support a goal of providing low-cost, quality, safe and reliable electric service.



*The PUD helped Hotel International replace their windows.*



*A crew works to upgrade equipment.*

# Powering Our Communities



*Moving lines in Sultan for a road project.*



The new North Camano Substation, Twin City Substation in Stanwood and the 115 kV Stanwood to Camano Transmission Line projects were significant infrastructure upgrades completed in 2025 to enhance reliability and meet growing demand in Stanwood and on Camano Island.

The Camano Island Substation provides a dedicated power source for Camano Island, reducing outages and improving stability for residents and businesses. The Stanwood to Camano Transmission Line connects the new substation to the broader grid, ensuring a consistent flow of electricity and supporting future growth on Camano Island. Both projects are designed to address load growth and improve service reliability for the communities we serve.

Despite multiple storms to end the year, the PUD performed well in several key metrics, with a SAIDI score of 149.5 minutes – the average number of minutes a customer was without power in 2025. The SAIFI score – the average number of times a customer lost power – was 1.26. Both our SAIDI and SAIFI scores were down significantly from 2024 (192.3 and 1.81 respectively).

Every year, on average, the PUD replaces about 500 aging poles, assesses and treats more than 25,000 poles and replaces 20 to 30 miles of aging underground cables throughout the utility's service area. It also trims trees on more than 450 circuit miles each year to maintain a high degree of system reliability.

## Reliability by the Numbers

188 – Number of transformers and apparatuses tested, refurbished and returned to stock for a total savings of \$571,764.

149.5 – SAIDI (average minutes a customer was without power).

1.26 – SAIFI (average number of times a customer lost power).

99.972% – ASAI (percentage of time power was available to the average customer).



*Top: The Water Utility practices tapping a hydrant.  
Above: Testing a water sample in its in-house lab.*

In 2025, the PUD's Water Utility achieved significant milestones with the completion of smart meter installations, reaching a total of 11,114 installed meters. This accomplishment ensures more accurate and efficient water usage monitoring for customers across the service area and excels at early leak detection. In 2025 alone, more than 4,000 potential leaks were detected through the new system, helping customers save money and water.

In 2025, the Kayak Reservoir Project represented a key infrastructure improvement for the water utility, replacing the old reservoir with a new, welded steel one. This project focused on enhancing water-storage capacity and ensuring a reliable supply for the surrounding community. The new 500,000-gallon reservoir contributes to greater system resilience and supports ongoing efforts to deliver safe, efficient water services to all customers.

## **Water Utility by the Numbers**

- 11,114 – Number of advanced water meters installed in 2025.
- 4,200 – Amount of potential leaks detected by Water Utility's advanced meters.
- 2,376 – Number of fire hydrants in the water utility's service area.
- 400 – Miles of pipe the Water Utility maintains.
- 9 – Number of water systems operated by the Water Utility.

## Safety by the Numbers

4,047,842 – Miles driven by PUD employees.

50 – Number of OSHA recorded incidents.

45 – Number of Safety Learning Opportunities utilized to discuss safety at the PUD.

4.44 – OSHA Recordable Injury Rate

5.46 – Severity Rate



In 2025, our commitment to safety was reflected in both our performance data and daily actions. The PUD was guided by the theme “We Got You,” a message that underscores our dedication to protecting every employee and community member and ensuring that safety is always at the forefront of our operations.

Most notably in 2025, the injury severity rate was 5.46, marking the lowest ever recorded by the PUD. This means that for every OSHA recorded incident, the average number of days missed was about five. This achievement reflects our focus on minimizing the impact of incidents and underscores the effectiveness of our safety strategies and interventions.

However, when it comes to safety, we will never stop trying to improve. The PUD recognizes that every safety metric represents people – our colleagues, families and customers – and we remain dedicated to continually improving safety outcomes for all.



*Top: A road closed sign in place while crews work to repair power after a storm. Middle: Our Transportation team inspects all PUD vehicles to make sure they are running smoothly. Bottom: There are safety procedures to follow for all the conditions our employees may face, including working in a confined space.*



*Community members admire the new side channel created in the Sultan River.*

# Building Sustainable Communities

*As stewards of our environment,  
the Environmental Affairs team  
makes sure that all chemicals  
are disposed of properly.*



Sustainability is integral to the PUD's mission to deliver reliable, affordable power and water while safeguarding the natural resources that support our communities and economy. In 2025, the PUD continued to advance a disciplined, operations-focused approach to environmental stewardship – one that aligns environmental responsibility with financial prudence, regulatory compliance and long-term system resilience.

Guided by the Environmental Sustainability Action Plan (ESAP), the PUD is embedding sustainability into daily operations, capital planning and decision-making processes. Key areas of focus include reducing greenhouse gas emissions from PUD operations, improving energy and water efficiency, responsibly managing materials and protecting natural resources across our service territory.

In 2025, the PUD made progress in fleet electrification, facility energy management, waste reduction and employee engagement, while continuing to meet or exceed applicable environmental compliance requirements. The PUD has achieved a 98% carbon-free power supply and continues to work toward being 100% carbon-free. There are several employees on staff – and entire work groups – dedicated to helping our environment and ensuring that we are good stewards of natural resources.

One example is the PUD's comprehensive recycling program. In addition to traditional recycling streams, we have programs for recycling transformers, electronic waste, aerosols and other items. In 2025, our programs resulted in the recycling of 16,786 pounds of electronic waste, 6,630 pounds of batteries of various chemistries (including 5,026 pounds of lithium ion and lead-acid batteries) and 1,488 pounds of fluorescent light tubes.

The PUD's Environmental Stewardship Program team continues to meet regularly to make sure that the PUD is limiting its environmental impact. The team looks at day-to-day functions at the utility and seeks out ways that we can be mindful of our company's environmental values while performing necessary operations. The group actively identifies methods for prevention of environmental issues and increases awareness of the benefits of strong environmental and natural resource health.

The PUD also continued to maintain the Woods Creek Sustainability Center and Food Forest, with several volunteer events over the course of the year. PUD employees and their families performed planting, pruning and harvesting tasks, which resulted in hundreds of pounds of fresh produce that was donated to local food banks.

## **Sustainability by the Numbers**

16,786 – Total number of pounds of miscellaneous electronic waste that was recycled in 2025.

4,648 – Pounds of high-pressure sodium street light lamps recycled.

215 – Pounds of circuit boards recycled through our e-waste program.

81 – Number of spill incidents the PUD responded to.

6 – Number of extensive State Environmental Policy Act (SEPA) reviews completed for PUD projects and plans.



*Installing a new meter as part of the Connect Up program.*

The PUD strives to be a forward-thinking utility, looking ahead to the next five, 10, 20 years and beyond. By anticipating potential challenges, and looking at emerging technologies, the PUD is putting itself in a strong position to continue to provide reliable, affordable and environmentally sustainable electricity for our customers.

Several multi-year projects continued in 2025, including the SnoSMART and Connect Up programs. SnoSMART will deploy wireless connected smart grid devices and update tools and systems to improve how the PUD monitors, controls and optimizes the distribution of electricity. In 2025, 37 new distribution reclosers were installed for the PUD.

The Connect Up program continued deployment of advanced electric and water meters in 2025, with the program making a large leap in meter installations. About 110,000 new advanced meters were installed, which gives customers more information and better tools to manage their usage.

In 2025, the PUD successfully transitioned our BPA contract from a block/slice arrangement to a load following structure. This strategic change allowed us to more closely align our energy purchases with actual customer demand, reducing costs and significantly increasing our operational flexibility. As a result, we achieved about \$40 million in savings, further enhancing our ability to deliver reliable and affordable power to the communities we serve.

## **Future Energy by the Numbers**

**110,00** – New advanced meters installed by the Connect Up Deployment Team.

**413,500** – Total number of advanced meters to install between water and electric utilities.

**430** – Total number of 3-phase reclosers/panels that will be installed during the SnoSMART program.

**148** – Number of base stations installed during the Connect Up program to ensure our secure communication network can reach every meter in our service territory.

**37** – Total new distribution reclosers installed for SnoSMART.



*Installing a new transformer at the Crosswind Substation.*

## **Finances by the Numbers (and Letters)**

**\$742.2 million** – The PUD’s electric system operating expense budget.

**\$5.3 million** – Amount the PUD received from the Department of Commerce to assist income-qualified customers in purchasing energy-efficient appliances, thereby lowering their utility bills. The assistance served over 1,400 households in the PUD.

**10.263 cents** – The charge per kilowatt-hour (kWh) for the PUD’s rates.

**3,789** – Number of new electric accounts for the PUD in 2025.

**144** – Number of new water accounts for the PUD in 2025.

**AA** – Our bond rating from S&P Global Ratings.

As you’ll see in the following financials section, the PUD continues to show a strong financial outlook. As a not-for-profit utility, the PUD’s rates are set to cover its cost of doing business. That includes money for public benefits including fish and wildlife programs, infrastructure and reliability capital projects.

Our company’s first Strategic Priority includes, “finding new and innovative ways to bolster our financial reliability.”

In December, the PUD’s Board of Commissioners approved the 2025 budget for the electric, generation and water systems. The PUD’s electric system operating expense budget came in at \$742.2 million, a decrease of almost \$50 million from the year before, which shows the PUD’s strong commitment to being financially prudent.

The budget included a small increase to the base charge for commercial and residential customers in 2025. The PUD’s residential electric rate remained 10.263 cents per kilowatt-hour (kWh), keeping it competitive with other Northwest electric utility rates and well below the national average of 17.24 cents/kWh.

## Report of Independent Auditors

The Board of Commissioners  
Public Utility District No. 1 of Snohomish County  
Everett, Washington

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of Public Utility District No. 1 of Snohomish County (the District), which comprise the District's combined statements of net position as of December 31, 2025 and 2024, the related combined statements of revenues, expenses, and changes in net position, and cash flows for the years ended December 31, 2025 and 2024; the individual statements of net position of the Electric, Generation, and Water Systems as of December 31, 2025, the related individual statements of revenues, expenses, and changes in net position, and cash flows of the Electric, Generation, and Water Systems for the year ended December 31, 2025, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the combined financial position of Public Utility District No. 1 of Snohomish County as of December 31, 2025 and 2024, and the individual financial positions of the Electric, Generation, and Water Systems for the year ended December 31, 2025, and the respective changes in financial position and, where applicable, 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 (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 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 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 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 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 accompanying management's discussion and analysis, schedule of proportionate share of the net pension liability, schedule of employer contributions – PERS, and schedule of changes in total other post-employment benefits (OPEB) liability and related ratios, 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 schedules of Electric System – statements of revenues, expenses, and debt service coverage, Electric System – revenue and statistical data, and Water System – statements of revenues, expenses, debt service coverage, and statistical data but does not include the basic financial statements and our auditor's report thereon. Our opinions on 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 April 9, 2026 on our consideration of the District '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 the District '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 the District's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Everett, Washington  
April 9, 2026

# Management's Discussion and Analysis *(Unaudited)*

The following discussion provides an overview of Public Utility District No. 1 of Snohomish County (the PUD) financial activities for the years ended December 31, 2025 and 2024. This unaudited discussion is designed to be used in conjunction with the financial statements and notes, which follow this section.

## Financial Highlights

### Combined Operating Results

The PUD's combined net operating income for 2025 was \$99 million, a \$76 million increase from \$23 million in 2024. Combined net income increased from \$68 million in 2024 to \$144 million in 2025, a 112% increase. Net income benefitted from significant reductions in operation and maintenance expenses. The largest year-over-year change was in purchased power costs, which declined by \$77 million, or 19%. In January 2024, during the Martin Luther King Weekend Freeze, the PUD incurred unusually high purchased power costs on the open market due to extreme weather conditions and a sharp increase in power demand. Purchase power expenses for 2025 have returned to normal levels.

The PUD's combined net operating income for 2024 was \$23 million, a \$25 million decrease from \$48 million in 2023. Combined net income decreased from \$95 million in 2023 to \$68 million in 2024, a 28% decrease. Net income was influenced by a \$22 million decrease in miscellaneous service revenue from three primary sources in 2024: (1) Due to the Bonneville Power Administration's (BPA) exceptional financial performance during fiscal years 2022-2023, its Power Reserves Distribution Clause (RDC) program provided \$11 million in 2024, which was a decrease of \$14 million from 2023, (2) BPA's Energy Conservation Agreement (ECA) provided \$3.5 million less revenue in 2024 than in 2023, and (3) The PUD saw a decrease of \$5.9 million in the Residential Exchange Program revenue from 2023 to 2024.

The average number of Electric System accounts increased from 381,511 in 2024 to 385,171 in 2025, an increase of 3,660 accounts, compared to the increase of 4,241 accounts in 2024, the majority of which were residential.

Retail megawatt hours (MWh) provided to customers increased 0.8%, rising from 6,811,055 MWh in 2024 to 6,864,936 MWh in 2025, compared to a 0.2% increase from 2023 to 2024. The increase in sales in 2024 and 2025 was predominately the result of modest gains in residential and commercial MWh consumption.

Combined retail sales in 2025 reached \$777 million, an increase of \$48 million over the \$729 million recorded in 2024, and well above the \$681 million reported in 2023. The year-over-year growth from 2024 to 2025 was largely due to higher residential and commercial retail energy sales, both benefiting from a system-wide revenue adjustment. Residential sales rose by \$23 million, while commercial sales increased by \$14 million. The Board of Commissioners (Commission) approved the rate adjustment effective April 1, 2025. The increase in 2024 was primarily attributable to \$47 million in residential and commercial retail energy sales, which stemmed from the rate adjustment implemented on April 1, 2024.

The PUD sells surplus power into wholesale power markets to balance resources with customer loads. Combined wholesale revenue was \$52 million in 2025 compared to \$105 million in 2024 and \$73 million in 2023. The 50% decrease in 2025 was driven primarily by a reduction in the volume of energy sold; the PUD sold 727 thousand fewer MWh in 2025, a 36% decline. This decline was influenced in part by the PUD's transition to BPA's Load-Following product, which reduced the amount of surplus energy available for wholesale sales. Although regional energy demand remained consistent, energy supply was diminished, increasing wholesale revenue prices on average in 2024. Additionally, high natural gas prices drove an increase in energy prices from other generating sources. The Electric System sold \$15 million of excess transmission capacity in 2025 and \$14 million in 2024.

Combined other operating revenues totaled \$39 million in 2025, down \$16 million from \$55 million in 2024.

The PUD experienced a \$6.9 million decrease in miscellaneous service revenue, driven primarily by an \$11 million reduction in BPA RDC payments, partially offset by a \$4.5 million increase in BPA ECA reimbursements. Additionally, environmental credit sales fell \$10 million representing a 90% decrease. This decline reflects substantial Climate Commitment Act (CCA) carbon credits in 2024 that did not recur in 2025. Combined other operating revenue was \$55 million in 2024, a decrease of \$10 million from \$65 million in 2023. Of this decrease, \$22 million is attributable to miscellaneous service revenue decreases as previously mentioned, partially offset by a \$10 million increase in CCA carbon credits.

Combined operating expenses were \$769 million in 2025, a decrease of \$97 million from 2024. Purchase power expense declined by \$77 million to \$332 million, returning to more typical costs after last year's unusually high prices largely caused by Martin Luther King Weekend Freeze.

Combined operating expenses were \$866 million in 2024. This included \$409 million in purchased power costs, which was \$29 million more than the prior year. The rise in costs was primarily due to extremely cold temperatures in Western Washington in January 2024, which led to unusually high wholesale market prices. Additionally, the PUD's adoption of higher energy and capacity reserves in May 2024 contributed to increased market purchases to ensure sufficient energy for forecasted loads.

Interest income, excluding fair market value adjustments, increased from \$21 million in 2024 to \$22 million in 2025. This increase is primarily due to the PUD carrying a higher portfolio balance resulting from recent debt issuance proceeds. The PUD's cash reserve portfolio is invested in securities and deposits authorized by Washington State statute and is managed according to the PUD's cash reserve and investment policies. During 2024, the PUD's interest income, excluding fair market value adjustments, increased to \$21 million from \$18 million in 2023.

## Electric System

### Electric System Rates

#### General Rates

Effective April 1, 2024, the PUD implemented a 5.8% system-wide revenue adjustment. Among the largest rate class categories, the residential class saw a 5.8% increase, small general service a 5.5% increase, medium general service a 5.5% increase, and large primary service a 6.8% increase.

Effective April 1, 2025, the PUD implemented a 4.6% system-wide average revenue adjustment. Among the largest rate class categories, the residential class saw a 4.9% increase, small general service a 4.1% increase, medium general service a 3.6% increase, and large primary service a 5.1% increase.

#### BPA Rates

BPA's wholesale electricity is generated from federally owned hydroelectric projects in the Columbia River basin and one non-federal nuclear power plant. In 2025, BPA provided approximately 80% of the energy resources used by the PUD to serve its customers compared to 75% in 2024. Power purchases from BPA were \$235 million in 2025 and \$239 million in 2024, respectively. The \$4 million decrease in power purchased resulted in 48 thousand less megawatts year-over-year.

During 2024, BPA provided a distribution of cash reserves to preferred buyers of energy. The financial performance from BPA gives their administrators the discretion to apply RDC amounts to rate reduction, incremental capital investment, debt reduction, or other high value purposes. This resulted in the PUD receiving the benefit of \$11 million from January through September of 2024. The PUD has recorded these transactions as other operating revenue.

## Capital Investments – Customer Growth

The PUD makes significant investments in capital programs each year to maintain, expand, and enhance its electric distribution system. The number of customers continues to grow in the PUD’s service area. The need for electric distribution infrastructure and facilities to serve customers and assure reliability is expected to continue. Electric System capital additions were \$193 million in 2025 and \$159 million in 2024.

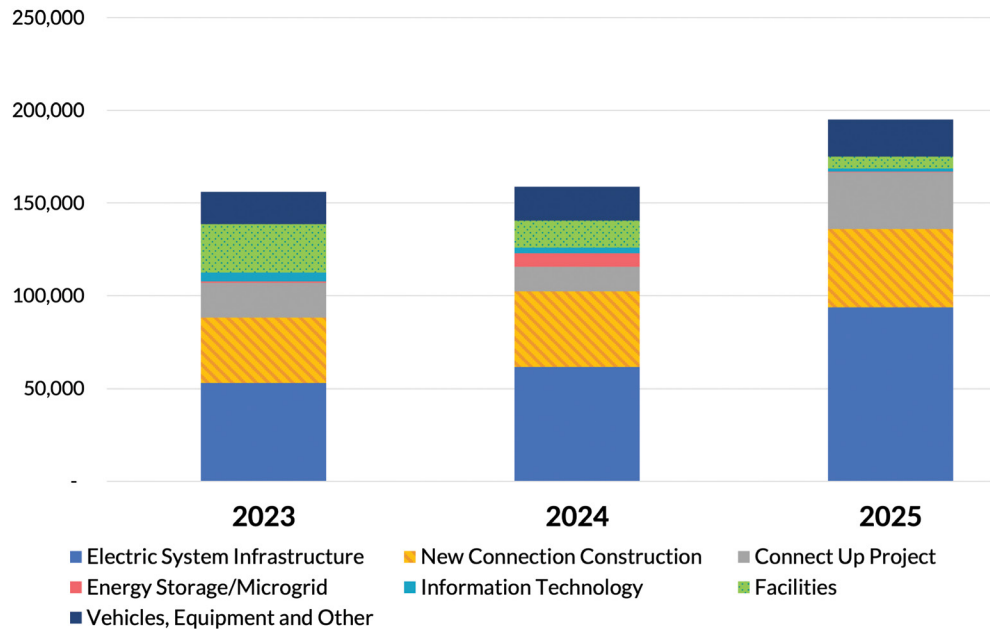
In 2025, the PUD managed a substantial portfolio of substation and switching station projects spanning the planning, design, and construction phases. Construction of the new Crosswind Substation reached 98% completion, with commissioning and energization targeted for 2026. The Camano Switching Station was placed in service, and the Lake Goodwin 115kV breaker addition was successfully completed and energized. Significant design work continued for the Paradise and Cathcart substations, as well as the Getchell and Maltby switching stations. Civil construction at Getchell is scheduled to begin in 2026. The PUD also progressed upgrade designs for several additional sites, including Brier, Picnic Point, Canyon Park, Frontier, Westgate, Delta–Everett, and Stimson.

System reliability remained a priority, with six reliability projects planned for 2025. Five were completed as scheduled, while one was deferred to 2026 due to outage coordination constraints. Modernization of the PUD’s telecommunications backbone also advanced. The Next Gen Substation Transport initiative is ahead of schedule, with all field equipment installed; efforts in 2026 will shift toward migrating services to the new network. The radio replacement program has completed installations at 14 of 17 planned sites, and vehicle installations are now underway. Additionally, a new high-capacity transport system was installed in 2025 to support the Advanced Distribution Management System (ADMS) implementation.

To improve the reliability and safe distribution of energy, the PUD continued to replace infrastructure that has reached the end of its useful life. In 2025, 753 distribution poles, 82 transmission poles, and 5.8 miles of underground cable were replaced.

In 2024, the PUD managed 19 substation projects at various design stages, with 10 under some form of construction. The larger projects included the completion of Jennings Park Substation, the completion of civil construction on both the new Crosswind Substation and the Camano Substation rebuild, and the completion of the Clearview Substation switchgear replacement. Additionally, six substation reliability projects were completed in 2024. In 2024, 525 distribution poles and 5.8 miles of cable were replaced.

Capital Expenditures (in millions)



## Capital Funding and Debt Levels

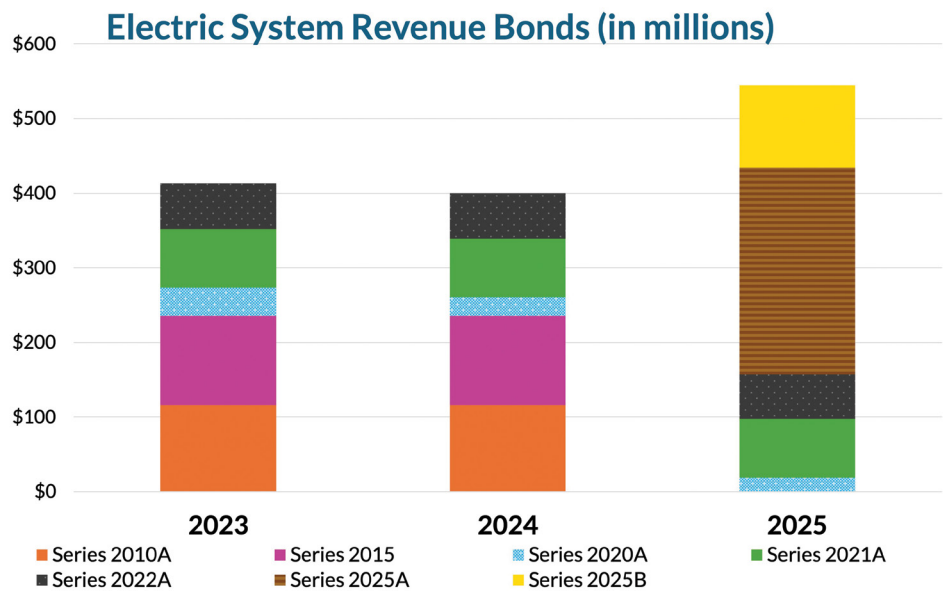
The PUD utilizes a combination of operating proceeds, grants, and bonds to fund investments in the electric

distribution and transmission system infrastructure. In addition, the PUD receives capital contributions from developers to fund infrastructure construction directly related to growth.

In July 2025, the Electric System issued a total of \$279 million of Series 2025A Revenue and Refunding Bonds, with a final maturity of 2055 and an average interest rate of 4.1%. Of this, \$185 million in new money proceeds are being used to fund eligible additions, replacements, and improvements to the Electric System, expected to be fully expended in 2028. The refunding portion of the 2025A Series fully repaid the 2010A Electric System Revenue Bonds, Taxable Build America Bonds. This transaction resulted in a \$1.9 million net present value savings and will lower annual debt service costs by an average of \$0.6 million per year from 2026 to 2035.

In September 2025, the PUD issued \$112 million of Series 2025B Revenue Refunding Bonds, with a final maturity of 2040 and an average interest rate of 4.1%, to fully refund the Series 2015 Electric System Revenue Bonds. This transaction resulted in an \$8.0 million net present value savings, and it will lower annual debt service costs by an average of \$0.7 million per year from 2026 to 2040.

In conjunction with the 2025 bond sales, S&P and Moody's, two major bond rating agencies, affirmed the PUD's bond ratings of AA and Aa2, respectively. Fitch Ratings upgraded the PUD's bond ratings to AA from AA-.



Long-term debt of the Electric System, including current maturities, totaled \$545 million as of December 31, 2025, compared to \$400 million in 2024 and \$413 million in 2023.

## December Wind and Flooding Event

In December 2025, the PUD experienced one of the most significant weather events in recent history. A persistent high-pressure system over the Pacific Northwest directed multiple atmospheric river events into the region. Unseasonably warm temperatures pushed snow levels above seven thousand feet, resulting in rainfall instead of snowfall and accelerating snowmelt amid an already low seasonal snowpack. These conditions contributed to widespread flooding, heavy runoff, and elevated stress on local infrastructure.

In addition to extreme precipitation, the storms brought damaging winds, with gusts reaching 70 to 80 miles per hour. These winds caused extensive damage to trees and power lines throughout the service territory. Customer outages totaled approximately 150 thousand and peaked at around 64 thousand customers without service. Hazardous field conditions, including flooding, debris from fallen trees and limited road access complicated restoration efforts and extended response times. Both the State of Washington and the federal government issued emergency declarations.

Despite the scale of disruption, the PUD mounted a comprehensive and sustained restoration effort. Crews completed 450 individual repair jobs, supported by 14 mutual aid crews brought in to accelerate response activities. Restoration work required substantial material resources, including 73 thousand feet of wire, the replacement of 33 power poles, and the deployment of 43 transformers.

The PUD spent \$9.2 million throughout the service territory responding to this incident. The State of Washington seeks relief through the Federal Emergency Management Agency (FEMA) on a declaration. This gives the PUD the opportunity to recover costs associated with the restoration.

These events underscored the operational challenges posed by extreme weather and highlighted the importance of ongoing investments in system resilience, vegetation management, and emergency preparedness.

## Martin Luther King Weekend Freeze

In January 2024, Western Washington experienced some of its coldest temperatures since 1990. These extreme cold temperatures significantly impacted electricity demand, as many residents and businesses rely on electric heating. Consequently, the PUD had to purchase a substantial amount of energy from the open market to meet this increased demand. Throughout January, the PUD purchased 183 thousand megawatts of energy. During this period, energy prices hit the soft cap limit of \$1,000 per megawatt, compared to the PUD average price of about \$294 per megawatt. Overall, the PUD spent approximately \$54 million on open market energy in January 2024, compared to \$9.3 million in January 2023.

## Bomb Cyclone Event

In November 2024, Western Washington experienced a storm system known as a bomb cyclone, characterized by a rapid drop in barometric pressure in a short period of time that intensified the impact of powerful winds. Sustained winds reached speeds of 52 miles per hour, with gusts up to 70 miles per hour. These strong winds, blowing in an unusual wind direction from the east, combined with waterlogged soil, caused many trees to fall, damaging homes, businesses, PUD infrastructure, and resulting in widespread power outages. During the storm, at the peak of the outages, the number of customers impacted was approximately 165 thousand.

The PUD received mutual aid from across the region to help restore power. The response included 14 PUD line crews, 19 service crews, 23 mutual aid crews, two contract line crews, two PUD tree crews, and 15 contracted tree crews. Over seven days, these crews worked a total of 42 thousand hours without any reportable injuries. They used 22 miles of wire, replaced 102 poles, and replaced 112 transformers. The total cost of the event was approximately \$15 million. In 2025, FEMA denied the original declaration request as well as the appeal from the State of Washington. Due to this denial, the PUD will not receive approximately \$9.1 million in federal reimbursements from FEMA and \$1.5 million in state matching from State of Washington's Emergency Management Division.

## North County Community Office

In March 2025, the PUD opened its new North County Community Office, replacing the PUD's Arlington and Stanwood offices, both of which were built in the 1950s and were seismically deficient. The new centralized north county location serves the northern part of the PUD's service area, including north Marysville, Arlington, Darrington, Stanwood, and Camano Island. The new site integrates customer service, warehouse operations and line crew functions, enabling a better customer experience and more efficient coordination of field resources. The new facilities act as a centralized hub for crews and support staff in the event of a major disaster or large storm that impacts the main electrical grid. The PUD capitalized \$53 million in costs associated with the development, construction, and outfitting of the new community office.

## Connect Up Project

In August 2020, the Commission approved the Connect Up program. This infrastructure and technology project includes installation of new meters capable of two-way communication. The installation process is scheduled to be completed in 2027, as every PUD customer is slated to receive a new meter. The initial network consists of 148 base stations dispersed throughout the service territory on existing or new poles or towers. Due to supply chain

constraints sourcing meters, the PUD delayed components of this project. Upon the project's completion, the PUD will have deployed over 385 thousand new electric meters and 24 thousand water meters.

Benefits for the Electric System include improved system visibility, outage responses, and system efficiency. The PUD's Water System customers will be able to identify leaks, track hourly and daily consumption, and better manage water usage.

The total project costs are currently estimated at \$93 million and will be primarily funded by bond proceeds. As of December 31, 2025, the PUD has spent \$71 million on this project.

## Washington Families Clean Energy Credits Grant

In May 2024, the PUD was awarded a \$14 million grant from the Washington State Department of Commerce, as part of the Washington Families Clean Energy Credit Program, dedicating \$150 million statewide to assist low-to moderate-income households with the clean energy transition. This initiative provided funding for bill credits of \$200 per household to eligible residential customers through their electric utility provider. In 2024, the PUD received and distributed the \$14 million grant to eligible residential customers in the PUD's service area. Households with income less than 150% of the area median income qualify as low or moderate income. These funds were distributed to over 71 thousand accounts, helping to offset current and future balances and lifting more than 1 thousand customers out of distressed status. To be eligible for the balance adjustment, residential customers needed to be enrolled in one of several approved programs, such as Low-Income Home Energy Assistance Program, Community Energy Fund (formerly Project PRIDE), Income Qualified, Budgeted Payments, or through a formal self-attestation process.

## State Home Electrification and Appliance Rebates Program

In May 2024, the PUD was awarded a \$5.3 million grant from the Washington State Department of Commerce, as part of the CCA, a \$75 million state appropriation to assist low-to moderate-income households transition to clean energy. The contract was signed in August 2024. The grant enabled the PUD to provide energy efficient appliances, including heat-pump water heaters, washer and dryers, and induction stoves to eligible residential customers within PUD's service area during 2024 and 2025. Eligibility was based on households with income less than 150% of the area median income and required enrollment in approved programs such as Low-Income Home Energy Assistance Program, Community Energy Fund (formerly Project PRIDE), Income Qualified, Budgeted Payments, or through a formal self-attestation process. Through this initiative, more than 1,400 households received appliances, supplemented by BPA incentives to maximize the reach of available funds.

## South Everett Community Solar Array - El Sol al Alcance de Tus Manos (The Sun at Your Fingertips) Grant

In December 2024, the PUD completed a 400-kilowatt solar array installation at Walter E Hall Park on Casino Road in Everett, Washington. The PUD is donating all the solar-generated kilowatts to the Community Energy Fund over a 15-year lease with the City of Everett. The solar array was intentionally sited at this location to reduce summer peaking demand on PUD circuits in the Casino Road area, advancing PUD's Distributed Energy Resources (DER) planning efforts. The project received initial funding of \$868 thousand from the Washington State Department of Commerce's Clean Energy Fund 3 Low-Income Community Solar Deployment Grant, including American Recovery and Reinvestment Act funding from the U.S. Department of Energy (DOE), with an additional \$652 thousand from PUD cost share funds. Further funding of \$424 thousand is being provided as an incentive payment by the Washington State University Community Solar Expansion Program to be used against PUD's state public utility tax obligations. In December 2025, the PUD received a \$1.1 million Inflation Reduction Act, Direct Investment Tax Credit, to lower total project costs funded directly by PUD. The total cost of the

project was \$3.4 million.

## Snohomish County PUD's Secure Modern Automated and Reliable Technology Project (SnoSMART) Grant

In October 2023, the PUD was awarded \$30 million from the DOE Grid Deployment Office for the SnoSMART project. SnoSMART is an infrastructure and software endeavor designed to enhance the PUD's system reliability, mitigate wildfire risks, and enable demand management. It will revolutionize system visibility and control for grid operators, further prepare the grid for transportation and building electrification, and improve the integration of DER through advanced system planning. The project involves deploying hundreds of wireless-connected smart grid devices to the distribution grid and upgrading the software tools to operate them. Supervisory Control and Data Acquisition, ADMS, and the Distribution Automation Infrastructure will work together to create improved information and planning tools with new data analytics, moving toward a smarter grid.

The DOE contract was signed in September 2024, with \$33 million in PUD cost share funds allocated for the project. The project costs are projected to be reimbursed at 50% for the first four years, and then at 38% for year five. This project aims to fast-track a 20-year plan into just five years. As of December 2025, the PUD has incurred \$9.0 million in project costs and the DOE has reimbursed \$4.5 million. The project's total estimated cost is \$76 million and completion is anticipated in 2029.

## SnoLeave

The Commission approved the development of a PUD-administered internal paid family and medical leave program, known as SnoLeave, which is scheduled to begin on July 1, 2026. This program will replace participation in Washington State's Paid Family & Medical Leave program, as well as certain existing PUD leave programs, and is intended to provide employees with comparable or enhanced benefits.

## Generation System

### Henry M. Jackson Hydroelectric Project (Jackson Project) Maintenance and Capital Improvement

In 2025, the PUD completed replacement of the station service breaker at the Jackson Project. The project, which cost \$353 thousand and was initiated in 2023, enhances the facility's resiliency and extends its operational life. The upgrade reflects the PUD's ongoing commitment to maintaining reliable, modern infrastructure that supports longterm system performance.

In 2024, as part of the Jackson Project's Federal Energy Regulatory Commission license obligations, approximately two thousand feet of side channel was added along the Sultan River. This million-dollar project, funded by a Department of Ecology grant, extends the existing 12 thousand feet of side channel, providing resting space for fish during their annual migratory journeys. This is one of many PUD projects to preserve and enhance habitats within our service area.

In September 2024, the Jackson Project underwent a planned shutdown, allowing the PUD to inspect the intake gate for the Culmback Dam at Spada Lake for the first time in 20 years. The gate, which controls water flow, was found to be in good condition. This inspection was one of several projects completed during the shutdown.

The Jackson Project is embarking on a multiyear switchyard transformer redesign project to increase the facility's reliability, resiliency, and overall service life. This project is expected to cost \$13 million and be completed in 2030.

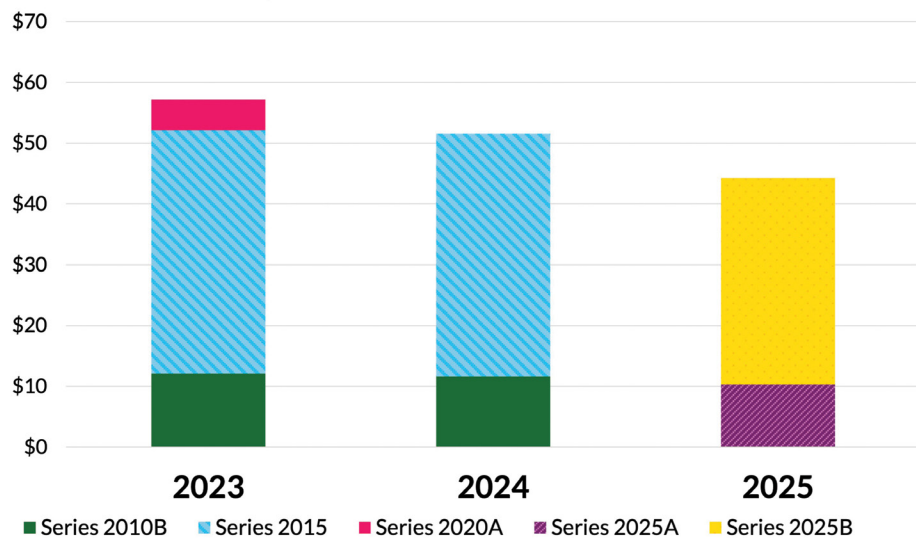
## Debt Levels

In July 2025, the Generation System issued \$10 million of Series 2025A Revenue Refunding Bonds, with a final maturity of 2040 and an average interest rate of 4.1%, to fully refund the Series 2010B Taxable Build America Bonds. The transaction resulted in a \$35 thousand net present value cost and will lower annual debt service costs by an average of \$1.6 thousand per year from 2026 to 2040.

In September 2025, \$34 million of Series 2025B Revenue Refunding Bonds with a final maturity of 2045 and an average interest rate of 4.1%, were issued to fully refund the Series 2015 Generation System Revenue Bonds. The transaction resulted in a \$2.2 million net present value savings and will lower annual debt service costs by an average of \$0.4 million per year from 2026 to 2045.

Long-term debt for the Generation System, including current maturities, totaled \$44 million as of December 31, 2025, compared to \$52 million in 2024, and \$57 million in 2023.

**Generation System Revenue Bonds (in millions)**



## Water System

### Water System Operating Results

Retail sales for the Water System increased to \$17 million in 2025, up from \$15 million in 2024. The 2025 revenue growth was driven by a general retail water service rate increase and continued customer growth. To offset higher costs associated with the City of Everett’s wholesale rate increase, the PUD implemented a 2.5% retail rate increase in February 2025 that was passed through to retail water customers. In addition, the PUD adopted a 7.25% general retail rate increase in March 2025 to support ongoing replacement of aging water mains, fund other critical capital improvements, and address rising operations and maintenance costs influenced by supply chain pressures. The Water System added 144 new customer connections in 2025 and 203 in 2024.

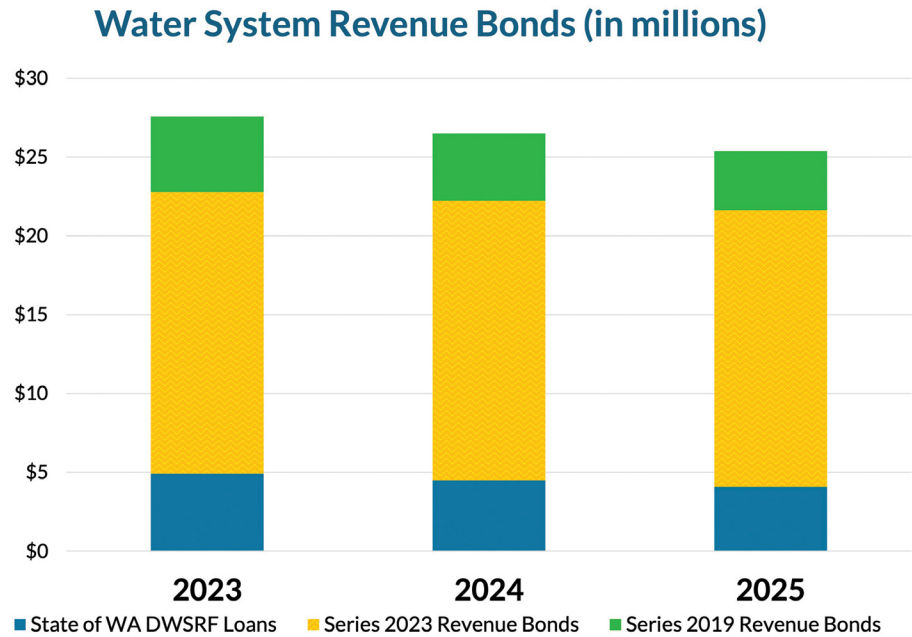
Operating expenses rose modestly from \$17 million in 2024 to \$18 million in 2025, following an increase of \$1 million from 2023 to 2024. The 2025 change reflects several small variances, including increases of \$364 thousand in purchased water costs and \$370 thousand in depreciation and amortization expenses, partially offset by a \$282 thousand reduction in operations and maintenance expenses. The increase in 2024 was the result of higher operations and maintenance costs of \$1.5 million, which was partially offset by a \$0.5 million reduction in purchased water expenses.

Water System capital contributions were \$2.9 million in 2025, a decrease of \$1.1 million from the \$4.0 million in 2024, but comparable to \$2.9 million in 2023. The 2025 decrease indicates a weakening in developer activity, due to rising interest rates and supply chain constraints in the central Snohomish County area that the Water System serves.

## Capital Funding and Debt Levels

The PUD utilizes a combination of operating proceeds, grants, loans, and bonds to fund Water System capital improvements. In addition, the Water System receives capital contribution fees from developers to address growth in the Water System service area.

Long-term debt of the Water System, including current maturities, totaled \$25 million as of December 31, 2025, compared to \$27 million in 2024, and \$28 million in 2023.



## Overview of the Financial Statements

### Basic Financial Statements

The Combined Statements of Net Position present the PUD's net position as the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The Combined Statements of Net Position provide information about the nature and amount of investments in resources (assets), the consumption of net assets in one period that are applicable to future periods (deferred outflows of resources), the obligations to creditors (liabilities), and the acquisition of net assets that are applicable to future periods (deferred inflows of resources).

The Combined Statements of Revenues, Expenses, and Changes in Net Position report the revenues and expenses during the periods indicated and identify operating activity separately from non-operating activity.

The Combined Statements of Cash Flows provide information about the PUD's cash flows from operating activities, capital, and related financing activities, investing activities, and non-capital financing activities, and presents a reconciliation of net operating income to net cash provided by operating activities.

### Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the figures provided in the basic financial statements.

## Financial Analysis

Analysis of the comparative financial information is provided in the following table:

### Condensed Combined Financial Information

(In millions)

|   | 2025           | 2024           | 2023           |
|---|----------------|----------------|----------------|
| Current Assets, Investments, and Special Funds        | \$823          | \$664          | \$716          |
| Net Utility Plant                                     | 2,073          | 1,947          | 1,856          |
| Other Assets  | 60             | 56             | 82             |
| <b>Total Assets</b>                                   | <b>2,956</b>   | <b>2,667</b>   | <b>2,654</b>   |
| Deferred Outflows of Resources                        | 69             | 58             | 44             |
| Current Liabilities                                   | 139            | 151            | 136            |
| Long-Term Debt  | 655            | 500            | 521            |
| Other Liabilities                                     | 110            | 103            | 107            |
| <b>Total Liabilities</b>                              | <b>904</b>     | <b>754</b>     | <b>764</b>     |
| Deferred Inflows of Resources                         | 35             | 29             | 60             |
| Net Investment in Capital Assets                      | 1,557          | 1,462          | 1,417          |
| Restricted  | 92             | 98             | 223            |
| Unrestricted  | 437            | 382            | 234            |
| <b>Net Position</b>                                   | <b>\$2,086</b> | <b>\$1,942</b> | <b>\$1,874</b> |
| Operating Revenues                                    | \$868          | \$889          | \$819          |
| Operating Expenses                                    | 769            | 866            | 771            |
| <b>Net Operating Income</b>                           | <b>99</b>      | <b>23</b>      | <b>48</b>      |
| Interest Charges                                      | 25             | 21             | 20             |
| Other Income and Expense                              | 36             | 28             | 33             |
| <b>Net Income (Loss) before Capital Contributions</b> | <b>110</b>     | <b>30</b>      | <b>61</b>      |
| Capital Contributions                                 | 34             | 38             | 34             |
| <b>Net Income</b>                                     | <b>144</b>     | <b>68</b>      | <b>95</b>      |
| Net Position, Beginning of Year                       | 1,942          | 1,874          | 1,779          |
| <b>Net Position</b>                                   | <b>\$2,086</b> | <b>\$1,942</b> | <b>\$1,874</b> |

## Assets

Current assets, investments, and special funds increased \$159 million or 19% in 2025 totaling \$823 million. This increase was primarily driven by the issuance of bonds, with the related proceeds retained to support the PUD's capital expenditure program. In contrast, current assets, investments, and special funds decreased \$52 million in 2024 from 2023 balances.

As of December 31, 2025, and 2024, the PUD had approximately \$2.1 billion invested in a broad range of net utility capital assets. Utility capital assets, reported as net utility plant on the Combined Statement of Net Position, include five operating hydroelectric power generation plants, one biofuel generator, community solar sites, electric transmission and distribution lines, substations, water transmission and distribution pipes, storage and pump station facilities, buildings, and equipment. Utility plant additions were \$210 million in 2025 and \$181 million in 2024, reflecting investments in the distribution and transmission systems, including construction associated with growth and general facilities of the PUD. The increase in utility plant was offset by \$33 million and \$29 million due to routine retirements and transfers in 2025 and 2024, respectively. Accumulated depreciation and

amortization increased \$51 million and \$61 million due to annual depreciation and amortization expense along with routine plant asset retirements and transfer activity in 2025 and 2024, respectively. For additional details on capital assets, see Note 4.

Other assets increased by \$4.1 million in 2025 after declining by \$26 million in 2024. The 2025 increase was largely attributable to higher net pension assets, with a reduction in the lease asset receivable tempering the overall increase.

## Deferred Outflows of Resources

Deferred outflows of resources increased to \$69 million in 2025. This primarily resulted from net increases of \$9.6 million in the other postemployment benefits (OPEB) and net pension liability/asset deferrals in 2025.

Deferred outflows of resources increased to \$58 million in 2024. This resulted from net increases of \$15 million in the OPEB and net pension liability deferrals in 2024. The PUD experienced a \$1.2 million decrease on the unamortized loss on the refunding of debt.

## Liabilities

Current liabilities decreased \$12 million in 2025. This included a \$2.1 million decrease in the current portion of long-term debt, driven by routine principal payments and the refunding of outstanding debt. Accounts payable decreased by \$1.9 million, including a \$9.2 million reduction in outstanding purchase power invoices, partially offset by a \$7.4 million increase in routine payables. Other accrued liabilities declined by \$10 million, mainly due to lower miscellaneous employee benefits accruals. Current liabilities increased \$15 million in 2024, primarily due to an \$8.1 million rise in accounts payable balances and a \$7.6 million increase in other accrued liabilities. The accounts payable increase was mainly driven by a \$4.1 million rise in outstanding purchase power invoices. The increase in other accrued liabilities was attributed to compensated absences.

Long-term debt increased \$155 million in 2025 following the issuance of new bonds to fund infrastructure within the service territory. In 2024, without the issuance of new debt, the long-term debt balance decreased by \$21 million resulting from ordinary repayments. For additional details on long-term debt, see Note 5.

Total other liabilities increased \$6.2 million in 2025 and decreased \$4.1 million in 2024 primarily due to actuarial valuation changes in post-employment liabilities and unearned contributions in aid of construction.

## Deferred Inflows of Resources

Deferred inflows increased \$6.6 million in 2025, primarily due to unamortized gains on refunded debt, and decreased \$31 million in 2024, primarily due to changes in the valuation of lease contracts.

## Net Position

Net investment in capital assets increased \$95 million and \$45 million in 2025 and 2024, respectively, reflecting the growth in net utility plant.

Restricted net position represents resources that are subject to external restrictions, such as bond covenants or third-party contractual agreements, and resources restricted by a Commission resolution. Restricted net position decreased \$6.4 million in 2025 due to the release of debt service reserve funds during debt refunding. Restricted net position decreased \$125 million in 2024 due to the PUD reclassifying the rate stabilization fund from restricted to unrestricted following a resolution by the Commission.

Unrestricted net position is available to finance day-to-day operations without constraints established by covenants, legal requirements, or the Commission's resolutions. Unrestricted net position increased \$55 million in

2025 due to the changes in materials inventory and cash on hand. Unrestricted net position increased \$148 million in 2024 due to the changes in recognition of post-employment liabilities, material inventory, and the reclassification of the rate stabilization fund.

## Operating Revenues

Operating revenues decreased to \$868 million in 2025, from \$889 million in 2024. Retail revenues increased \$48 million, driven by higher rates and increased usage within the service territory. Wholesale revenues declined by \$52 million—representing a 50% reduction—due to significantly lower prices in the wholesale market. Other operating revenues decreased by \$16 million, largely reflecting lower environmental credit sales and reduced miscellaneous service revenue, which were driven by declines in CCA sales, distribution-related revenues, and partially offset by higher reimbursements from BPA.

Operating revenues increased to \$889 million in 2024, from \$819 million in 2023. Retail revenues increased \$60 million in 2024 due to increases in billed residential and commercial revenues. Wholesale revenues increased \$31 million primarily due to the PUD's adoption of higher energy and capacity targets in May 2024. The increased targets generally resulted in higher volumes of market sales as the PUD aligned their energy position with the observed system loads. Other operating revenues declined by \$21 million, primarily due to reductions in BPA programs such as the RDC, ECA, and REP.

## Operating Expenses

Operating expenses decreased \$97 million, dropping from \$866 million in 2024 to \$769 million in 2025. Purchase power expenses were \$77 million lower, as 2024 included the Martin Luther King Weekend Freeze as discussed earlier, an event that did not recur in 2025. Maintenance expenses declined by \$12 million as projects were re-prioritized. Overhead line maintenance showed the most significant reduction, falling \$9.7 million, primarily due to decreased reliance on overtime labor that had been required to respond to infrastructure damaging storm events in 2024.

Operating expenses increased \$95 million in 2024 to \$866 million from \$771 million in 2023. During 2024, purchased power costs increased by \$29 million. One major cold snap in January 2024 required significant purchases of power at high premiums. The PUD deferred budgeted maintenance and capital projects to help alleviate the high prices being paid for energy. Operations and maintenance costs increased by \$63 million which can be attributed to repairs and general operating of PUD infrastructure. This rise was primarily the result of higher labor expenses and the significant costs associated with the windstorms that occurred 2024.

## Interest Charges

Interest charges rose by \$3.9 million from 2024 to 2025 due to the issuance of new debt in 2025.

Interest charges increased \$382 thousand from 2023 to 2024.

## Other Income and Expense

Other income and expense had an increase to \$36 million in 2025 from \$28 million in 2024. This rise was driven by increases to interest income, higher levels of federal grant activity, and a reduction in other expenses, most notably the absences in 2025 of clean energy credits that had been offered to customers in 2024.

Other income and expense declined to \$28 million in 2024 from \$33 million in 2023. This is the result of an overall reduction of interest rates observed in the broader economy.

## Capital Contributions

Capital contributions decreased by \$3.7 million in 2025 and increased by \$3.9 million in 2024. Capital contributions are collected from property developers when they request to connect to the PUD's electric or water distribution systems or request engineering or construction services. The PUD collected \$1.0 million less in cash contributions whereas the remainder of the change came from non-cash contributions.

## Requests for Information

The basic financial statements, notes, and management's discussion and analysis are designed to provide a general overview of the PUD's finances. Questions concerning any of the information provided in this report should be directed to the PUD at 2320 California Street, Everett, WA 98201.

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## Combined Statement of Net Position

December 31, 2025 and 2024

(In thousands)

|  | 2025               |                   |                  | 2024               |                    |
|--|--------------------|-------------------|------------------|--------------------|--------------------|
|  | Electric System    | Generation System | Water System     | Combined           | Combined           |
| <b>Assets</b>  |                    |                   |                  |                    |                    |
| <b>Current Assets:</b>                                 |                    |                   |                  |                    |                    |
| Cash and temporary investments:                        |                    |                   |                  |                    |                    |
| Cash and cash equivalents                              | \$82,408           | \$4,968           | \$3,887          | \$91,263           | \$62,412           |
| Temporary investments                                  | 99,120             | 4,991             | 2,517            | 106,628            | 117,792            |
| <b>Total Cash and Temporary Investments</b>            | <b>181,528</b>     | <b>9,959</b>      | <b>6,404</b>     | <b>197,891</b>     | <b>180,204</b>     |
| Other special deposits                                 | 3,085              | -                 | -                | 3,085              | 2,777              |
| Accounts and other receivables, net                    | 104,389            | 930               | 2,166            | 107,485            | 106,342            |
| Intersystem loans receivable                           | 2,526              | -                 | -                | -                  | -                  |
| Materials and supplies                                 | 82,202             | -                 | 2,205            | 84,407             | 75,603             |
| Prepayments and other                                  | 9,578              | 393               | 175              | 10,146             | 12,239             |
| <b>Total Current Assets</b>                            | <b>383,308</b>     | <b>11,282</b>     | <b>10,950</b>    | <b>403,014</b>     | <b>377,165</b>     |
| <b>Long-Term Investments &amp; Special Funds:</b>      |                    |                   |                  |                    |                    |
| Long-term investments                                  | 179,502            | 3,255             | 1,158            | 183,915            | 161,117            |
| Special funds - bond funds and other                   | 207,092            | 6,057             | 23,102           | 236,251            | 125,817            |
| <b>Total Long-Term Investments &amp; Special Funds</b> | <b>386,594</b>     | <b>9,312</b>      | <b>24,260</b>    | <b>420,166</b>     | <b>286,934</b>     |
| <b>Utility Plant:</b>                                  |                    |                   |                  |                    |                    |
| Plant in service                                       | 2,581,571          | 367,154           | 208,268          | 3,156,993          | 2,991,202          |
| Construction work in progress                          | 184,051            | 4,431             | 6,265            | 194,747            | 183,953            |
| <b>Total Utility Plant</b>                             | <b>2,765,622</b>   | <b>371,585</b>    | <b>214,533</b>   | <b>3,351,740</b>   | <b>3,175,155</b>   |
| Accumulated depreciation and amortization              | (1,043,112)        | (179,754)         | (56,082)         | (1,278,948)        | (1,228,235)        |
| <b>Net Utility Plant</b>                               | <b>1,722,510</b>   | <b>191,831</b>    | <b>158,451</b>   | <b>2,072,792</b>   | <b>1,946,920</b>   |
| <b>Other Assets:</b>                                   |                    |                   |                  |                    |                    |
| Conservation loans and other receivables, net          | -                  | -                 | 175              | 175                | 201                |
| Lease asset receivable                                 | 2,997              | -                 | 176              | 3,173              | 5,680              |
| Intersystem loans and receivables                      | 20,104             | -                 | -                | -                  | -                  |
| FERC licenses  | -                  | 10,156            | -                | 10,156             | 12,882             |
| Net pension assets                                     | 42,955             | 878               | 1,278            | 45,111             | 35,956             |
| Other assets   | 954                | 356               | -                | 1,310              | 1,152              |
| <b>Total Other Assets</b>                              | <b>67,010</b>      | <b>11,390</b>     | <b>1,629</b>     | <b>59,925</b>      | <b>55,871</b>      |
| <b>Total Assets</b>                                    | <b>2,559,422</b>   | <b>223,815</b>    | <b>195,290</b>   | <b>2,955,897</b>   | <b>2,666,890</b>   |
| <b>Deferred Outflows of Resources</b>                  |                    |                   |                  |                    |                    |
| Unamortized loss on refunding debt                     | 1,536              | 4                 | -                | 1,540              | 320                |
| Net pension and OPEB deferrals                         | 63,678             | 1,836             | 1,749            | 67,263             | 57,691             |
| <b>Total Deferred Outflows of Resources</b>            | <b>65,214</b>      | <b>1,840</b>      | <b>1,749</b>     | <b>68,803</b>      | <b>58,011</b>      |
| <b>Total Assets and Deferred Outflows</b>              | <b>\$2,624,636</b> | <b>\$225,655</b>  | <b>\$197,039</b> | <b>\$3,024,700</b> | <b>\$2,724,901</b> |

The accompanying notes are an integral part of these combined financial statements.

## Combined Statement of Net Position

December 31, 2025 and 2024

(In thousands)

|   | 2025               |                   |                  | 2024               |                    |
|---|--------------------|-------------------|------------------|--------------------|--------------------|
|   | Electric System    | Generation System | Water System     | Combined           | Combined           |
| <b>Liabilities</b>  |                    |                   |                  |                    |                    |
| <b>Current Liabilities:</b>                                 |                    |                   |                  |                    |                    |
| Accounts payable  | \$58,413           | \$1,084           | \$1,356          | \$60,853           | \$62,731           |
| Accrued taxes   | 22,011             | 82                | 147              | 22,240             | 21,068             |
| Accrued interest  | 2,228              | 178               | 100              | 2,506              | 1,971              |
| Other accrued liabilities                                   | 34,558             | 124               | 47               | 34,729             | 44,883             |
| Customer deposits   | 3,087              | -                 | 3                | 3,090              | 2,788              |
| Current maturities of long-term debt                        | 12,925             | 1,295             | 1,103            | 15,323             | 17,398             |
| Intersystem loans payable                                   | -                  | 2,526             | -                | -                  | -                  |
| <b>Total Current Liabilities</b>                            | <b>133,222</b>     | <b>5,289</b>      | <b>2,756</b>     | <b>138,741</b>     | <b>150,839</b>     |
| <b>Long-Term Debt:</b>                                      |                    |                   |                  |                    |                    |
| Revenue bonds   | 584,024            | 45,590            | 21,933           | 651,547            | 496,337            |
| Other notes payable   | -                  | -                 | 3,664            | 3,664              | 4,082              |
| <b>Total Long-Term Debt</b>                                 | <b>584,024</b>     | <b>45,590</b>     | <b>25,597</b>    | <b>655,211</b>     | <b>500,419</b>     |
| <b>Other Liabilities:</b>                                   |                    |                   |                  |                    |                    |
| Intersystem loans and payables                              | -                  | 20,104            | -                | -                  | -                  |
| FERC license obligations                                    | -                  | 10,156            | -                | 10,156             | 12,882             |
| Net pension liability                                       | 10,416             | 257               | 216              | 10,889             | 15,226             |
| Lease liability and SBITA liability                         | 11,789             | 145               | -                | 11,934             | 11,486             |
| OPEB liability  | 53,576             | 956               | 1,012            | 55,544             | 48,945             |
| Other liabilities   | 20,004             | 1,062             | 42               | 21,108             | 14,898             |
| <b>Total Other Liabilities</b>                              | <b>95,785</b>      | <b>32,680</b>     | <b>1,270</b>     | <b>109,631</b>     | <b>103,437</b>     |
| <b>Total Liabilities</b>                                    | <b>813,031</b>     | <b>83,559</b>     | <b>29,623</b>    | <b>903,583</b>     | <b>754,695</b>     |
| <b>Deferred Inflows of Resources</b>                        |                    |                   |                  |                    |                    |
| Unearned FERC license contributions                         | -                  | 2,500             | -                | 2,500              | 3,000              |
| Net pension deferrals                                       | 16,073             | 14                | 450              | 16,537             | 14,725             |
| Other deferred inflows                                      | 13,306             | 2,629             | 337              | 16,272             | 10,942             |
| <b>Total Deferred Inflows of Resources</b>                  | <b>29,379</b>      | <b>5,143</b>      | <b>787</b>       | <b>35,309</b>      | <b>28,667</b>      |
| <b>Net Position</b>   |                    |                   |                  |                    |                    |
| Net investment in capital assets                            | 1,274,799          | 144,950           | 137,154          | 1,556,903          | 1,462,016          |
| Restricted:   |                    |                   |                  |                    |                    |
| Reserve funds   | 2,321              | 5,775             | 796              | 8,892              | 7,609              |
| Net pension assets  | 42,955             | 878               | 1,279            | 45,112             | 35,955             |
| Debt service and other                                      | 20,872             | 104               | 16,974           | 37,950             | 54,820             |
| Unrestricted  | 441,279            | (14,754)          | 10,426           | 436,951            | 381,139            |
| <b>Total Net Position</b>                                   | <b>1,782,226</b>   | <b>136,953</b>    | <b>166,629</b>   | <b>2,085,808</b>   | <b>1,941,539</b>   |
| <b>Total Liabilities, Deferred Inflows and Net Position</b> | <b>\$2,624,636</b> | <b>\$225,655</b>  | <b>\$197,039</b> | <b>\$3,024,700</b> | <b>\$2,724,901</b> |

The accompanying notes are an integral part of these combined financial statements.

## Combined Statements of Revenues, Expenses, and Changes in Net Position

Years Ended December 31, 2025 and 2024

(In thousands)

|  | 2025               |                   |                  | 2024               |                    |
|--|--------------------|-------------------|------------------|--------------------|--------------------|
|  | Electric System    | Generation System | Water System     | Combined           | Combined           |
| <b>Operating Revenues:</b>                     |                    |                   |                  |                    |                    |
| Retail sales                                   | \$759,630          | \$-               | \$17,255         | \$776,885          | \$729,233          |
| Wholesale sales                                | 50,888             | 20,328            | 716              | 52,425             | 104,701            |
| Other  | 37,713             | 593               | 499              | 38,805             | 55,130             |
| <b>Total Operating Revenues</b>                | <b>848,231</b>     | <b>20,921</b>     | <b>18,470</b>    | <b>868,115</b>     | <b>889,064</b>     |
| <b>Operating Expenses:</b>                     |                    |                   |                  |                    |                    |
| Purchased power                                | 351,989            | -                 | -                | 332,482            | 409,145            |
| Purchased water                                | -                  | -                 | 4,053            | 4,053              | 3,689              |
| Operations                                     | 232,721            | 6,895             | 6,032            | 245,648            | 261,108            |
| Maintenance                                    | 49,016             | 6,440             | 2,779            | 58,235             | 70,142             |
| Depreciation and amortization                  | 70,011             | 6,431             | 4,201            | 80,643             | 77,103             |
| Taxes  | 46,943             | 82                | 949              | 47,974             | 46,218             |
| <b>Total Operating Expenses</b>                | <b>750,680</b>     | <b>19,848</b>     | <b>18,014</b>    | <b>769,035</b>     | <b>867,405</b>     |
| <b>Net Operating Income (Loss)</b>             | <b>97,551</b>      | <b>1,073</b>      | <b>456</b>       | <b>99,080</b>      | <b>21,659</b>      |
| <b>Interest Charges:</b>                       |                    |                   |                  |                    |                    |
| Interest                                       | 23,126             | 3,442             | 1,144            | 26,746             | 24,183             |
| Amortization of debt related costs             | (1,865)            | (115)             | (233)            | (2,213)            | (3,511)            |
| <b>Total Interest Charges</b>                  | <b>21,261</b>      | <b>3,327</b>      | <b>911</b>       | <b>24,533</b>      | <b>20,672</b>      |
| <b>Other Income and Expense:</b>               |                    |                   |                  |                    |                    |
| Interest income, fair value adjustments, net   | 22,792             | 1,045             | 1,655            | 24,526             | 23,818             |
| Other income and expense, net                  | 10,565             | 533               | (11)             | 11,087             | 4,461              |
| <b>Total Other Income and Expense</b>          | <b>33,357</b>      | <b>1,578</b>      | <b>1,644</b>     | <b>35,613</b>      | <b>28,279</b>      |
| <b>Net Income Before Capital Contributions</b> | <b>109,647</b>     | <b>(676)</b>      | <b>1,189</b>     | <b>110,160</b>     | <b>29,266</b>      |
| <b>Capital Contributions</b>                   | <b>31,197</b>      | <b>11</b>         | <b>2,901</b>     | <b>34,109</b>      | <b>37,856</b>      |
| <b>Net Income (Loss)</b>                       | <b>140,844</b>     | <b>(665)</b>      | <b>4,090</b>     | <b>144,269</b>     | <b>67,122</b>      |
| Net position, beginning of year                | 1,641,382          | 137,618           | 162,539          | 1,941,539          | 1,874,417          |
| <b>Net Position, End of Year</b>               | <b>\$1,782,226</b> | <b>\$136,953</b>  | <b>\$166,629</b> | <b>\$2,085,808</b> | <b>\$1,941,539</b> |

The accompanying notes are an integral part of these combined financial statements.

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## Combined Statements of Cash Flows

Years Ended December 31, 2025 and 2024

(In thousands)

|   | 2025             |                   |                 | 2024            |                  |
|---|------------------|-------------------|-----------------|-----------------|------------------|
|   | Electric System  | Generation System | Water System    | Combined        | Combined         |
| <b>Cash Flows from Operating Activities:</b>                                      |                  |                   |                 |                 |                  |
| Cash received from customers  | \$817,062        | \$20,255          | \$18,100        | \$835,910       | \$851,392        |
| Cash payments to suppliers  | (534,089)        | (4,935)           | (6,157)         | (525,674)       | (633,609)        |
| Cash payments to employees  | (131,953)        | (8,294)           | (6,673)         | (146,920)       | (142,890)        |
| Cash payments for taxes   | (44,989)         | (92)              | (932)           | (46,013)        | (46,205)         |
| Other cash received (paid)  | 27,555           | (1,122)           | (179)           | 26,254          | 32,827           |
| <b>Net Cash Provided by Operating Activities</b>                                  | <b>133,586</b>   | <b>5,812</b>      | <b>4,159</b>    | <b>143,557</b>  | <b>61,515</b>    |
| <b>Cash Flows from Capital &amp; Related Financing Activities:</b>                |                  |                   |                 |                 |                  |
| Capital construction  | (183,891)        | (1,903)           | (11,046)        | (196,840)       | (154,795)        |
| Proceeds from debt  | 185,666          | 78                | -               | 185,744         | -                |
| Repayment of debt   | (17,938)         | (5,471)           | (1,128)         | (24,537)        | (19,503)         |
| Debt issuance costs   | (650)            | (74)              | -               | (724)           | -                |
| Interest paid   | (19,967)         | (2,869)           | (1,149)         | (23,019)        | (24,219)         |
| Capital contributions   | 27,794           | 11                | 1,608           | 29,413          | 25,225           |
| Intercompany loans  | 2,425            | (2,425)           | -               | -               | -                |
| Other cash received (paid)  | 2,916            | (35)              | 177             | 3,058           | 15,630           |
| <b>Net Cash Provided by (Used for) Capital &amp; Related Financing Activities</b> | <b>(3,645)</b>   | <b>(12,688)</b>   | <b>(11,538)</b> | <b>(26,905)</b> | <b>(157,662)</b> |
| <b>Cash Flows from Investing Activities:</b>                                      |                  |                   |                 |                 |                  |
| Sale of special funds and investment securities                                   | 261,791          | 14,909            | 13,338          | 290,038         | 352,757          |
| Purchase of special funds and investment securities                               | (393,353)        | (9,901)           | (6,845)         | (410,099)       | (272,687)        |
| Interest on investment securities   | 21,088           | 1,126             | 1,590           | 22,838          | 22,836           |
| <b>Net Cash Provided by (Used for) Investing Activities</b>                       | <b>(110,474)</b> | <b>6,134</b>      | <b>8,083</b>    | <b>(97,223)</b> | <b>102,906</b>   |
| <b>Cash Flows from Non-Capital Financing Activities:</b>                          |                  |                   |                 |                 |                  |
| Non-capital grants received   | 9,372            | 66                | -               | 9,438           | 1,549            |
| Other nonoperating items received (paid)  | (16)             | -                 | -               | (16)            | -                |
| <b>Net Cash Provided by Non-Capital Financing Activities</b>                      | <b>9,356</b>     | <b>66</b>         | <b>-</b>        | <b>9,422</b>    | <b>1,549</b>     |
| <b>Net Increase (Decrease) in Cash &amp; Cash Equivalents</b>                     | <b>28,823</b>    | <b>(676)</b>      | <b>704</b>      | <b>28,851</b>   | <b>8,308</b>     |
| Beginning of year   | 53,585           | 5,644             | 3,183           | 62,412          | 54,104           |
| <b>Cash &amp; Cash Equivalents - End of Year</b>                                  | <b>\$82,408</b>  | <b>\$4,968</b>    | <b>\$3,887</b>  | <b>\$91,263</b> | <b>\$62,412</b>  |

The accompanying notes are an integral part of these combined financial statements.

## Combined Statements of Cash Flows (continued)

Years Ended December 31, 2025 and 2024

(In thousands)

|   | 2025             |                   |                | 2024             |                 |
|---|------------------|-------------------|----------------|------------------|-----------------|
|   | Electric System  | Generation System | Water System   | Combined         | Combined        |
| <b>Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:</b> |                  |                   |                |                  |                 |
| Net Operating Income (Loss)   | \$97,551         | \$1,073           | \$456          | \$99,080         | \$21,659        |
| Adjustments to net operating income:  |                  |                   |                |                  |                 |
| Depreciation and amortization expense   | 70,011           | 6,431             | 4,201          | 80,643           | 77,103          |
| Pension and OPEB related  | (20,084)         | (584)             | (608)          | (21,276)         | (24,432)        |
| Other cash received (paid)  | 72               | -                 | (11)           | 61               | (429)           |
| (Increase) decrease in receivables  | (245)            | (493)             | (169)          | (907)            | 1,689           |
| (Increase) decrease in other assets   | (6,659)          | 2                 | 450            | (6,207)          | (17,284)        |
| Increase (decrease) in payables   | (2,203)          | 408               | (81)           | (1,876)          | 8,080           |
| Increase (decrease) in other liabilities  | (4,857)          | (1,025)           | (79)           | (5,961)          | (4,871)         |
| <b>Total Adjustments</b>  | <b>36,035</b>    | <b>4,739</b>      | <b>3,703</b>   | <b>44,477</b>    | <b>39,856</b>   |
| <b>Net Cash Provided by Operating Activities</b>  | <b>\$133,586</b> | <b>\$5,812</b>    | <b>\$4,159</b> | <b>\$143,557</b> | <b>\$61,515</b> |
| <b>Non-cash Investing, Capital and Related Financing Activities</b>                         |                  |                   |                |                  |                 |
| Non-cash capital contributions  | \$8,381          | \$-               | \$1,294        | \$9,675          | \$12,428        |
| Changes in valuation of financial instruments   | 2,188            | 40                | 85             | 2,313            | 2,875           |
| Amortization of debt related costs  | 1,865            | 115               | 233            | 2,213            | 3,511           |
| Proceeds from refunding debt issuance   | 234,081          | 47,181            | -              | 281,262          | -               |
| Repayment of refunded debt  | (230,242)        | (46,408)          | -              | (276,650)        | -               |
| Costs of refunding debt issuance  | (1,263)          | (156)             | -              | (1,419)          | -               |
| Interest paid on refunded debt  | (2,576)          | (617)             | -              | (3,193)          | -               |

The accompanying notes are an integral part of these combined financial statements.

# Notes to Combined Financial Statements

December 31, 2025 and 2024

## Note 1

### Summary of Significant Accounting Policies

#### General

Public Utility District No. 1 of Snohomish County, Washington, (the PUD) is a public electric and water utility serving Snohomish County and Camano Island in Island County, Washington. The PUD's operations consist of three systems: Electric, Generation, and Water. The PUD is governed by a three-member Board of Commissioners (Commission), which is elected for staggered six-year terms. The legal responsibilities and powers of the PUD, including the establishment of rates and charges for services rendered, are exercised through the Commission.

The Electric System is made up of the PUD's electric transmission and distribution system. The Generation System is composed of the PUD's Henry M. Jackson Hydroelectric Project (Jackson Project), four smaller hydroelectric projects, and a biofuel generator. The Water System is made up of the PUD's water distribution system.

The accompanying financial statements for 2025 include the Combined Statements of Net Position, the Combined Statements of Revenues, Expenses, and Changes in Net Position, and the Combined Statements of Cash Flows for each system. System columns presented in the financial statements and notes may not add to the combined totals due to the elimination of intercompany loans and routine intercompany transactions.

The PUD's financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when incurred. Revenues and costs that are directly related to the generation, purchase, transmission, and distribution of electricity or water are reported as operating revenues and expenses. All other revenues and expenses are reported as other income and expense.

The accompanying financial statements have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The PUD's other significant accounting and financial policies are described in the following sections.

#### Retail Sales

The PUD bills Electric and Water System customers for their consumption monthly. The accompanying financial statements include estimated unbilled revenues for electricity and water delivered to customers between the last billing date and the end of the year. Unbilled electric revenue was \$40 million and \$38 million as of December 31, 2025, and 2024, respectively. Unbilled water revenue was \$784 thousand and \$701 thousand as of December 31, 2025, and 2024, respectively.

#### Cash Equivalents

The PUD considers highly liquid, short-term investments with original maturities of three months or less to be cash equivalents.

#### Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded when invoices are issued and are written off when they are determined to be uncollectible. A reserve is established for uncollectible accounts receivable based upon historical write-off trends

and knowledge of specific circumstances that indicate collection of an account may be unlikely. The allowance for doubtful accounts was \$2.5 million and \$2.7 million as of December 31, 2025 and 2024, respectively.

## Material and Supplies

Material and supplies are recorded at average cost and consist primarily of materials for construction and maintenance of utility plant.

## Special Funds

Special funds are restricted or limited-use funds that have been established in accordance with Commission resolutions, bond resolutions, state law, or other agreements. These funds, which consist of cash, cash equivalents, and investments, are restricted for specific purposes, including debt service, bond reserves, qualifying capital expenditures, other postemployment benefits (OPEB), Federal Energy Regulatory Commission (FERC) license commitments, and other reserve requirements. It is the PUD's practice to use unrestricted funds prior to using restricted funds, except for funds set aside for specific expenditures and debt service payments.

In September 2024, the Commission adopted resolutions which reclassified its Electric and Water System rate stabilization funds from restricted to unrestricted within the investment portfolio. As a result, \$115 million in Electric System funds and \$1.5 million in Water System funds were prospectively reclassified on the Combined Statements of Net Position from restricted net position to unrestricted net position and from special funds to long-term and temporary investment assets.

## Unamortized Gain or Loss on Refunding Debt

In refunding transactions, the difference between the reacquisition price of the outstanding debt and the carrying value of the existing bonds is deferred and amortized over the shorter of the remaining term of the refunded bonds or the term of the refunding bonds using the straight-line method.

## Net Position

Net position consists of the following components:

- **Net investment in capital assets:** This component consists of capital assets, net of accumulated depreciation and amortization reduced by the net outstanding debt balances related to capital assets, net of unamortized debt related costs.
- **Restricted:** This component consists of assets and liabilities with constraints placed on use. Constraints include those imposed by bond covenants or third-party contractual agreements, and resources restricted by Commission resolution.
- **Unrestricted:** This component consists of assets and liabilities that do not meet the definition of "net investment in capital assets" or "restricted."

## Compensated Absences

Employees accumulate earned but unused paid time off, vacation, holidays, compensatory time off, sick and extended sick pay benefits, collectively referred to as compensated absences. The liability for compensated absences is calculated under the provisions of GASB Statement No. 101 Compensated Absences. As of December 31, 2025 and 2024, the accrued liability for these benefits was \$28 million and \$29 million, respectively. These liabilities are included in other accrued liabilities.

## Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The PUD has used estimates in determining reported amounts including unbilled revenue, allowance for doubtful accounts receivable, accrued liability for injuries and damages, compensated absences, depreciable lives of utility plant, pensions, and other contingencies. Actual results could differ from these estimates.

## Asset Retirement Obligations

An asset retirement obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. The PUD identified AROs for certain assets that are expected to operate in perpetuity. As the PUD cannot estimate a settlement date or amount of obligation, a reasonable estimate of the obligation cannot be made. As such, ARO liabilities are not recorded for retirement activities associated with certain transmission, distribution, and hydroelectric projects. The PUD does not have any recorded AROs as of December 31, 2025 or 2024.

## Note 2 Accounting Changes and Reclassifications

### Change in Accounting Principles

In December 2023, GASB issued Statement No. 102 Certain Risk Disclosures, which establishes financial reporting requirements for the disclosure of risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement provides for more consistent and transparent reporting of risks that could negatively affect a government's ability to provide services or meet obligations as they come due. The PUD adopted the provisions of GASB Statement No. 102 effective January 1, 2025. For additional details, see Note 13.

Certain reclassifications have been made in the 2024 financial statements to conform to the 2025 presentation. During 2025, the PUD made a reclassification between balances of cash and cash equivalents and other special deposits as of December 31, 2024. The effect of this reclassification is presented below:

|   | Electric               |                  |                 | Combined               |                  |                 |
|---|------------------------|------------------|-----------------|------------------------|------------------|-----------------|
|   | As Previously Reported | Reclassification | As Reclassified | As Previously Reported | Reclassification | As Reclassified |
| Cash and cash equivalents                                   | \$56,362               | \$(2,777)        | \$53,585        | \$65,189               | \$(2,777)        | \$62,412        |
| <b>Total Cash and Temporary Investments</b>                 | <b>170,923</b>         | <b>(2,777)</b>   | <b>168,146</b>  | <b>182,981</b>         | <b>(2,777)</b>   | <b>180,204</b>  |
| Other special deposits                                      | -                      | 2,777            | 2,777           | -                      | 2,777            | 2,777           |
| <b>Total Current Assets</b>                                 | <b>362,220</b>         | <b>-</b>         | <b>362,220</b>  | <b>377,165</b>         | <b>-</b>         | <b>377,165</b>  |
| Sale of special funds and investment securities             | 313,899                | (2,777)          | 311,122         | 355,534                | (2,777)          | 352,757         |
| <b>Net Cash Provided by (Used for) Investing Activities</b> | <b>98,446</b>          | <b>(2,777)</b>   | <b>95,669</b>   | <b>105,683</b>         | <b>(2,777)</b>   | <b>102,906</b>  |
| <b>Cash &amp; Cash Equivalents - End of Year</b>            | <b>\$56,362</b>        | <b>\$(2,777)</b> | <b>\$53,585</b> | <b>\$65,189</b>        | <b>\$(2,777)</b> | <b>\$62,412</b> |

## Note 3

### Special Funds and Cash and Temporary Investments

The PUD's investment policy authorizes the investment of funds in United States (U.S.) Treasury, federally guaranteed and U.S. government-sponsored enterprise agency obligations, municipal bonds, supranational securities, commercial paper, certificates of deposit, bankers' acceptances, bank deposits and savings accounts. Certificates of deposit and bank deposits are held with qualified public depositories of the State of Washington and are collateralized under the Washington State Public Deposit Protection Act. In all instances, the PUD evaluates the creditworthiness of the financial institutions with which it invests.

All PUD investments are in compliance with State of Washington statutes, PUD investment policy, and PUD bond resolutions. Substantially all PUD investments are recorded at fair value based on observable market prices or indices. The relative type of PUD's investments as of December 31, 2025 and 2024 are summarized below:

|  | Electric System |      | Generation System |      | Water System |      |
|--|-----------------|------|-------------------|------|--------------|------|
|  | 2025            | 2024 | 2025              | 2024 | 2025         | 2024 |
| <b>U.S. Treasury Securities</b>                          | 55%             | 42%  | 42%               | 27%  | 26%          | 41%  |
| <b>U.S. Agency Obligations</b>                           |                 |      |                   |      |              |      |
| Federal Home Loan Bank                                   | 5%              | 10%  | 7%                | 6%   | 2%           | 1%   |
| Federal Farm Credit Bank                                 | 13%             | 12%  | 22%               | 6%   | 4%           | 4%   |
| Federal National Mortgage Association                    | -               | 3%   | -                 | 7%   | -            | 4%   |
| <b>Supranational Securities</b>                          |                 |      |                   |      |              |      |
| Inter-American Development Bank                          | 4%              | 5%   | -                 | -    | -            | -    |
| International Bank for Reconstruction and Development    | -               | -    | -                 | 5%   | -            | 3%   |
| International Finance Corporation                        | 1%              | 1%   | -                 | 1%   | -            | 3%   |
| <b>Municipal Bonds</b>                                   |                 |      |                   |      |              |      |
| State of California                                      | -               | 1%   | -                 | -    | -            | -    |
| State of Hawaii  | -               | -    | -                 | -    | -            | 5%   |
| State of Maryland  | -               | -    | -                 | -    | 12%          | 10%  |
| <b>Cash and Interest-bearing Demand or Time Deposits</b> | 4%              | 3%   | -                 | -    | -            | 1%   |
| <b>Washington State Local Government Investment Pool</b> | 18%             | 23%  | 29%               | 48%  | 56%          | 28%  |

The PUD invests funds consistent with the following objectives: conform with state and local statutes, preserve principal, maintain adequate liquidity, and maximize yield. The PUD's investments are purchased with the intent of holding the security until maturity.

Investment securities owned by the PUD are registered in the PUD's name and held in trust by banks or trust companies. Other PUD investments are insured by federal depository insurance or protected against loss under the Washington State Public Deposit Protection Act.

The Washington State Local Government Investment Pool (LGIP) is an investment vehicle operated by the Washington State Treasurer, offering governmental agency investors the economies of scale available from a multi-billion-dollar pooled fund investment portfolio. As of December 31, 2025, LGIP investments include primarily U.S. Treasury securities, repurchase agreements, U.S. agency securities, and interest-bearing bank deposits. The PUD records these investments at amortized cost.

The PUD must give notice to the LGIP of planned withdrawals over \$1 million on the same day. The LGIP may suspend withdrawals or liquidate if the difference between the amortized cost per share and the market net asset value per share results in material dilution or other unfair results. The LGIP may suspend redemptions if the New York Stock Exchange suspends trading or closes, if the U.S. bond markets are closed, and if the Securities and

Exchange Commission declares an emergency.

To address custodial credit risk, all investments except bank deposits, certificates of deposit, and funds held in the LGIP, are held in the PUD's name by a third-party custodian. The PUD addresses concentration of credit risk by diversifying investments by security type and issuer.

The PUD manages its exposure to decreases in the fair value of its investments resulting from rising interest rates by diversifying its investment portfolio across varying maturity dates. All funds are invested in instruments with maturities of less than five years, with the weighted average maturity of the invested portfolio remaining below three years. The PUD's investment policy specifies that the investment portfolio is structured so maturing investments match projected cash flow needs to mitigate interest rate risk. Investment maturities for combined special funds and cash and temporary investments as of December 31 were as follows:

| Term              | 2025                              |                             | 2024                              |                             |
|-------------------|-----------------------------------|-----------------------------|-----------------------------------|-----------------------------|
|                   | Amount Invested<br>(In thousands) | Percent of<br>Invested Fund | Amount Invested<br>(In thousands) | Percent of<br>Invested Fund |
| Less than 30 days | \$157,112                         | 25%                         | \$125,597                         | 27%                         |
| 30 to 90 days     | 36,855                            | 6%                          | 37,257                            | 8%                          |
| 90 days to 1 year | 140,643                           | 23%                         | 104,177                           | 22%                         |
| 1 year to 5 years | 286,532                           | 46%                         | 202,884                           | 43%                         |
| <b>Total</b>      | <b>\$621,142</b>                  | <b>100%</b>                 | <b>\$469,915</b>                  | <b>100%</b>                 |

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The PUD's investments, at fair value, can be categorized by valuation techniques into two levels. Level 1 investments are traded on a national securities exchange and are valued at the last reported sales price on the last business day of the year. Level 2 investments are valued using pricing models maximizing the use of observable inputs for similar securities.

The table below shows the fair value hierarchy for each system's investments subject to fair value measurement, as of December 31 (in thousands):

|                                    | 2025             |                  |                |                |                |                | 2024             |                  |
|------------------------------------|------------------|------------------|----------------|----------------|----------------|----------------|------------------|------------------|
|                                    | Electric         |                  | Generation     |                | Water          |                | Combined         |                  |
|                                    | Level 1          | Level 2          | Level 1        | Level 2        | Level 1        | Level 2        | Level 1          | Level 2          |
| U.S. Treasury Securities           | \$314,769        | \$-              | \$7,996        | \$-            | \$8,009        | \$-            | \$194,804        | \$-              |
| U.S. Agency Obligations            | -                | 102,718          | -              | 5,529          | -              | 1,864          | -                | 110,722          |
| Supranational Securities           | -                | 25,602           | -              | -              | -              | -              | -                | 29,474           |
| Municipal Bonds                    | -                | 2,653            | -              | -              | -              | 3,577          | -                | 7,960            |
| <b>Assets Valued at Fair Value</b> | <b>\$314,769</b> | <b>\$130,973</b> | <b>\$7,996</b> | <b>\$5,529</b> | <b>\$8,009</b> | <b>\$5,441</b> | <b>\$194,804</b> | <b>\$148,156</b> |

## Note 4

### Utility Plant

The PUD's utility plant is stated at cost, which includes both direct and indirect costs of construction or acquisition. The capitalization threshold for utility plant is \$5 thousand and \$35 thousand for information technology. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from five to 77 years.

When utility plant assets are retired, the original cost together with removal costs, less salvage, is charged to accumulated depreciation. The cost of maintenance and repairs is charged to expense as incurred, while the cost of replacements and betterments is capitalized. See Table 1 for additional utility plant details.

The PUD reviews the carrying value of its utility plant and other equipment when events or changes in circumstances indicate that the carrying value may not be recoverable.

### Capital Contributions

The PUD records capital contributions from customers and developers, relating to expansions to the PUD's infrastructure, as a separate category of non-operating revenue.

### Subscription-Based Information Technology Arrangements (SBITA)

The PUD considers SBITAs with a maximum possible term of 12 months or less at commencement to be short-term and expensed as incurred. For all other SBITAs, the PUD recognizes a right-to-use subscription asset and a subscription liability. Currently, all SBITAs are held by the Electric System. The PUD has 20 SBITAs which meet the criteria for recognition and the PUD's information technology capitalization threshold. The right-to-use asset relating to these SBITAs are recognized on the Combined Statements of Net Position within plant in service.

The following table shows the total amount of SBITA assets and the related accumulated amortization as of December 31(in thousands):

|                               | 2025           | 2024           |
|-------------------------------|----------------|----------------|
| Subscription assets           | \$11,087       | \$7,377        |
| Accumulated amortization      | (4,128)        | (2,598)        |
| <b>Net Subscription Asset</b> | <b>\$6,959</b> | <b>\$4,779</b> |

For years ended December 31, 2025 and 2024, the PUD recorded \$2.3 million and \$2.8 million as amortization of right-to-use subscription assets, as well as \$82 and \$49 thousand in interest expense, respectively. As of December 31, 2025, the PUD had principal and interest requirements for their SBITA activities, as follows (in thousands):

|              | Principal      | Interest     | Total          |
|--------------|----------------|--------------|----------------|
| 2026         | \$2,343        | \$83         | \$2,426        |
| 2027         | 754            | 43           | 797            |
| 2028         | 575            | 27           | 602            |
| 2029         | 598            | 12           | 610            |
| 2030         | 1              | -            | 1              |
| <b>Total</b> | <b>\$4,271</b> | <b>\$165</b> | <b>\$4,436</b> |

**Table 1 Utility Plant**
*(In thousands)*

|  | 2023               |                  | 2024                    |                    | 2025             |                         |                    |
|--|--------------------|------------------|-------------------------|--------------------|------------------|-------------------------|--------------------|
|  | Ending Balance     | Additions        | Retirements & Transfers | Ending Balance     | Additions        | Retirements & Transfers | Ending Balance     |
| <b>Electric System</b>                         |                    |                  |                         |                    |                  |                         |                    |
| Solar production                               | \$1,220            | \$3,081          | \$-                     | \$4,301            | \$366            | \$-                     | \$4,667            |
| Transmission                                   | 197,963            | 18,752           | (440)                   | 216,275            | 5,291            | 671                     | 222,237            |
| Distribution                                   | 1,518,248          | 105,311          | (11,127)                | 1,612,432          | 103,670          | (14,567)                | 1,701,535          |
| General plant & other                          | 476,093            | 24,629           | (5,028)                 | 495,694            | 65,887           | (13,554)                | 548,027            |
| Right-to-use lease assets                      | 8,875              | 151              | (529)                   | 8,497              | 33               | 60                      | 8,590              |
| Right-to-use subscription assets               | 6,505              | 3,491            | (2,619)                 | 7,377              | 4,512            | (802)                   | 11,087             |
| Land & non-depreciable assets                  | 79,368             | 4,003            | -                       | 83,371             | 2,057            | -                       | 85,428             |
| Plant in service                               | 2,288,272          | 159,418          | (19,743)                | 2,427,947          | 181,816          | (28,192)                | 2,581,571          |
| Construction work in progress                  | 175,016            | -                | (2,419)                 | 172,597            | 11,454           | -                       | 184,051            |
| Utility plant                                  | 2,463,288          | 159,418          | (22,162)                | 2,600,544          | 193,270          | (28,192)                | 2,765,622          |
| Less accumulated depreciation and amortization | (947,946)          | (60,318)         | 7,969                   | (1,000,295)        | (51,195)         | 8,378                   | (1,043,112)        |
| <b>Net Utility Plant</b>                       | <b>\$1,515,342</b> | <b>\$99,100</b>  | <b>\$(14,193)</b>       | <b>\$1,600,249</b> | <b>\$142,075</b> | <b>\$(19,814)</b>       | <b>\$1,722,510</b> |
| <b>Generation System</b>                       |                    |                  |                         |                    |                  |                         |                    |
| Generation & production                        | \$302,325          | \$5,650          | \$(509)                 | \$307,466          | \$1,193          | \$(32)                  | \$308,627          |
| Transmission                                   | 2,973              | -                | -                       | 2,973              | -                | (1,421)                 | 1,552              |
| Distribution                                   | 8,830              | -                | -                       | 8,830              | 6                | -                       | 8,836              |
| General plant & other                          | 32,924             | 632              | (7)                     | 33,549             | 474              | (3)                     | 34,020             |
| Right-to-use lease assets                      | 264                | -                | -                       | 264                | -                | -                       | 264                |
| Land & non-depreciable assets                  | 13,855             | -                | -                       | 13,855             | -                | -                       | 13,855             |
| Plant in service                               | 361,171            | 6,282            | (516)                   | 366,937            | 1,673            | (1,456)                 | 367,154            |
| Construction work in progress                  | 6,701              | -                | (3,136)                 | 3,565              | 866              | -                       | 4,431              |
| Utility plant                                  | 367,872            | 6,282            | (3,652)                 | 370,502            | 2,539            | (1,456)                 | 371,585            |
| Less accumulated depreciation and amortization | (168,226)          | (6,220)          | 302                     | (174,144)          | (5,629)          | 19                      | (179,754)          |
| <b>Net Utility Plant</b>                       | <b>\$199,646</b>   | <b>\$62</b>      | <b>\$(3,350)</b>        | <b>\$196,358</b>   | <b>\$(3,090)</b> | <b>\$(1,437)</b>        | <b>\$191,831</b>   |
| <b>Water System</b>                            |                    |                  |                         |                    |                  |                         |                    |
| Generation & production                        | \$9,807            | \$437            | \$-                     | \$10,244           | \$2,690          | \$-                     | \$12,934           |
| Transmission & distribution                    | 154,563            | 13,850           | (1,147)                 | 167,266            | 9,591            | (1,664)                 | 175,193            |
| General plant & other                          | 14,459             | 542              | (362)                   | 14,639             | 1,447            | (458)                   | 15,628             |
| Land & non-depreciable assets                  | 4,169              | -                | -                       | 4,169              | 344              | -                       | 4,513              |
| Plant in service                               | 182,998            | 14,829           | (1,509)                 | 196,318            | 14,072           | (2,122)                 | 208,268            |
| Construction work in progress                  | 9,435              | -                | (1,644)                 | 7,791              | -                | (1,526)                 | 6,265              |
| Utility plant                                  | 192,433            | 14,829           | (3,153)                 | 204,109            | 14,072           | (3,648)                 | 214,533            |
| Less accumulated depreciation                  | (50,624)           | (3,677)          | 505                     | (53,796)           | (3,665)          | 1,379                   | (56,082)           |
| <b>Net Utility Plant</b>                       | <b>\$141,809</b>   | <b>\$11,152</b>  | <b>\$(2,648)</b>        | <b>\$150,313</b>   | <b>\$10,407</b>  | <b>\$(2,269)</b>        | <b>\$158,451</b>   |
| <b>Total Net Utility Plant</b>                 | <b>\$1,856,797</b> | <b>\$110,314</b> | <b>\$(20,191)</b>       | <b>\$1,946,920</b> | <b>\$149,392</b> | <b>\$(23,520)</b>       | <b>\$2,072,792</b> |

The PUD excludes variable payments from the measurement of the right-to-use assets and subscription liability. Those payments totaled \$410 thousand and \$358 thousand for the years ended December 31, 2025 and 2024, respectively.

## Leases

The PUD is both a lessee and a lessor. For leases with a maximum possible term of 12 months or less at commencement, the PUD considers those short-term leases and recognizes expense or revenue in the year incurred based on the provisions in each contract. For all other leases, as a lessee or lessor, the PUD recognizes a right-to-use asset and lease liability, or a lease receivable and a deferred inflow, respectively.

### PUD as a Lessee

The following table summarizes the balances of right-to-use assets by major classes reported in net utility plant as of December 31 (in thousands):

|                                      | 2025           |              | 2024           |              |
|--------------------------------------|----------------|--------------|----------------|--------------|
|                                      | Electric       | Generation   | Electric       | Generation   |
| Right-to-use assets - land           | \$8,220        | \$102        | \$8,210        | \$102        |
| Less accumulated amortization        | (1,569)        | (26)         | (1,075)        | (17)         |
| Right-to-use assets - land, net      | 6,651          | 76           | 7,135          | 85           |
| Right-to-use assets - building       | -              | 162          | -              | 162          |
| Less accumulated amortization        | -              | (90)         | -              | (60)         |
| Right-to-use assets - building, net  | -              | 72           | -              | 102          |
| Right-to-use assets - equipment      | 370            | -            | 287            | -            |
| Less accumulated amortization        | (216)          | -            | (81)           | -            |
| Right-to-use assets - equipment, net | 154            | -            | 206            | -            |
| <b>Total Right-to-use Assets</b>     | <b>\$6,805</b> | <b>\$148</b> | <b>\$7,341</b> | <b>\$187</b> |

The PUD is involved in several leases and subleases of land and buildings to perform PUD operations. The obligations relating to these leases have been recognized on the Combined Statements of Net Position under lease and SBITA liability and the related right-to-use asset under plant in service, equal to the present value of the lease payments in each agreement payable during the contracted term. For years ended December 31, 2025 and 2024, the PUD recorded \$455 thousand and \$740 thousand as amortization of right-to-use lease assets, as well as \$259 thousand and \$265 thousand in interest expense, respectively. Lessee activity resides within the Electric System except for two Generation System leases. As of December 31, 2025, the PUD had principal and interest requirements for active leasing activities, as follows (in thousands):

| Year Ended December 31 | Principal      | Interest       | Total           |
|------------------------|----------------|----------------|-----------------|
| 2026                   | \$347          | \$251          | \$598           |
| 2027                   | 305            | 244            | 549             |
| 2028                   | 248            | 238            | 486             |
| 2029                   | 263            | 233            | 496             |
| 2030                   | 283            | 227            | 510             |
| 2031-2035              | 1,400          | 1,026          | 2,426           |
| 2036-2040              | 1,579          | 791            | 2,370           |
| 2041-2045              | 1,036          | 548            | 1,584           |
| 2046-2050              | 1,063          | 367            | 1,430           |
| 2051-2054              | 1,139          | 88             | 1,227           |
| <b>Total</b>           | <b>\$7,663</b> | <b>\$4,013</b> | <b>\$11,676</b> |

## PUD as a Lessor

The PUD is also involved in lease agreements as the lessor of assets such as land and pole attachments. These leases are ancillary to the PUD's mission to provide power to its rate payers. The PUD primarily leases space to telecom entities, which allows them to provide services to networks.

The PUD has lessor agreements with remaining contract terms ranging from one to 20 years. The agreements are recorded as a lease asset receivable at their net present value of \$3.2 million and \$5.7 million on the Combined Statements of Net Position as of December 31, 2025 and 2024, respectively. The PUD recognized \$1.8 million and \$1.9 million of lease income and \$68 thousand and \$93 thousand in lease interest income recorded as other income for both years ended December 31, 2025 and 2024, respectively.

## Note 5 Long-term Debt

Debt service (principal and interest) payments on the PUD's revenue bonds and other notes payable to maturity, excluding intersystem borrowing, are set forth in Table 2 (in thousands):

**Table 2**

|              | Electric System<br>Revenue Bonds |                  | Generation System<br>Revenue Bonds |                 | Water System<br>Revenue Bonds |                 | Loans          |              |
|--------------|----------------------------------|------------------|------------------------------------|-----------------|-------------------------------|-----------------|----------------|--------------|
|              | Principal                        | Interest         | Principal                          | Interest        | Principal                     | Interest        | Principal      | Interest     |
| 2026         | \$12,925                         | \$26,675         | \$1,295                            | \$2,138         | \$685                         | \$1,065         | \$418          | \$43         |
| 2027         | 16,155                           | 26,271           | 1,350                              | 2,090           | 740                           | 1,031           | 418            | 38           |
| 2028         | 16,725                           | 25,698           | 1,415                              | 2,036           | 840                           | 994             | 354            | 33           |
| 2029         | 17,335                           | 25,086           | 1,490                              | 1,979           | 885                           | 952             | 354            | 29           |
| 2030         | 18,205                           | 24,220           | 1,560                              | 1,919           | 930                           | 908             | 272            | 25           |
| 2031-2035    | 105,670                          | 106,496          | 9,240                              | 8,339           | 5,390                         | 3,792           | 1,235          | 86           |
| 2036-2040    | 134,485                          | 77,335           | 12,155                             | 5,784           | 6,830                         | 2,310           | 736            | 37           |
| 2041-2045    | 58,110                           | 51,134           | 15,760                             | 2,440           | 5,000                         | 508             | 294            | 4            |
| 2046-2050    | 96,510                           | 33,040           | -                                  | -               | -                             | -               | -              | -            |
| 2051-2055    | 68,550                           | 9,414            | -                                  | -               | -                             | -               | -              | -            |
| <b>Total</b> | <b>\$544,670</b>                 | <b>\$405,369</b> | <b>\$44,265</b>                    | <b>\$26,725</b> | <b>\$21,300</b>               | <b>\$11,560</b> | <b>\$4,081</b> | <b>\$295</b> |

The Electric, Generation, and Water Systems' revenues, net of specified operating expenses, are pledged as security for the systems' revenue bonds until their respective bonds are defeased or repaid. Principal and interest paid in 2025 and 2024 were \$35 million and \$43 million, respectively. Total revenues available for debt service as defined for the same periods were \$218 million and \$126 million in 2025 and 2024, respectively. Annual principal and interest payments required 16% and 34% of revenues as of December 31, 2025 and 2024, respectively.

Tax-exempt revenue bonds make up the majority of the PUD's long-term debt and are subject to Internal Revenue Service Code (the Code) requirements for arbitrage rebate. Rebates are calculated based on earnings on gross proceeds of the bonds that are in excess of the amount prescribed by the Code. The estimated arbitrage liability as of December 31, 2025, was \$1.0 million and \$505 thousand as of December 31, 2024.

## Electric System

A summary of principal outstanding on Electric System long-term debt follows (in thousands):

|   | December 31,     |                  |
|---|------------------|------------------|
|   | 2025             | 2024             |
| Series 2025B Revenue Bonds, 5.0%, due 2036-2040, earliest call 2035     | \$110,285        | \$-              |
| Series 2025A Revenue Bonds, 5.0-5.3%, due 2026-2055, earliest call 2035 | 277,320          | -                |
| Series 2022A Revenue Bonds, 4.0-5.0%, due 2026-2052, earliest call 2032 | 59,555           | 61,050           |
| Series 2021A Revenue Bonds, 5.0%, due 2026-2051, earliest call 2031     | 78,685           | 78,685           |
| Series 2020A Revenue Refunding Bonds, 1.1-1.5%, due 2026-2028           | 18,825           | 24,975           |
| Series 2015 Revenue Bonds, 5.0%, called and refunded in 2025            | -                | 119,475          |
| Series 2010A Revenue Bonds, 5.5-5.6%, called and refunded in 2025       | -                | 115,995          |
| <b>Total Principal Outstanding on Long-Term Debt</b>                    | <b>\$544,670</b> | <b>\$400,180</b> |

In July 2025, the PUD issued \$279 million of Series 2025A Electric System Revenue and Refunding Bonds at a premium of \$20 million with an average interest rate of 4.1%. These proceeds, along with \$5.1 million from the PUD's reserves, were used to refund the Series 2010A Electric System Revenue Bonds, Taxable Build America Bonds, which had a net carrying value of \$116 million and an average interest rate of 5.6% at the time of refunding. The costs of issuance of \$1.4 million were paid out of the residual bond proceeds. The difference between the funds required to refund the outstanding debt and its net carrying amount, \$1.4 million, is recognized as a deferred outflow of resources and amortized over the remaining life new debt.

In September 2025, the PUD issued \$112 million of Series 2025B Electric System Revenue Refunding Bonds at a premium of \$8.2 million with an average interest rate of 4.1%. These proceeds, along with \$1.6 million from the PUD's reserves, were used to refund the Series 2015 Electric System Revenue Bonds, which had a net carrying value of \$127 million and an average interest rate of 5.0% at the time of refunding. The costs of issuance of \$0.5 million were paid out of the bond proceeds, with the remaining proceeds used to purchase U.S. Treasury Securities – State and Local Government Series. These securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service on the refunded Series 2015 Electric System Revenue Bonds. As of September 3, 2025, the Series 2015 Electric System Revenue Bonds were considered defeased, and the associated liability was removed from the Statements of Net Position. All maturities of the Series 2015 Electric System Revenue Bonds were called and repaid by the escrow agent on December 1, 2025. The difference between the funds required to refund the outstanding debt, \$120 million, and the net carrying amount of the outstanding debt, \$127 million, is recognized as a deferred inflow of resources to be amortized over the remaining life of the new debt.

The economic gain or loss on the refunding is calculated as the difference between the present value of the outstanding debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate and adjusted for additional cash paid. The net present value savings, or economic gain, from the refunding of the Series 2010A Electric System Revenue Bonds, Taxable Build America Bonds, and Series 2015 Electric System Revenue Bonds are \$1.9 million and \$8.0 million, respectively.

Changes in the Electric System long-term debt for the years ended as of December 31, follow (in thousands):

|                             | 2023             |           |            | 2024             |           |             | 2025             |  |  |
|-----------------------------|------------------|-----------|------------|------------------|-----------|-------------|------------------|--|--|
|                             | Balance          | Additions | Reductions | Balance          | Additions | Reductions  | Balance          |  |  |
| Revenue bonds, face amount  | \$412,995        | \$-       | \$(12,815) | \$400,180        | \$391,205 | \$(246,715) | \$544,670        |  |  |
| Unamortized bond premiums   | 37,794           | -         | (2,623)    | 35,171           | 28,542    | (11,434)    | 52,279           |  |  |
| Unamortized bond discounts  | (45)             | -         | 5          | (40)             | -         | 40          | -                |  |  |
| Total Debt                  | 450,744          | -         | (15,433)   | 435,311          | 419,747   | (258,109)   | 596,949          |  |  |
| Less: Current maturities    | (12,815)         |           |            | (14,860)         |           |             | (12,925)         |  |  |
| <b>Total Long-Term Debt</b> | <b>\$437,929</b> |           |            | <b>\$420,451</b> |           |             | <b>\$584,024</b> |  |  |

The PUD is obligated as part of its bond resolution to purchase, for use in its Electric System, all power available to the Electric System from the Generation System. The PUD is also unconditionally obligated by the bond resolution to set aside revenues in amounts sufficient to pay, to the extent not otherwise paid, all the debt service on the Generation System bonds on a parity of lien with the Electric System senior bonds.

The PUD is required to maintain a cash reserve for certain Electric System bonds. As of December 31, 2025 and 2024, the PUD maintained the reserve requirement of \$7.1 million and \$21 million, respectively, in the Electric System.

The fair value of the Electric System's long-term debt was \$596 million and \$411 million as of December 31, 2025 and 2024, respectively. The fair value of the Electric System's long-term debt is estimated based on quoted market prices for the same or similar issues.

## Generation System

A summary of principal outstanding on Generation System long-term debt follows (in thousands):

|   | December 31,    |                 |
|---|-----------------|-----------------|
|   | 2025            | 2024            |
| Series 2025B Revenue Bonds, 3.0-5.0%, due 2026-2045, earliest call 2035 | \$33,925        | \$-             |
| Series 2025A Revenue Bonds, 4.0-5.0%, due 2026-2040, earliest call 2035 | 10,340          | -               |
| Series 2015 Revenue Bonds, 5.0%, called and refunded in 2025            | -               | 39,985          |
| Series 2010B Revenue Bonds, 5.3-5.7%, called and refunded in 2025       | -               | 11,580          |
| <b>Total Principal Outstanding on Long-Term Debt</b>                    | <b>\$44,265</b> | <b>\$51,565</b> |

In July 2025, the PUD issued \$10 million of Series 2025A Generation System Revenue Refunding Bonds at a premium of \$0.8 million with an average interest rate of 4.1%. These proceeds, along with \$0.5 million from the PUD's reserves, were used to refund the Series 2010B Generation System Revenue Bonds, Taxable Build America Bonds, which had a net carrying value of \$12 million and an average interest rate of 5.7% at the time of refunding. The costs of issuance of \$54 thousand were paid out of the residual bond proceeds. The difference between the funds required to refund the outstanding debt and the net carrying amount of the outstanding debt, \$4.5 thousand, is recognized as a deferred outflow of resources to be amortized over the remaining life of the new debt.

In September 2025, the PUD issued \$34 million of Series 2025B Generation System Revenue Refunding Bonds at a premium of \$2.0 million with an average interest rate of 4.1%. These proceeds, along with \$4.7 million from the PUD's reserves, were used to refund the Series 2015 Generation System Revenue Bonds, which had a net carrying value of \$43 million and an average interest rate of 5.0% at the time of refunding. The costs of issuance of \$0.2 million were paid out of the bond proceeds, with the remaining proceeds used to purchase U.S. Treasury Securities – State and Local Government Series. These securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As of September 3, 2025,

the Series 2015 Generation System Revenue Bonds were considered defeased, and the associated liability was removed from the Statements of Net Position. All maturities of the Series 2015 Generation System Revenue Bonds were called and repaid by the escrow agent on December 1, 2025. The difference between the funds required to refund the outstanding debt, \$41 million, and the net carrying amount of the outstanding debt, \$43 million, is recognized as a deferred inflow of resources to be amortized over the remaining life of the new debt.

The economic gain or loss on the refunding is calculated as the difference between the present value of the outstanding debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate and adjusted for additional cash paid. The net present value cost, or economic loss, from the refunding of the Series 2010B Generation System Revenue Bonds, Taxable Build America Bonds was \$35 thousand. By contrast, the refunding of the Series 2015 Generation System Revenue Bonds resulted in an economic gain of \$2.2 million.

Changes in the Generation System long-term debt for the years ended as of December 31, follow (in thousands):

|                             | 2023            |           | 2024       |                 | 2025      |            |                 |
|-----------------------------|-----------------|-----------|------------|-----------------|-----------|------------|-----------------|
|                             | Balance         | Additions | Reductions | Balance         | Additions | Reductions | Balance         |
| Revenue bonds, face amount  | \$57,175        | \$-       | \$(5,610)  | \$51,565        | \$44,520  | \$(51,820) | \$44,265        |
| Unamortized bond premiums   | 3,378           | -         | (489)      | 2,889           | 2,771     | (3,008)    | 2,652           |
| Unamortized bond discounts  | (5)             | -         | -          | (5)             | (32)      | 6          | (31)            |
| Total Debt                  | 60,548          | -         | (6,099)    | 54,449          | 47,259    | (54,822)   | 46,886          |
| Less: Current maturities    | (5,610)         |           |            | (1,410)         |           |            | (1,296)         |
| <b>Total Long-Term Debt</b> | <b>\$54,938</b> |           |            | <b>\$53,039</b> |           |            | <b>\$45,590</b> |

As a result of the 2025 Generation System refunding transactions, the PUD is no longer required to maintain a cash reserve for the Generation System bonds. As of December 31, 2024, the PUD maintained the reserve requirement of \$5.1 million, in the Generation System.

The fair value of the Generation System's long-term debt was \$49 million and \$54 million as of December 31, 2025 and 2024, respectively. The fair value of the Generation System's long-term debt is estimated based on quoted market prices for the same or similar issues.

## Water System

A summary of principal outstanding on Water System long-term debt follows (in thousands):

|   | December 31,    |                 |
|---|-----------------|-----------------|
|   | 2025            | 2024            |
| Series 2023 Revenue Bonds, 5.0%, due 2026-2043, earliest call 2033    | \$17,540        | \$17,725        |
| Series 2019 Revenue Refunding Bonds, 5.0%, due 2026-2031              | 3,760           | 4,285           |
| State of Washington Drinking Water Revolving Fund loans:              |                 |                 |
| equal principal payments plus 1.0% interest due annually through 2042 | 2,502           | 2,649           |
| equal principal payments plus 1.0% interest due annually through 2034 | 1,121           | 1,246           |
| equal principal payments plus 1.5% interest due annually through 2029 | 330             | 413             |
| equal principal payments plus 1.5% interest due annually through 2027 | 128             | 192             |
| <b>Total Principal Outstanding on Long-Term Debt</b>                  | <b>\$25,381</b> | <b>\$26,510</b> |

Changes in the Water System long-term debt for the years ended December 31, follow (in thousands):

|                             | 2023            |           |            | 2024            |           |            | 2025            |           |            |
|-----------------------------|-----------------|-----------|------------|-----------------|-----------|------------|-----------------|-----------|------------|
|                             | Balance         | Additions | Reductions | Balance         | Additions | Reductions | Balance         | Additions | Reductions |
| Revenue bonds, face amount  | \$22,670        | \$-       | \$(660)    | \$22,010        | \$-       | \$(710)    | \$21,300        |           |            |
| Unamortized bond premiums   | 1,796           | -         | (249)      | 1,547           | -         | (229)      | 1,318           |           |            |
| Other notes payable         | 4,918           | -         | (418)      | 4,500           | -         | (418)      | 4,082           |           |            |
| Total Debt                  | 29,384          | -         | (1,327)    | 28,057          | -         | (1,357)    | 26,700          |           |            |
| Less: Current maturities    | (1,078)         |           |            | (1,128)         |           |            | (1,103)         |           |            |
| <b>Total Long-Term Debt</b> | <b>\$28,306</b> |           |            | <b>\$26,929</b> |           |            | <b>\$25,597</b> |           |            |

The Water System periodically enters into low-interest loan agreements with the Washington State Public Works Trust Fund and the Drinking Water State Revolving Fund (DWSRF). These funds have provided various loans to the PUD for the repair, replacement, rehabilitation, and reconstruction of water facilities.

The PUD is required to maintain a cash reserve for certain Water System bonds. As of December 31, 2025 and 2024, the PUD maintained the reserve requirement of \$1.2 million in the Water System.

The fair value of the Water System's long-term revenue bonds was \$24 million as of December 31, 2025 and 2024. The fair value for the DWSRF loans approximates the carrying amounts since such loans are exclusive and have no market.

## Note 6 Retirement and Deferred Compensation Plans

### Pensions - State Sponsored Plans

The following table represents the aggregate pension amounts for all plans ending December 31, (in thousands):

|  | 2025       | 2024       |
|--|------------|------------|
| Pension liabilities                    | \$(10,889) | \$(15,226) |
| Pension assets                         | \$45,111   | \$35,956   |
| Deferred outflows of resources         | \$60,019   | \$54,172   |
| Deferred inflows of resources          | \$(16,537) | \$(14,725) |
| Pension expense/expenditures (credits) | \$(17,527) | \$(21,050) |

### State Sponsored Pension Plans

Substantially all PUD 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 (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The Washington State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The 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](http://www.drs.wa.gov).

## Public Employees' Retirement System (PERS)

PERS members include elected officials, state employees, employees of local governments, and higher education employees not participating in higher education retirement plans.

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 Description & Contributions

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as 2% 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 five 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.

The PERS Plan 1 member contribution rate is established by Washington State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary (OSA), adopted by the Pension Funding Council and is subject to change by the legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) were as follows:

| Actual Contribution Rates        | Employer | Employee |
|----------------------------------|----------|----------|
| September 2023 through June 2024 | 9.53%    | 6.00%    |
| July 2024 through August 2024    | 9.03%    | 6.00%    |
| September 2024 through June 2025 | 9.11%    | 6.00%    |
| July 2025 through December 2025  | 5.58%    | 6.00%    |

### PERS 2/3 Description & Contributions

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 Consumer Price Index, 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 10 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 2/3 employer and employee contribution rates are developed by the OSA adopted by the Pension Funding Council and is subject to change by the legislature. For part of the year, the PERS Plan 2/3 employer rate included 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 2/3 defined benefit required contribution rates (expressed as a percentage of covered payroll) were as follows:

| Actual Contribution Rates        | Employer Plan 2/3 | Employee Plan 2 | Employee Plan 3  |
|----------------------------------|-------------------|-----------------|------------------|
| September 2023 through June 2024 | 9.53%             | 6.36%           | varies: 5% - 15% |
| July 2024 through August 2024    | 9.03%             | 6.36%           | varies: 5% - 15% |
| September 2024 through June 2025 | 9.11%             | 6.36%           | varies: 5% - 15% |
| July 2025 through December 2025  | 5.58%             | 5.38%           | varies: 5% - 15% |

Both the PUD and employees made the required contributions. The PUD's required contributions for the years ended December 31, were (in thousands):

|      | PERS Plan 1 | PERS Plan 2 | PERS Plan 3 |
|------|-------------|-------------|-------------|
| 2025 | \$8         | \$12,242    | \$2,301     |
| 2024 | \$39        | \$14,888    | \$2,927     |
| 2023 | \$37        | \$13,046    | \$2,687     |

## Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed as of June 30, 2024 with the results rolled forward to June 30, 2025. The actuarial assumptions used in the valuation were based on the results of the 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 actuarial valuation report.

- **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:** 7.00%

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.

## Long-term Expected Rate of Return

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 CMAs 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. The inflation component used to create the table is 2.5% and represents the WSIB's most recent long-term estimate of broad economic inflation.

| <b>Asset Class</b> | <b>Target Allocation</b> | <b>Long-Term Expected Real Rate of Return</b> |
|--------------------|--------------------------|---|
| Fixed income       | 19%                      | 2.1%  |
| Tangible assets    | 8%                       | 4.5%  |
| Real estate        | 18%                      | 4.8%  |
| Global equity      | 30%                      | 5.6%  |
| Private equity     | 25%                      | 8.6%  |
|                    | <b>100%</b>              |   |

## Discount Rate

The discount rate used to measure the TPL for all DRS plans was 7.0%.

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% was used to determine the total liability.

## Sensitivity of the Net Pension Liability/(Asset)

The table below presents the PUD's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.0%, as well as what the PUD's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate (in thousands).

|          | <b>2025</b>                   |   |                               | <b>2024</b>                   |   |                               |
|----------|-------------------------------|---|-------------------------------|-------------------------------|---|-------------------------------|
|          | <b>1% Decrease<br/>(6.0%)</b> | <b>Current<br/>Discount Rate<br/>(7.0%)</b> | <b>1% Increase<br/>(8.0%)</b> | <b>1% Decrease<br/>(6.0%)</b> | <b>Current<br/>Discount Rate<br/>(7.0%)</b> | <b>1% Increase<br/>(8.0%)</b> |
| PERS 1   | \$18,375                      | \$10,890                                    | \$4,325                       | \$22,397                      | \$15,226                                    | \$8,937                       |
| PERS 2/3 | \$73,205                      | \$(45,112)                                  | \$(142,282)                   | \$64,817                      | \$(35,956)                                  | \$(118,718)                   |

## Pension Plan Fiduciary Net Position

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

## Pension Liability (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, the PUD reported its proportionate share of the net pension liabilities and assets as follows (in thousands):

| Plan         | Liability (or Asset) |                   |
|--------------|----------------------|-------------------|
|              | 2025                 | 2024              |
| PERS 1       | \$10,889             | \$15,226          |
| PERS 2/3     | (45,111)             | (35,956)          |
| <b>Total</b> | <b>\$(34,222)</b>    | <b>\$(20,730)</b> |

As of June 30, the PUD's proportionate share of the collective net pension liabilities was as follows:

| Plan         | Proportionate Share<br>6/30/25 | Proportionate Share<br>6/30/24 | Change in Proportion |
|--------------|--------------------------------|--------------------------------|----------------------|
| PERS 1       | 0.92%                          | 0.86%                          | 0.06%                |
| PERS 2/3     | 1.18%                          | 1.09%                          | 0.09%                |
| <b>Total</b> | <b>2.10%</b>                   | <b>1.95%</b>                   | <b>0.15%</b>         |

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2025, 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 for all plans.

### Pension Expense

For the years ended December 31, the PUD recognized pension expense (credits) as follows (in thousands):

| Plan         | 2025              | 2024              |
|--------------|-------------------|-------------------|
| PERS 1       | \$(2,392)         | \$(6,502)         |
| PERS 2/3     | (15,135)          | (14,548)          |
| <b>Total</b> | <b>\$(17,527)</b> | <b>\$(21,050)</b> |

### Deferred Outflows of Resources and Deferred (Inflows) of Resources

As of December 31, the PUD reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following (in thousands):

|  | 2025             |                 |                  |                   | 2024             |                  |                  |                   |
|--|------------------|-----------------|------------------|-------------------|------------------|------------------|------------------|-------------------|
|  | PERS 1           |                 | PERS 2/3         |                   | PERS 1           |                  | PERS 2/3         |                   |
|  | Deferred Outflow | Deferred Inflow | Deferred Outflow | Deferred Inflow   | Deferred Outflow | Deferred Inflow  | Deferred Outflow | Deferred Inflow   |
| Differences between expected and actual experience   | \$-              | \$-             | \$32,983         | \$-               | \$-              | \$-              | \$20,431         | \$(83)            |
| Net difference between projected and actual investment earnings on pension plan investments          | -                | (749)           | -                | (10,158)          | -                | (1,218)          | -                | (10,304)          |
| Change of assumptions  | -                | -               | 17,434           | (1,246)           | -                | -                | 19,855           | (2,278)           |
| Changes in proportion and differences between contributions and proportionate share of contributions | -                | -               | 3,189            | (4,384)           | -                | -                | 4,228            | (842)             |
| Contributions subsequent to measurement date   | 389              | -               | 6,024            | -                 | 2,803            | -                | 6,855            | -                 |
| <b>Total</b>   | <b>\$389</b>     | <b>\$(749)</b>  | <b>\$59,630</b>  | <b>\$(15,788)</b> | <b>\$2,803</b>   | <b>\$(1,218)</b> | <b>\$51,369</b>  | <b>\$(13,507)</b> |

Deferred outflows of resources related to pensions resulting from the PUD's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2026. Other amounts reported as deferred outflows and deferred (inflows) of resources related to pensions will be recognized through pension expense as follows (in thousands):

| Year Ending December 31 | PERS 1         | PERS 2/3        |
|-------------------------|----------------|-----------------|
| 2026                    | \$714          | \$16,447        |
| 2027                    | (520)          | 6,102           |
| 2028                    | (541)          | 5,849           |
| 2029                    | (402)          | 2,112           |
| 2030                    | -              | 5,326           |
| 2031                    | -              | 1,982           |
| <b>Total</b>            | <b>\$(749)</b> | <b>\$37,818</b> |

## Post-Employment Defined Contribution Plans

The PUD offers several defined contribution plans to employees.

The PUD administers a non-PERS 401(a) plan and trust effective October 1, 1998. Participation in this profit-sharing plan is offered to eligible employees of the PUD as defined in the plan document. The plan provides certain employer contributions to participants equal to the employer contributions that would have been made to Plan 2 of PERS if participants in the plan had been eligible to participate in PERS. The PUD recorded contributions, as pension expense, to the 401(a) plan of \$4 thousand and \$5 thousand in 2025 and 2024, respectively. These funds are available to participants following a settlement date as defined in the plan document.

The PUD administers an Internal Revenue Code Section 457 deferred compensation program, covering eligible employees as defined in the plan document. Participants may contribute and defer, up to defined limits, a portion of their current year's salary. There is no contribution to this plan from the PUD. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. All plan assets are held in trust for the exclusive benefit of participants and their beneficiaries.

A \$600 thousand retention incentive was provided to the CEO/General Manager through a 457(f) deferred compensation plan in 2023. The funds are not held in trust and requires the CEO/General Manager to remain employed with PUD through January 12, 2029. If employment terms are not met, the plan balance will be forfeited. The plan balance as of December 31, 2025 and 2024 was \$954 thousand and \$796 thousand, respectively.

The PUD administers a 401(k) savings plan, effective May 1, 1985. Participation in the plan is offered to eligible employees of the PUD as defined in the plan document. The plan is a defined contribution plan, which provides that participants may make voluntary salary deferral contributions, on a pre-tax basis, up to the maximum Internal Revenue Service limit. In 2024 the PUD implemented requirements outlined in the Secure 2.0 Act of 2022, including the ability for employees to make voluntary salary deferral contributions on a post-tax basis. In 2025, the contribution limit for employees was \$23,500. The catch-up contribution limit for employees aged 50 and over was \$7,500. Employee contributions are fully vested. Employer contributions are vested after 3 years of employment. The PUD matched 100% of the first 3% of a participant's compensation contributed as a salary deferral in 2024 and increased the match to 3.5% in January 2025. The PUD recorded matching contributions to the plan of \$5.7 million and \$4.7 million in 2025 and 2024, respectively.

## Note 7

### Other Postemployment Benefits

The PUD administers two OPEB plans, one providing healthcare benefits and one providing life insurance benefits. Together, these plans constitute a single employer defined OPEB plan. The two OPEB plans, and other employee benefits are administered by a Voluntary Employees' Beneficiary Association (VEBA) Trust, of which the PUD is a plan sponsor and makes irrevocable employer and employee contributions to the trust for the benefit of plan beneficiaries. There are no stand-alone financial statements presented for either of these plans, however the combined VEBA Trust financial statements are available upon request.

#### OPEB Plan Descriptions

##### Healthcare Plan

The PUD administers retiree self-insured medical and vision insurance and Health Reimbursement Arrangement (HRA) benefits for eligible retirees hired before July 1, 2009, and their dependents. Retiree benefit provisions are established by Commission resolution.

The PUD pays a contribution toward the retiree's PUD group health plan premiums or to a HRA. For retirees and their dependents under the age of 65 who elect a PUD group medical plan, the PUD contribution is based on 75% of the premium for the most commonly elected retiree health plan during the prior year. Retirees and their dependents under the age of 65 who waive PUD group medical plan coverage receive an \$180 monthly contribution into their HRA. When a retiree or dependent becomes eligible for Medicare at age 65, the retiree is no longer eligible for the group medical plan; however, the PUD contributes \$180 a month to the retiree's HRA. This OPEB plan is closed to employees hired after June 30, 2009. The PUD continues to make contributions and calculate future liabilities; however, the plan itself is closed to new members. In 2025 and 2024, the PUD contributed \$3.5 million per year to the plan. Plan members receiving benefits contributed \$327 thousand and \$504 thousand in 2025 and 2024, respectively.

##### Retiree Life Insurance

The PUD administers life insurance benefits related to a term life insurance plan terminated in 1986 for eligible retirees. The retiree life insurance benefit provisions were established by Commission resolution.

Employees who were covered by the PUD's group term life insurance prior to November 1986 may reinstate this insurance at the time of retirement subject to a \$60 thousand maximum benefit. Retiree insurance premium contribution amounts are established by the Commission. The PUD entered into an insurance contract to fully insure the life insurance obligation and contributed \$339 thousand and \$361 thousand toward the premium in 2025 and 2024, respectively.

#### Valuation Date, Measurement Date, and Reporting Date

The valuation date of OPEB liability is December 31, 2024. This is the date as of which the census data is gathered, and the actuarial valuation is performed. The measurement date is December 31, 2024. This is the date as of which the total OPEB liability is determined and rolled forward to the reporting date of December 31, 2025. GASB Statement No. 75 allows a lag of up to one year between the measurement date and the reporting date. There have been no significant changes between the valuation date and fiscal year ends. No adjustment is required between the measurement date and the reporting date.

## Actuarial Assumptions and Other Inputs

The total OPEB liability for the period ended December 31, 2025, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- **Inflation:** 2.50% based on Actuary’s capital market expectations
- **Salary increases:** 3.50% for which the assumption above inflation is based upon the most recent pension valuation for PERS Plan 2, a subset DRS
- **Discount rate:** 4.08% as of the measurement date of December 31, 2024
- **Healthcare cost trend rates:** 7.70% for 2024-2025, decreasing to an ultimate rate of 4.50% for 2038 and later years
- **Retirees’ share of health benefit-related costs:** 25% of projected health insurance premiums for retirees
- **Life insurance cost trend rates:** 4.50% for 2025–2027, increasing to 5.00% in 2028-2029 and 5.50% in 2030-2053, then decreasing to an ultimate rate of 2.00% in 2067 and later years
- **Retirees’ share of life benefit-related costs:** 25% of projected life insurance premiums for retirees

The discount rate was based on the 20-year, tax-exempt general obligation municipal bond yield, as required by GASB Statement No. 75.

Mortality rates were based on the PUB 2010 Tables for Males or Females, as appropriate, projected generationally.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used in the valuation were based on the results of the OSA 2013-2018 Demographic Experience Study.

## OPEB Liability

As of December 31, 2025, the PUD’s total OPEB liability for retiree healthcare was \$41 million, and \$3.9 million for retiree life benefits, recorded in other accrued and other liabilities. The annual payroll of active employees covered by the plan was \$64 million in 2025, compared to \$69 million in 2024.

The following census of membership was used in the actuarial valuation:

|  | Healthcare   | Life       |
|--|--------------|------------|
| Inactive employees or beneficiaries currently receiving benefits | 710          | 172        |
| Active employees   | 323          | 1          |
| <b>Total</b>   | <b>1,033</b> | <b>173</b> |



## OPEB Financial Statement Balances

For the year ended December 31, 2025, and 2024, the PUD recognized an OPEB healthcare expense of \$2.8 million and expense of \$1.4 million, respectively. For OPEB life insurance, the PUD recognized an OPEB expense reduction of \$84 thousand and expense of \$331 thousand for the years ended December 31, 2025 and 2024, respectively.

As of December 31, 2025, the PUD reported deferred outflows of resources and deferred inflows of resources related to OPEB healthcare from the following sources (in thousands):

|  | <b>2025</b>                           |                                       |
|--|---------------------------------------|---------------------------------------|
|  | <b>Deferred Outflows of Resources</b> | <b>Deferred Outflows of Resources</b> |
| Differences between expected and actual experience | \$3,756                               | \$-                                   |
| Changes of assumptions or other inputs             | 512                                   | (1,580)                               |
| Contributions subsequent to the measurement date   | 2,982                                 | -                                     |
| <b>Total</b>                                       | <b>\$7,250</b>                        | <b>\$(1,580)</b>                      |

There were no deferred outflows or deferred inflows of resources related to the OPEB life plan.

PUD contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2026. Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB credit (expense) as follows (in thousands):

| <b>Measurement Period Ending December 31:</b> |                |
|---|----------------|
| 2026  | \$1,874        |
| 2027  | 814            |
| Thereafter                                    | -              |
| <b>Total</b>                                  | <b>\$2,688</b> |

## Post-Employment Healthcare Plan

The PUD offers a healthcare Retirement Health Savings (RHS) plan to employees.

Employees hired after June 30, 2009, are not eligible for the post-employment defined benefit healthcare plan but are instead eligible for a defined contribution healthcare plan. This plan is also known as a RHS plan. These funds are available to the employee for qualified health care costs upon separation from employment from the PUD. Under this plan, the PUD makes contributions into an employee's individual RHS account. PUD contribution rates were \$57.30 January 2024 through June 2024 and increased to \$125 per month July 2024 through December 2025.

A \$125 thousand retention incentive was provided to the CEO/General Manager through a premium-only RHS plan in 2023. The funds are held in a revokable trust, requiring the CEO/General Manager to remain employed with PUD through February 15, 2027. If employment terms are not met, the plan balance will be forfeited. These funds are available to the employee for qualified health care costs upon separation from employment from the PUD.

## Service Pay Benefits

The PUD offers a service pay benefit under which eligible employees receive a one-time payment based on compensation and years of service at retirement. Employees hired on or after July 1, 2009, must have 10 years of continuous employment to be eligible. Eligible employees will receive one day of pay (eight hours) for every six months of continuous employment at the PUD, paid upon retirement. For the years ended December 31, 2025 and 2024, the PUD's total liability for service pay was \$14 million and \$12 million, respectively, reported within the OPEB liability and net pension and OPEB deferrals.

## Note 8

### Bonneville Power Administration (BPA) Power Purchase Agreement

The PUD is a preference customer of BPA, from which it acquired approximately 80% and 75% of its energy purchases in 2025 and 2024, respectively.

The PUD purchases power from BPA under the Regional Dialogue power supply contract and will be in effect through September 2028. The contract provides the PUD with the ability to purchase power needed for load service after accounting for the PUD's dedicated resource generation output. In October 2025, the PUD transitioned BPA power products from Block/Slice to Load-Following for the remainder of the Regional Dialogue contract. The Load-Following product provides firm power service to meet the PUD's retail load minus resources dedicated to load service by the PUD on an hourly basis, rather than the forecast annual amount as in the Block/Slice product. The PUD expects its dedicated resources to provide roughly 5% of its power needs, while BPA is projected to supply the remaining 95% of the PUD's power requirements through September 2028.

In November 2025, the PUD executed its future Provider of Choice contract with BPA for the Load-Following power product. BPA will deliver power under the Provider of Choice contract beginning in October 2028 through September 2044.

Additional information regarding potential impacts of current litigation for BPA can be found in Note 14, Subsequent Events.

### Energy Northwest Nuclear Projects Nos. 1, 2 and 3

The PUD entered into participation agreements in Energy Northwest's Nuclear Projects Nos. 1, 2 and 3. The PUD, Energy Northwest and BPA have entered into separate Net Billing Agreements with respect to Energy Northwest's Project No. 1, Project No. 2 and 70% ownership share of Project No. 3. The PUD is obligated to purchase from Energy Northwest, and BPA is obligated to purchase from the PUD, a maximum of approximately 20%, 15% and 19%, respectively, of the capacity of Project Nos. 1 and 2 and Energy Northwest's 70% ownership share of Project No. 3. BPA is unconditionally obligated to pay Energy Northwest the PUD's pro rata share of the total annual costs of the projects, including debt service on revenue bonds issued to finance the projects. The effect of these net billing agreements is that the cost of power sold by BPA to all its customers, including the PUD, includes the cost of these projects.

Notwithstanding the assignment of the PUD's share of the capability of a net billed project to BPA, the PUD remains unconditionally obligated to pay Energy Northwest its share of the total annual costs of the projects to the extent payment is not received by Energy Northwest from BPA. The PUD has not made payments under this contract.

## Note 9

### Generation System Projects

The Generation System consists of the Jackson Project, four smaller hydroelectric projects and a biofuel generator. In 2025 and 2024, these projects supplied 4% of the PUD's energy needs.

### Jackson Project

The Jackson Project is a multipurpose hydroelectric project with a capacity of 111.8 megawatts. The project is currently operating under a 45-year license issued by FERC that will expire in 2056. The license agreement includes requirements for fish, wildlife, and recreation enhancement in the Jackson Project area. The PUD has also negotiated settlement agreements with the cities of Everett and Sultan, Washington Department of Fish and Wildlife,

U.S. Forest Service, and the Tulalip Tribes that call for funding commitments over the course of the 45-year license.

## Small Hydroelectric Projects

The Generation System owns four small hydroelectric projects. Two of these, Youngs Creek Hydroelectric Project (Youngs Creek) and Woods Creek Hydroelectric Project (Woods Creek) are located near Sultan, Washington, in Snohomish County. Completed in 2011, Youngs Creek has a capacity of 7.5 megawatts, and its FERC license expires in 2042. Woods Creek was purchased by the PUD in 2008, has a capacity of 650 kilowatts, and was upgraded by the PUD to meet current operating standards. This project is exempt from FERC licensing.

The PUD's other two projects, Calligan Creek Hydroelectric Project (Calligan Creek) and Hancock Creek Hydroelectric Project (Hancock Creek), were completed and began operations in 2018. These 6.0 megawatt run-of-the-river hydroelectric projects are situated near North Bend, Washington, in King County. The 50-year FERC licenses for each project will expire in 2065.

In October 2025, the PUD began selling the output from Calligan Creek and Hancock Creek to Citadel Energy Marketing LLC under an agreement that runs through September 2028. Because the PUD has transitioned to Load-Following, these projects are no longer dedicated to serving the PUD's customer load. Selling their generation helps lower overall costs by increasing the PUD's access to lower-priced BPA power.

## Biofuel Project

In September of 2022, the Generation System started operating a biogas engine generator which has a capacity of 675 kilowatts. The generator is owned and operated by the PUD. The space it occupies is leased from Qualco Energy on a lease agreement that runs through 2028. Qualco Energy blends food and agriculture waste in a digester and sells the resulting biogas to the PUD to fuel the generator.

The PUD has committed the Electric System to purchase the output of its Generation System projects at the cost of the power produced.

## Note 10 Related Party Transactions

### VEBA Trust

The PUD is a plan sponsor of a VEBA Trust. The VEBA Trust was founded in 1988 for the purpose of funding the health benefit and other plans on behalf of PUD retirees and employees. The PUD remits employer and employee contributions to the trust for the benefit of the trust beneficiaries. The plan had 1,236 active participants and 80 retired participants as of December 31, 2025, and 1,193 active participants and 81 retired participants as of December 31, 2024. The PUD made employee and employer contributions to the trust of \$34 million and \$31 million in 2025 and 2024 respectively.

The combined VEBA Trust financial statements are available upon request.

### City of Everett (the City)

The PUD operates the Jackson Project in cooperation with the City. This project includes the reservoir at Spada Lake, Culmback Dam, and other infrastructure along the Sultan River. The PUD manages most of the operations, maintenance, and capital improvement projects, with costs shared between the PUD and the City. These shared costs are typically billed quarterly and include both fixed maintenance and administrative costs, as well as agreed-upon shared projects, with a cost share of 38.13%.

Every fifth year, the City's share of the fixed costs is adjusted to 38.13% of the normalized historical annual costs of shared maintenance and administrative actions for the previous five years. Additionally, these costs are adjusted annually for inflation based on the Handy-Whitman Index. The PUD also invoices the City annually for 26.5% of the insurance premium for Culmback Dam.

The PUD provides electricity to the City, which in turn supplies water to the PUD. In 2025, the electric revenue was \$5.2 million, with water expenses totaling \$4.1 million. In 2024, the electric revenue was \$4.8 million, with water expenses totaling \$3.6 million. As of December 31, 2025, the PUD had accounts payable of \$4 thousand and accounts receivable of \$240 thousand with the City. As of December 31, 2024, the PUD had accounts payable of \$1 thousand and accounts receivable of \$366 thousand with the City.

## **Note 11**

### **Self-Insurance Fund**

The PUD maintains a comprehensive insurance program that includes liability insurance coverage of \$50 million in excess of a \$2.0 million self-insured retention per occurrence. This coverage insures against certain losses arising from property damage or bodily injury damage claims filed by third parties against the PUD. On December 31, 2025, the PUD's \$2.0 million self-insured retention was fully funded. Self-insurance funds are included in special funds at market value, with a balance of \$9.7 and \$9.8 million as of December 31, 2025, and 2024, respectively.

## **Note 12**

### **Contingencies**

The PUD is involved in various claims arising in the normal course of business. The PUD does not believe that the ultimate outcome of these matters will have a material adverse impact on its financial position or results of operations.

The PUD has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

## **Note 13**

### **Certain Risk Disclosures**

#### **Supply Chain and Tariff Constraint**

The PUD is exposed to supply chain disruptions for critical equipment, technology, and materials required for the operation, maintenance, and expansion of its infrastructure. Global and national supply chain issues, vendor concentration, and long lead times for specialized components may delay capital projects, increase costs, or defer maintenance. Additionally, tariff-related cost increases on imported materials have introduced additional financial pressure, as vendors incorporate these costs into pricing for essential components. These factors may result in higher project costs and reduced flexibility in procurement.

The PUD manages this risk by maintaining inventory, diversifying suppliers, utilizing emergency procurement protocols, and adjusting project schedules as needed. However, significant or prolonged disruptions combined with tariff-driven cost escalation could materially affect the PUD's ability to complete projects on time, maintain system reliability, or control costs, resulting in potential impacts to operations and financial performance.

## Power Supply Concentration

See Note 14, Columbia River System Operations (CRSO) Injunction.

## Note 14 Subsequent Events

### FEMA Funding Committed

In February 2026, FEMA approved the PUD's request for \$12 million in disaster assistance for a large regional storm event that occurred in November 2022. In addition, the State of Washington approved a match of \$1.9 million for the same event. The PUD recognized the \$14 million in related grant revenues and receivables on the date FEMA committed the funds. The PUD expects to receive reimbursement in 2026.

### Columbia River System Operations (CRSO) Injunction

The PUD relies on BPA for approximately 95% of its power supply, representing a concentration and vulnerability to PUD's operation and financial environment. BPA's cost structure and hydropower operation are largely influenced by federal system conditions, regulatory actions, and court decisions.

In February 2026, the U.S. District Court for the District of Oregon granted the plaintiffs a preliminary injunction order in the CRSO litigation. The injunction takes effect in spring 2026 and provides interim operational changes for multiple dams while the court case proceeds. It does not resolve the underlying litigation, which could extend beyond 2026 depending on outcomes and appeals.

The injunction calls for more spills for biological purposes than BPA had previously planned within their existing rate case. Spill is the general term used to describe water bypassing hydropower turbines, generation pathways, and entering the river using spillways. The court decision is expected to reduce hydropower generation relative to expectations, which could result in additional market purchases by BPA to meet load obligations, reduced sales revenue from BPA's secondary market transactions, and potential financial impacts to the PUD. PUD management currently expects BPA will pursue a rate case update for fiscal years 2027 and 2028 impacting the current 3-year rate period. Rate increases through a rate case process would take effect October 1, 2026. The PUD would expect the rate increase to be between 5%-7%. This would result in increased annual purchased power costs to the PUD between \$12 million to \$15 million.

PUD management will monitor this situation closely. Discussion to develop a proposal for how the PUD will respond to these financial outcomes and processes are now underway. While the PUD has ratesetting authority and financial planning processes to address increased costs, these actions may not fully mitigate the financial impacts associated with BPA rate adjustments resulting from the CRSO injunction.

### SnoLeave

The SnoLeave program was established by Commission in 2024. In March 2026, the SnoLeave Trust Board adopted the SnoLeave Trust Agreement, creating the trust that will administer the program beginning in July 2026. An actuarial study estimates 2026 program costs of approximately \$2.2 million, an increase of \$600 thousand over the programs being replaced, which has been included in the PUD's 2026 budget.

## Required Supplementary Information *(Unaudited)*

### Schedule of Proportionate Share of the Net Pension Liability As of June 30 *(In thousands)*

| <b>PERS 1</b>   | <b>2025</b> | <b>2024</b> | <b>2023</b> | <b>2022</b> | <b>2021</b> | <b>2020</b> | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Employer's proportion of the net pension liability (asset)  | 0.92%       | 0.86%       | 0.89%       | 0.92%       | 0.92%       | 0.85%       | 0.88%       | 0.87%       | 0.87%       | 0.91%       |
| Employer's proportionate share of the net pension liability   | \$10,889    | \$15,226    | \$20,330    | \$25,670    | \$11,285    | \$29,903    | \$33,889    | \$38,769    | \$41,111    | \$48,809    |
| Employer's covered employee payroll   | \$324       | \$396       | \$373       | \$482       | \$773       | \$649       | \$642       | \$608       | \$768       | \$1,059     |
| Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | 3360.80%    | 3842.50%    | 5450.40%    | 5325.73%    | 1459.90%    | 4607.55%    | 5278.66%    | 6376.48%    | 5352.03%    | 4608.97%    |
| Plan fiduciary net position as a percentage of the total pension liability                              | 89.07%      | 84.05%      | 80.16%      | 76.56%      | 88.74%      | 68.64%      | 67.12%      | 63.22%      | 61.24%      | 57.03%      |
| <b>PERS 2/3</b>   | <b>2025</b> | <b>2024</b> | <b>2023</b> | <b>2022</b> | <b>2021</b> | <b>2020</b> | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> |
| Employer's proportion of the net pension liability (asset)  | 1.18%       | 1.09%       | 1.14%       | 1.19%       | 1.17%       | 1.08%       | 1.12%       | 1.10%       | 1.10%       | 1.14%       |
| Employer's proportionate share of the net pension liability   | \$(45,111)  | \$(35,956)  | \$(46,833)  | \$(44,112)  | \$(116,645) | \$13,864    | \$10,915    | \$18,707    | \$38,094    | \$57,276    |
| Employer's covered employee payroll   | \$197,261   | \$168,825   | \$157,959   | \$147,593   | \$140,052   | \$126,542   | \$122,155   | \$114,293   | \$107,494   | \$106,886   |
| Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | (22.87%)    | (21.30%)    | (29.65%)    | (29.89%)    | (83.29%)    | 10.96%      | 8.94%       | 16.37%      | 35.44%      | 53.59%      |
| Plan fiduciary net position as a percentage of the total pension liability                              | 105.53%     | 105.17%     | 107.02%     | 106.73%     | 120.29%     | 97.22%      | 97.77%      | 95.77%      | 90.97%      | 85.82%      |

Notes to schedule: DRS allocates a portion of contributions from the PERS 2/3 to PERS 1 in order to fund its UAAL.

### Schedule of Employer Contributions – PERS As of December 31 *(In thousands)*

| <b>PERS 1</b>   | <b>2025</b> | <b>2024</b> | <b>2023</b> | <b>2022</b> | <b>2021</b> | <b>2020</b> | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required contributions                                  | \$8         | \$39        | \$37        | \$39        | \$83        | \$91        | \$81        | \$81        | \$71        | \$98        |
| Contributions in relation to the contractually required contributions | (8)         | (39)        | (37)        | (39)        | (83)        | (91)        | (81)        | (81)        | (71)        | (98)        |
| <b>Contribution Deficiency (Excess)</b>                               | <b>\$-</b>  | <b>\$-</b>  | <b>\$-</b>  | <b>\$-</b>  | <b>\$-</b>  | <b>\$-</b>  | <b>\$-</b>  | <b>\$-</b>  | <b>\$-</b>  | <b>\$-</b>  |
| Covered employer payroll  | \$91        | \$417       | \$370       | \$380       | \$696       | \$705       | \$632       | \$632       | \$594       | \$879       |
| Contributions as a percentage of covered employee payroll             | 8.79%       | 9.35%       | 10.00%      | 10.26%      | 11.93%      | 12.91%      | 12.82%      | 12.82%      | 11.95%      | 11.15%      |
| <b>PERS 2/3</b>   | <b>2025</b> | <b>2024</b> | <b>2023</b> | <b>2022</b> | <b>2021</b> | <b>2020</b> | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> |
| Contractually required contributions                                  | \$14,544    | \$17,815    | \$15,733    | \$15,928    | \$16,892    | \$17,458    | \$15,640    | \$15,239    | \$13,267    | \$11,925    |
| Contributions in relation to the contractually required contributions | (14,544)    | (17,815)    | (15,733)    | (15,928)    | (16,892)    | (17,458)    | (15,640)    | (15,239)    | (13,267)    | (11,925)    |
| <b>Contribution Deficiency (Excess)</b>                               | <b>\$-</b>  | <b>\$-</b>  | <b>\$-</b>  | <b>\$-</b>  | <b>\$-</b>  | <b>\$-</b>  | <b>\$-</b>  | <b>\$-</b>  | <b>\$-</b>  | <b>\$-</b>  |
| Covered employer payroll  | \$200,459   | \$191,695   | \$158,819   | \$155,062   | \$146,019   | \$135,327   | \$121,760   | \$119,564   | \$110,945   | \$106,716   |
| Contributions as a percentage of covered employee payroll             | 7.26%       | 9.29%       | 9.91%       | 10.27%      | 11.57%      | 12.90%      | 12.84%      | 12.75%      | 11.96%      | 11.17%      |

## Schedule of Changes in Total OPEB Liability and Related Ratios As of December 31 *(In thousands)*

| Postemployment – Health                                 | 2025            | 2024            | 2023            | 2022            | 2021            | 2020            | 2019            | 2018            | 2017*           | 2016*           |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Components of Change in Total OPEB Liability</b>     |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Service cost  | \$762           | \$667           | \$1,016         | \$976           | \$1,569         | \$1,198         | \$1,151         | \$1,066         |                 |                 |
| Interest on total OPEB liability                        | 1,215           | 1,352           | 851             | 883             | 1,274           | 1,704           | 1,565           | 1,673           |                 |                 |
| Effect of economic/demographic gains (losses)           | 6,127           | -               | 2,470           | -               | (906)           | -               | 794             | -               |                 |                 |
| Effect of assumption changes or inputs                  | (2,291)         | 1,443           | (6,371)         | 237             | (3,602)         | 4,442           | (4,629)         | 1,395           |                 |                 |
| Expected benefit payments                               | (2,640)         | (2,680)         | (2,514)         | (2,421)         | (2,739)         | (2,775)         | (2,954)         | (3,007)         |                 |                 |
| Net change in total OPEB liability                      | \$3,173         | \$782           | \$(4,548)       | \$(325)         | \$(4,404)       | \$4,569         | \$(4,073)       | \$1,127         | \$-             | \$-             |
| Total OPEB liability, beginning                         | 37,808          | 37,026          | 41,574          | 41,899          | 46,302          | 41,733          | 45,806          | 44,679          | 45,800          | 57,400          |
| <b>Total OPEB Liability, Ending</b>                     | <b>\$40,981</b> | <b>\$37,808</b> | <b>\$37,026</b> | <b>\$41,574</b> | <b>\$41,898</b> | <b>\$46,302</b> | <b>\$41,733</b> | <b>\$45,806</b> | <b>\$45,800</b> | <b>\$57,400</b> |
| Covered employee payroll                                | \$64,410        | \$68,712        | \$64,174        | \$70,135        | \$74,130        | \$71,826        | \$70,291        | \$71,696        | \$71,409        | \$74,667        |
| Total OPEB liability as a % of covered employee payroll | 63.63%          | 55.02%          | 57.70%          | 59.28%          | 56.52%          | 64.46%          | 59.37%          | 63.89%          | 64.14%          | 76.87%          |

\*Components of Change in Total OPEB Liability detailed data was unavailable in actuarial reports prior to 2018.

| Postemployment – Life                                   | 2025           | 2024           | 2023           | 2022           | 2021           | 2020           | 2019           | 2018           | 2017*          | 2016*          |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Components of Change in Total OPEB Liability</b>     |                |                |                |                |                |                |                |                |                |                |
| Service cost  | \$3            | \$2            | \$4            | \$4            | \$12           | \$7            | \$7            | \$12           |                |                |
| Interest on total OPEB liability                        | 136            | 155            | 110            | 117            | 132            | 175            | 163            | 177            |                |                |
| Effect of economic/demographic gains (losses)           | 51             | -              | (205)          | -              | 884            | -              | (14)           | -              |                |                |
| Effect of assumption changes or inputs                  | (273)          | 173            | (743)          | 34             | 38             | 653            | (312)          | 178            |                |                |
| Expected benefit payments                               | (329)          | (331)          | (350)          | (350)          | (301)          | (298)          | (321)          | (305)          |                |                |
| Net change in total OPEB liability                      | \$(412)        | \$(1)          | \$(1,184)      | \$(195)        | \$765          | \$537          | \$(477)        | \$62           | \$-            | \$-            |
| Total OPEB liability, beginning                         | 4,327          | 4,328          | 5,512          | 5,707          | 4,942          | 4,405          | 4,882          | 4,820          | 5,000          | 5,300          |
| <b>Total OPEB Liability, Ending</b>                     | <b>\$3,915</b> | <b>\$4,327</b> | <b>\$4,328</b> | <b>\$5,512</b> | <b>\$5,707</b> | <b>\$4,942</b> | <b>\$4,405</b> | <b>\$4,882</b> | <b>\$5,000</b> | <b>\$5,300</b> |
| Covered employee payroll                                | N/A            | N/A            | N/A            | N/A            | N/A            | N/A            | N/A            | N/A            | N/A            | N/A            |
| Total OPEB liability as a % of covered employee payroll | N/A            | N/A            | N/A            | N/A            | N/A            | N/A            | N/A            | N/A            | N/A            | N/A            |

\*Components of Change in Total OPEB Liability detailed data was unavailable in actuarial reports prior to 2018.

**Notes to schedule:** There are no changes of benefit terms.

**Changes of assumptions:** Changes of assumptions and other inputs reflect the effects of changes in the discount rate, election, demographic, and health assumptions each period. Discount rate used in 2025: 4.08%, 2024: 3.26%, 2023: 3.72%.

The PUD has established a fund to address the unfunded portion of future post-employment benefits. The balance of this account was \$37 million and \$34 million as of December 31, 2025 and 2024, respectively, and is included in special funds on the statements of net position. Since these funds have not been placed in an irrevocable trust, the PUD has not reduced the UAAL by these funds. Effective January 1, 2015, the PUD has entered into an insurance product that is expected to fund the remaining life insurance liability.

## Electric System

### Statements of Revenues, Expenses & Debt Service Coverage (Unaudited)

(In thousands)

| Years Ended December 31,                                 | 2023            | 2024            | 2025            |
|--|-----------------|-----------------|-----------------|
| <b>Operating Revenues:</b>                               |                 |                 |                 |
| Sale of electric energy                                  | \$742,099       | \$821,412       | \$809,018       |
| Other operating revenues                                 | 65,328          | 54,291          | 37,713          |
| Unbilled revenues  | (5,400)         | (3,600)         | 1,500           |
| <b>Total Operating Revenues</b>                          | <b>802,027</b>  | <b>872,103</b>  | <b>848,231</b>  |
| <b>Operating Expenses:</b>                               |                 |                 |                 |
| Purchased power  | 406,324         | 435,487         | 351,989         |
| Operations and maintenance                               | 250,817         | 309,707         | 281,737         |
| Depreciation and amortization                            | 65,651          | 66,971          | 70,011          |
| Taxes  | 42,107          | 45,285          | 46,943          |
| <b>Total Operating Expenses</b>                          | <b>764,899</b>  | <b>857,450</b>  | <b>750,680</b>  |
| <b>Net Operating Income (Loss)</b>                       | <b>37,128</b>   | <b>14,653</b>   | <b>97,551</b>   |
| <b>Interest Charges</b>                                  | <b>17,715</b>   | <b>17,717</b>   | <b>21,261</b>   |
| <b>Other Income and Expense:</b>                         |                 |                 |                 |
| Interest income  | 16,671          | 18,771          | 20,604          |
| Net increase (decrease) in the fair value of investments | 8,265           | 2,707           | 2,188           |
| Other income and expense, net                            | 6,538           | 3,651           | 10,565          |
| <b>Total Other Income and Expense</b>                    | <b>31,474</b>   | <b>25,129</b>   | <b>33,357</b>   |
| <b>Capital Contributions:</b>                            |                 |                 |                 |
| Cash contributions                                       | 19,533          | 23,615          | 22,816          |
| Non-cash contributions                                   | 10,252          | 10,180          | 8,381           |
| <b>Total Capital Contributions</b>                       | <b>29,785</b>   | <b>33,795</b>   | <b>31,197</b>   |
| <b>Net Income</b>  | <b>80,672</b>   | <b>55,860</b>   | <b>140,844</b>  |
| Non-cash contributions                                   | (10,252)        | (10,180)        | (8,381)         |
| Interest charges   | 17,715          | 17,717          | 21,261          |
| Depreciation and amortization                            | 65,651          | 66,971          | 70,011          |
| Pension and OPEB liability actuarial adjustments         | (25,782)        | (22,962)        | (18,879)        |
| Net increase (decrease) in the fair value of investments | (8,265)         | (2,707)         | (2,188)         |
| <b>Balance Available for Debt Coverage</b>               | <b>119,739</b>  | <b>104,699</b>  | <b>202,668</b>  |
| <b>Parity Debt Service Costs:</b>                        |                 |                 |                 |
| Interest   | 19,969          | 19,773          | 19,615          |
| Principal  | 11,985          | 12,815          | 11,245          |
| <b>Total Parity Debt Service Costs</b>                   | <b>\$31,954</b> | <b>\$32,588</b> | <b>\$30,860</b> |
| <b>Parity Debt Service Coverage</b>                      | <b>3.7x</b>     | <b>3.2x</b>     | <b>6.6x</b>     |

## Electric System Revenue and Statistical Data *(Unaudited)*

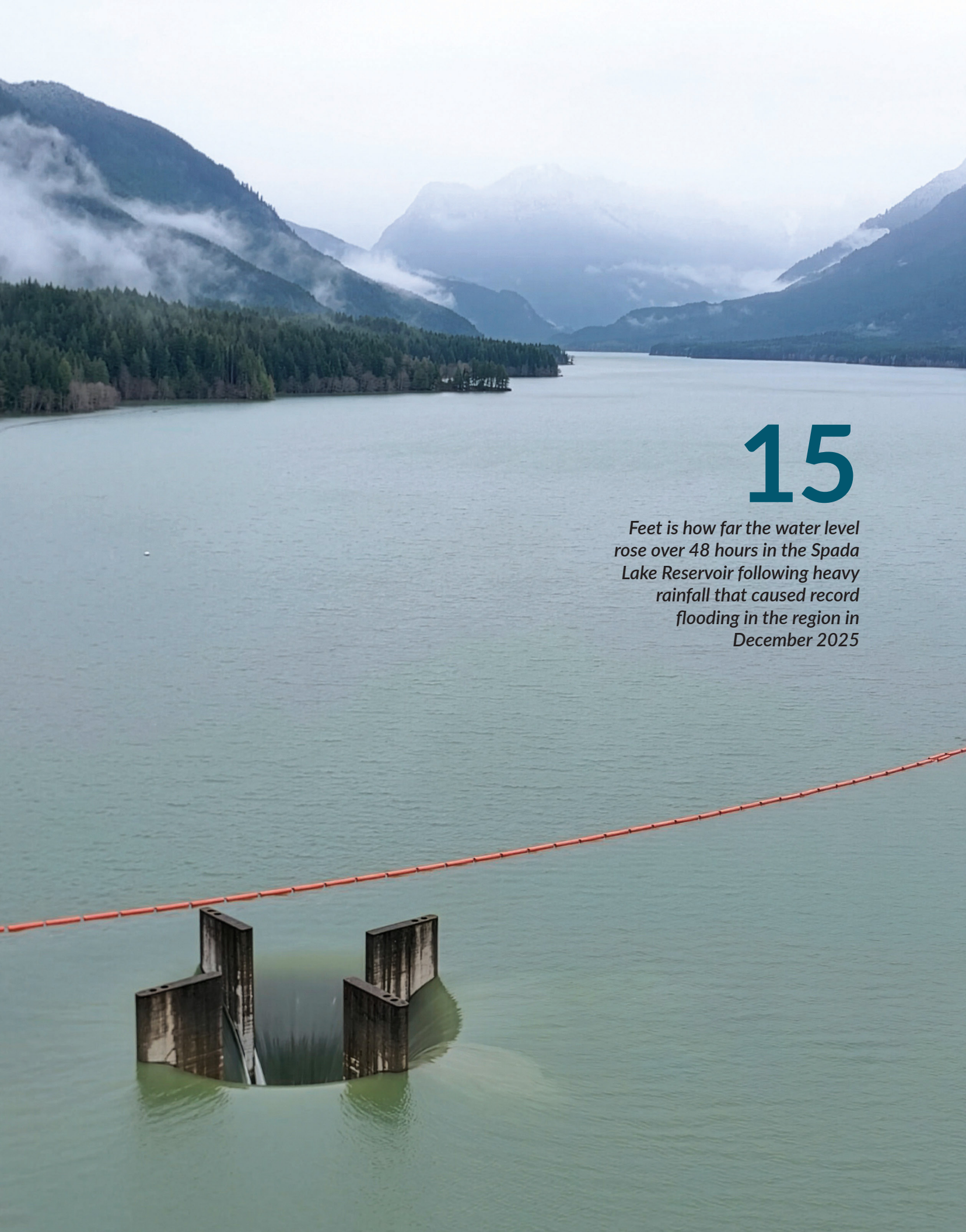
| Years Ended December 31,                | 2023             | 2024             | 2025             | % change<br>from 2024 |
|---|------------------|------------------|------------------|-----------------------|
| <b>Retail Customers (average):</b>      |                  |                  |                  |                       |
| Residential                             | 342,025          | 346,094          | 349,916          | 1.1%                  |
| Commercial                              | 34,957           | 35,130           | 34,970           | -0.5%                 |
| Industrial                              | 78               | 76               | 73               | -3.9%                 |
| Other                                   | 209              | 211              | 211              | 0.0%                  |
| <b>Retail Customers</b>                 | <b>377,269</b>   | <b>381,511</b>   | <b>385,170</b>   | <b>1.0%</b>           |
| <b>Megawatt-Hours Billed:</b>           |                  |                  |                  |                       |
| Residential                             | 3,922,390        | 3,933,257        | 3,936,250        | 0.1%                  |
| Commercial                              | 2,391,503        | 2,407,322        | 2,442,593        | 1.5%                  |
| Industrial                              | 457,802          | 440,364          | 457,572          | 3.9%                  |
| Wholesale                               | 1,473,414        | 2,031,807        | 1,304,975        | -35.8%                |
| Other                                   | 28,159           | 30,112           | 28,521           | -5.3%                 |
| <b>Megawatt-Hours Billed</b>            | <b>8,273,268</b> | <b>8,842,862</b> | <b>8,169,911</b> | <b>-7.6%</b>          |
| <b>Revenues Billed (in thousands):</b>  |                  |                  |                  |                       |
| Residential                             | \$419,674        | \$452,788        | \$475,671        | 5.1%                  |
| Commercial                              | 213,133          | 226,541          | 240,835          | 6.3%                  |
| Industrial                              | 32,778           | 33,545           | 36,850           | 9.9%                  |
| Wholesale                               | 72,441           | 103,988          | 50,888           | -51.1%                |
| Other                                   | 4,073            | 4,550            | 4,774            | 4.9%                  |
| <b>Revenues Billed</b>                  | <b>\$742,099</b> | <b>\$821,412</b> | <b>\$809,018</b> | <b>-1.5%</b>          |
| <b>Average Retail Rate per kWh:</b>     |                  |                  |                  |                       |
| Residential                             | \$0.107          | \$0.115          | \$0.121          | 5.2%                  |
| Commercial                              | \$0.089          | \$0.094          | \$0.099          | 5.3%                  |
| Industrial                              | \$0.072          | \$0.076          | \$0.081          | 6.6%                  |
| <b>Number of Employees</b>              | 1,079            | 1,106            | 1,146            | <b>3.6%</b>           |
| <b>Electric Line Miles</b>              | 6,697            | 6,721            | 6,768            | <b>0.7%</b>           |
| <b>New Electric Service Connections</b> | 4,649            | 5,138            | 3,790            | <b>-26.2%</b>         |

## Water System

### Statements of Revenues, Expenses, Debt Service Coverage, and Statistical Data (Unaudited)

(In thousands)

| Years Ended December 31,                                  | 2023           | 2024           | 2025           |
|---|----------------|----------------|----------------|
| <b>Operating Revenues:</b>                                |                |                |                |
| Sale of water   | \$16,078       | \$16,122       | \$17,971       |
| Other operating revenues                                  | 389            | 439            | 499            |
| <b>Total Operating Revenues</b>                           | <b>16,467</b>  | <b>16,561</b>  | <b>18,470</b>  |
| <b>Operating Expenses:</b>                                |                |                |                |
| Purchased water   | 4,230          | 3,689          | 4,053          |
| Operations and maintenance                                | 7,586          | 9,093          | 8,811          |
| Depreciation and amortization                             | 3,583          | 3,831          | 4,201          |
| Taxes   | 817            | 841            | 949            |
| <b>Total Operating Expenses</b>                           | <b>16,216</b>  | <b>17,454</b>  | <b>18,014</b>  |
| <b>Net Operating Income (Loss)</b>                        | <b>251</b>     | <b>(893)</b>   | <b>456</b>     |
| <b>Interest Charges</b>                                   | <b>546</b>     | <b>929</b>     | <b>911</b>     |
| <b>Other Income and Expense:</b>                          |                |                |                |
| Interest income   | 1,088          | 1,996          | 1,570          |
| Net increase (decrease) in the fair value of investments  | 454            | 96             | 85             |
| Other income and expense, net                             | (54)           | (17)           | (11)           |
| <b>Total Other Income and Expense</b>                     | <b>1,488</b>   | <b>2,075</b>   | <b>1,644</b>   |
| <b>Capital Contributions:</b>                             |                |                |                |
| Cash contributions  | 1,330          | 1,777          | 1,607          |
| Non-cash contributions                                    | 1,601          | 2,248          | 1,294          |
| <b>Total Capital Contributions</b>                        | <b>2,931</b>   | <b>4,025</b>   | <b>2,901</b>   |
| <b>Net Income</b>   | <b>4,124</b>   | <b>4,278</b>   | <b>4,090</b>   |
| Non-cash contributions                                    | (1,601)        | (2,248)        | (1,294)        |
| Interest charges  | 546            | 929            | 911            |
| Depreciation and amortization                             | 3,583          | 3,831          | 4,201          |
| Pension and OPEB liability actuarial adjustments          | (762)          | (711)          | (570)          |
| Net increase (decrease) in the fair value of investments  | (454)          | (96)           | (85)           |
| <b>Balance Available for Debt Coverage</b>                | <b>5,436</b>   | <b>5,983</b>   | <b>7,253</b>   |
| <b>Parity Debt Service Costs:</b>                         |                |                |                |
| Interest  | 385            | 1,134          | 1,101          |
| Principal   | 475            | 660            | 710            |
| Total Parity Debt Service Costs                           | 860            | 1,794          | 1,811          |
| Less: Assessment payments received                        | (10)           | (4)            | (5)            |
| <b>Debt Service Paid from Revenues</b>                    | <b>\$850</b>   | <b>\$1,790</b> | <b>\$1,806</b> |
| <b>Parity Debt Service Coverage</b>                       | <b>6.4x</b>    | <b>3.3x</b>    | <b>4.0x</b>    |
| <b>Number of Water Customers (average)</b>                | 23,475         | 23,724         | 23,885         |
| <b>Water Sales &amp; Purchases (thousand cubic feet):</b> |                |                |                |
| Retail Cubic Feet Sold                                    | 233,223        | 219,759        | 228,420        |
| Wholesale Cubic Feet Sold                                 | 40,831         | 30,917         | 32,582         |
| <b>Total Cubic Feet Sold</b>                              | <b>274,054</b> | <b>250,676</b> | <b>261,002</b> |
| <b>Average Retail Water Rates (thousand cubic feet):</b>  |                |                |                |
| Residential   | \$3.66         | \$3.85         | \$4.23         |
| Commercial  | \$3.53         | \$3.77         | \$4.14         |



# 15

*Feet is how far the water level rose over 48 hours in the Spada Lake Reservoir following heavy rainfall that caused record flooding in the region in December 2025*

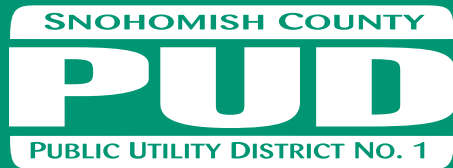
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