



PUBLIC UTILITY DISTRICT NO. 1

Cowlitz County, Washington

961 12th Avenue

Longview, Washington 98632

To: Cowlitz PUD Board of Commissioners
From: Gary Huhta, General Manager
Re: 2026 Cowlitz PUD Final Budget

Cowlitz PUD's 2026 budget reflects our continued commitment to operate a responsible and accountable community-owned electric utility for the benefit of our customers and Cowlitz County.

Description	2026 Budget	2025 Budget	Change	%
Retail Revenue	\$ 277,595,640	\$ 275,475,113	\$ 2,120,527	0.77%
Other Revenue	7,300,000	5,500,000	1,800,000	32.73%
Total Revenues	284,895,640	280,975,113	3,920,527	1.40%
Net Power Costs	197,421,593	192,733,458	4,688,135	2.43%
Labor & Benefits	36,435,279	35,109,190	1,326,090	3.78%
Operating Expenses	15,634,482	14,937,060	697,423	4.67%
Capital	14,253,500	24,775,200	(10,521,700)	-42.47%
Debt Service	11,852,075	15,458,809	(3,606,734)	-23.33%
Taxes	16,103,368	15,887,971	215,397	1.36%
Total Costs & Expenses	291,700,297	298,901,688	(7,201,391)	-2.41%
Surplus (Deficit)	\$ (6,804,657)	\$ (17,926,575)	\$ 11,121,918	62.04%
Cash Reserves/Rates	6,804,657	17,926,575		
Remaining Surplus (Deficit)	\$ -	\$ -		

Key 2026 budget drivers include:

- No retail rate increase; however, after passing the 2026 Budget, the Commissioners approved 4% residential and 1.2% commercial rate increases effective October 1st 2025. The rate increases will generate approximately \$3.5 million annually.
- Load forecast: Slower general load growth compared to 2025, anticipated new loads delayed
- BPA rate increases effective October 2025: 4.2% Power; 12.4% Transmission
- Softening wholesale power market price forecast, which means Cowlitz PUD receives less for surplus energy resulting in higher net power costs
- Labor: Two new full-time equivalent (FTE) employees; Contractual Union wage increases; Staff increases based on an external salary study considering the tight labor market, performance and promotions
- Inflation continues to impact most all costs
- Operating expenses reflect continued emphasis on customer service, reliability, safety, compliance requirements and risk management



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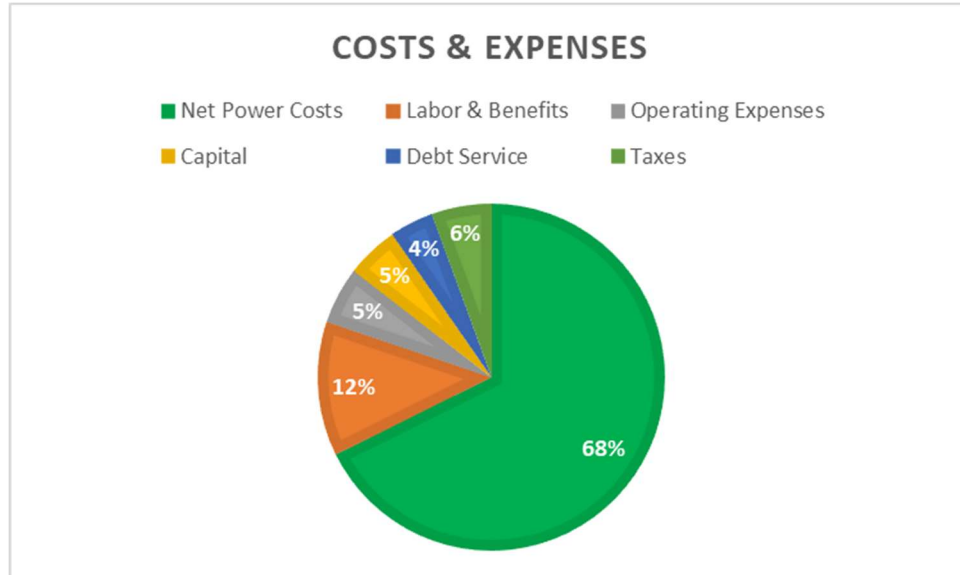
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- Capital projects focusing on safety, expanded reliability efforts and facility improvements – The reduction in 2026 reflects a one-year pause in funding requests due to carryover projects
- No new debt

2026 Budgeted Costs and Expenses



Retail Revenue Detail

Description	2026 Budget	2025 Budget	Change	%
Residential	\$ 68,717,560	\$ 67,142,968	\$ 1,574,592	2.35%
General Service	34,317,801	34,047,191	270,610	0.79%
Industrial	29,559,259	27,068,112	2,491,148	9.20%
Major Industrial	144,304,314	146,652,648	(2,348,334)	-1.60%
Other	696,706	564,195	132,511	23.49%
Total Retail Revenue	\$ 277,595,640	\$ 275,475,113	\$ 2,120,527	0.77%

The changes in Residential, General Service and Industrial are due to anticipated loads and October 2024 rate increase.

The Major Industrial customers are on contracts that pass through net power and transmission costs with a delivery charge to cover other District expenses. The change reflects increased costs and decreased loads, which are also reflected in power cost changes.



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Net Power Cost Detail

Description	2026 Budget	2025 Budget	Change	%
Bonneville Power Administration (BPA)	\$ 186,654,270	\$ 196,871,048	\$ (10,216,777)	-5.19%
Swift No. 2	10,488,878	8,871,022	1,617,856	18.24%
Harvest Wind	6,727,524	3,511,213	3,216,312	91.60%
White Creek Wind	11,171,555	11,078,626	92,929	0.84%
Nine Canyon	229,879	229,180	699	0.31%
Grant PUD	(1,200,000)	(237,038)	(962,962)	406.25%
Other	2,571,743	2,496,837	74,905	3.00%
Total Power Costs	216,643,850	222,820,888	(6,177,037)	-2.77%
Wind Revenues	18,156,027	21,148,880	(2,992,854)	-14.15%
Net Wholesale Sales	1,066,231	8,938,549	(7,872,319)	-88.07%
Net Wholesale Revenues	19,222,257	30,087,430	(10,865,172)	-36.11%
Net Power Costs	\$ 197,421,593	\$ 192,733,458	\$ 4,688,135	2.43%

Net power costs are being impacted by the following:

- The change in BPA is due to the actual October 2025 BPA rate increases being less than budgeted in 2025, other BPA rate configuration changes and load reduction. In addition, 2025 reflects 3 months of the BPA rate changes, while all of 2026 is impacted.
- Softening wholesale power prices contributing to less wholesale revenues, which increases net power costs. The above budget assumes approximately 25% lower prices in 2026.
- Swift costs are increasing due to compliance requirements and anticipated maintenance/operating needs.
- In April 2025 the District acquired an additional 30% share of the Harvest Wind Project.

Cowlitz PUD is facing a variety of challenges including:

- Resource adequacy concerns as more baseload resources are replaced by intermittent renewables (energy storage options remain limited and costly)
- As intermittent resources grow, the wholesale energy market is recognizing capacity as a valuable component of power supply, and ongoing buildout of renewable energy results in low-cost energy periods during high production and high-priced periods when it does not produce, the result is increased price volatility
- Upcoming resource decisions; Potential new loads
- Uncertain surplus energy revenue due to volatile wholesale power prices and load growth
- Technology advancements which are shifting resources, changing customer load patterns and impacting operations and the cost to serve



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- Maintaining reliable electric infrastructure and preparing for future load growth and economy-wide electrification efforts
- Ever-evolving legislative and regulatory landscape which have potentially significant cost and operational implications
 - Examples in Washington State are the Clean Energy Transformation Act and Climate Commitment Act that implement additional requirements for clean energy resources, carbon reduction and low-income customer programs and introduce new planning requirements

Cowlitz PUD is committed to working with the community to address these challenges while continuing our mission of providing safe, reliable, cost-effective and sustainable electricity. Under normal conditions, Cowlitz PUD’s energy resources are approximately 90% clean, or non-carbon emitting, including hydroelectric, nuclear and wind, with hydroelectric being Cowlitz PUD’s predominant resource. We are proud of hydro-power’s reliable, clean energy legacy in the Pacific Northwest, while at the same time recognizing and mitigating impacts to fish and wildlife. As we work towards a non-carbon emitting power supply, the clean, renewable hydropower we have relied on for so many years is demonstrating its tremendous value integrating variable energy resources, like wind and solar, onto the electric grid.

Future Budget Analysis

Following are the budgeted cash results for 2027 ~ 2030 reflecting anticipated power and other cost increases, October 2025 retail rate increases, and retail revenue from contractual pass-through for the Major Industrial customers:

Description	2027 Budget	2028 Budget	2029 Budget	2030 Budget
Retail Revenue	\$ 283,464,581	\$ 287,679,487	\$ 293,335,186	\$ 295,977,392
Other Revenue	6,300,000	5,800,000	5,800,000	5,800,000
Total Revenues	289,764,581	293,479,487	299,135,186	301,777,392
Net Power Costs	204,847,809	207,510,136	216,870,878	220,061,766
Labor & Benefits	38,085,004	39,597,717	41,170,939	42,807,090
Operating Expenses	15,582,717	15,745,563	16,217,664	16,471,294
Capital	25,987,700	24,727,200	17,770,700	16,909,700
Debt Service	7,577,885	5,389,948	5,333,600	5,327,747
Taxes	16,500,540	16,743,046	17,071,901	17,222,323
Total Costs & Expenses	308,581,655	309,713,611	314,435,683	318,799,920
Surplus (Deficit)	(18,817,074)	(16,234,124)	(15,300,497)	(17,022,528)
Cash Reserves/Rates	18,817,074	16,234,124	15,300,497	17,022,528
Remaining Surplus (Deficit)	\$ -	\$ -	\$ -	\$ -



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As noted above, Cowlitz PUD is expanding infrastructure efforts to replace aging distribution assets, electric system security, substation upgrades, transmission line rebuilds and wildfire mitigation. Also noted above, Cowlitz PUD is not planning to issue new debt. Debt service decreases in 2027 and 2028 due to maturity of outstanding bonds.

Given conservative budget assumptions, Cowlitz PUD's actual results beat budget in most years. Deficits will be addressed with a combination of actual operating results better than budget, retail rate increases and cash reserves.