Agenda
Utility Advisory Committee Meeting
Tuesday, July 14, 2026
Richland City Hall ~ Council Chambers
625 Swift Boulevard

Regular Meeting - 3:00 p.m.

Call to Order/Attendance

Approval of Agenda (Approved by Motion)

Approval of Minutes (Approved by Motion)

1. May 12, 2026 Utility Advisory Committee Meeting Minutes
   - Carly Kirkpatrick, Administrative Assistant II

Public Comments

Items of Business

2. Status of Each Utility (10 Minutes)
   - Randy Aust, Fire Chief
     Carlo D'Alessandro, Public Works Director
     Clint Whitney, Energy Services Director
3. Planning Ahead: Future Infrastructure Costs and Capital Investment (30 Minutes)
   - Carlo D'Alessandro, Public Works Director
4. Public Works Board Loan Application — Wastewater Treatment Plant Anaerobic Digester Improvements Project and the Wastewater Treatment Plant Grit Works Rehabilitation Project (15 Minutes)
   - Carlo D'Alessandro, Public Works Director
5. 2026 Draft Cost of Service Analysis (COSA) Update (15 Minutes)
   - Clint Whitney, Energy Services Director

Reports and Comments

6. 2026 Capital Work Plan - Energy Services
   - Clint Whitney, Energy Services Director
7. Forward Agenda
   - Clint Whitney, Energy Services Director

Adjournment

Richland City Hall is ADA accessible. Any individual who has difficulty attending the meeting in-person may request to provide comments remotely. (RCW Ch. 42.30) Requests for sign interpreters, audio equipment, and/or other special services must be received 48 hours prior to the meeting by calling the City Clerk's Office at 509-942-7389.

UTILITY ADVISORY COMMITTEE AGENDA ITEM
STAFF REPORT

Meeting Date: 7/14/2026 Agenda Category: Approval of Minutes

Prepared By: Carly Kirkpatrick, Administrative Assistant II

Subject
May 12, 2026 Utility Advisory Committee Meeting Minutes

Department
Energy Services

Recommended Motion
Approve the May 12, 2026 Utility Advisory Committee Meeting Minutes as presented.

Summary
The May 12, 2026 Utility Advisory Committee Meeting Minutes are attached for review and consideration.

Fiscal Impact
None.

Attachments
1. 2026.05.12 UAC Meeting Minutes - Draft

MINUTES **DRAFT**
Utility Advisory Committee Regular Meeting
Tuesday, May 12, 2026
Richland City Hall ~ Council Chambers
625 Swift Boulevard

Utility Advisory Committee Regular Meeting - 3:00 p.m.

Chair Staven called the meeting to order at 3:00 p.m.

Welcome and Roll Call

Attendance:	Chair Staven	Present
	Vice-Chair Hyson	Present
	Member Larkin	Present
	Member Porter	Present
	Member Richmond	Present
	Member Wallin	Absent

Also present were Staff Liaison and Energy Services Director Whitney, Fire Chief Aust, Public Works Director D'Alessandro, and Administrative Assistant II Kirkpatrick.

Approval of Agenda

COMMITTEE MEMBER PORTER MOVED AND VICE-CHAIR HYSON SECONDED THE MOTION TO APPROVE THE AGENDA AS PUBLISHED. THE MOTION CARRIED 5-0.

Minutes

1. Approval of the March 10, 2026 Utility Advisory Committee Meeting Minutes

COMMITTEE MEMBER PORTER MOVED AND VICE-CHAIR HYSON SECONDED THE MOTION TO APPROVE THE MARCH 10, 2026 MEETING MINUTES AS PRESENTED. THE MOTION CARRIED 5-0.

Public Comments

None.

Items of Business

2. Status of Each Utility (10 Minutes

Fire Chief Aust, Public Works Director DAlessandro and Energy Services Director Whitney each provided a brief update regarding their respective utilities.

3. Energy Services Reliability Data Update

Energy Services Director Whitney introduced Trevor Wilkerson, Electrical Systems Manager, who presented an update on Energy Services' electrical reliability data. He reported that system reliability continues to improve, with Richland customers experiencing fewer outages than the average utility customer. Noting that restoration times can be slightly longer due to the City's predominantly underground electrical system. Reliability data will continue to guide future capital planning efforts for 2027.

Detailed information can be found in the PowerPoint presentation included with the agenda packet.

Following the presentation, Committee members engaged in a question-and-answer session with staff.

4. Cascade Advanced Energy Facility Project Update

Ken Langdon, Energy Northwest Project Director and Vice President for Nuclear Development, provided an update on the Cascade Advanced Energy Facility Project. Mr. Langdon discussed the company's ongoing reorganization and optimization efforts in establishing a robust supply chain to support future energy initiatives.

Following the presentation, Committee members engaged in a question-and-answer session with Mr. Langdon.

5. Horn Rapids Solar Power Purchase Agreement

Scott Russell, Senior Advisor with Energy West, provided an update on the proposed Horn Rapids Solar expansion project and associated Power Purchase Agreement (PPA). Discussion included project deposits and recovery provisions if power is not delivered, as well as BPA interconnection costs, with the developer requested to cover the deposit. Mr. Russell also noted the project would support the City's renewable energy requirements while reducing transfer charges through a local power source.

Following the presentation, Committee members engaged in a question-and-answer session with staff and Mr. Russell.

COMMITTEE MEMBER LARKIN MOVED AND COMMITTEE MEMBER RICHMOND SECONDED THE MOTION TO SUPPORT THE PROPOSED FRAMEWORK FOR THE HORN RAPIDS SOLAR POWER PURCHASE AGREEMENT (PPA) AND RECOMMEND THAT THE CITY COUNCIL CONSIDER APPROVAL OF THE FINAL AGREEMENTS UPON COMPLETION OF LEGAL REVIEW AND NEGOTIATIONS. THE MOTION CARRIED 5-0.

6. Richland Energy Services Financial Quarterly Report – 4Q25

Energy Services Director Whitney provided an overview of the 4Q25 financial report, noting that the Energy Services department remains financially stable despite continued increases in wholesale power and transmission costs from Bonneville Power Administration. Members discussed the recent 8.5% retail electricity rate increase that went into effect in January, which is expected to help offset rising costs and support future capital needs. Mr. Whitney also noted that a significant accounts receivable correction is scheduled to be settled in 2026, which is expected to have a positive financial impact.

7. 2026 Capital Work Plan – Energy Services (Skipped due to time constraints)

8. Forward Agenda

Discussion between Committee members and staff regarding water and wastewater facilities that rely on low-interest loans with the need to explore strategies to reduce dependence on those funding sources if such loans become more limited.

The Committee requested to review the rate policy and develop a long-term strategy during a future workshop.

Chair Staven moved to request a special workshop at 2:00 p.m**.** before the next meeting to review these topics in greater detail. The Committee was supportive of the request.

Adjournment

Chair Staven adjourned the meeting at 4:55 pm.

Prepared by:_____
Carly Kirkpatrick, Administrative Assistant II

Approved by: _____
Harry Staven, Chair

DATE APPROVED: _____

DATE PUBLISHED: _____

UTILITY ADVISORY COMMITTEE AGENDA ITEM STAFF REPORT

Meeting Date: 7/14/2026 Agenda Category: Items of Business

Prepared By: Randy Aust, Fire Chief, Carlo D'Alessandro, Public Works Director, Clint Whitney, Energy Services Director

Subject
Status of Each Utility (10 Minutes)

Department/Office
Energy Services

Document Type
Utility Advisory Committee Item

Recommended Motion
This item is informational only.

Summary

Fiscal Impact
None.

Attachments

UTILITY ADVISORY COMMITTEE AGENDA ITEM STAFF REPORT

Meeting Date: 7/14/2026 Agenda Category: Items of Business

Prepared By: Carlo D'Alessandro, Public Works Director

Subject

Planning Ahead: Future Infrastructure Costs and Capital Investment (30 Minutes)

Department/Office

Public Works

Document Type

Utility Advisory Committee Item

Recommended Motion

Discussion only.

Summary

The presentation provides an overview of City of Richland Public Works' current utility rate-setting policies, evaluation practices, revenue conditions, and strategic considerations for future rate adjustments. The workshop aims to review the existing rate-setting policy, outline the procedures used to evaluate utility rates, and discuss how often rate changes should occur. The presentation is meant to help lead discussion about recommendations for future rate setting based on operations and maintenance cost escalation and future capital improvement financing.

Fiscal Impact

Attachments

1. Rate Strategy Workshop - Utility Advisory Committee - 20260714
2. Utility Financial Operating Policy Approved by Council 9.19.06

CITY OF RICHLAND, WASHINGTON

Utility Rate Planning and Strategy

Utility Advisory Committee
7/14/2026

Purpose

- Discuss current rate setting policy
- Procedure for rate setting evaluation
- Frequency of rate changes

Existing Rate Setting Policy

- September 2006 council adopted policy
- Major stipulations on rate setting for Public Works utilities:
  1. Maintain a 45-day operating reserve.
  2. Min. annual debt service coverage ratio of 1.25.
  3. Analyze rates based on cost of service.

Current Process for Rate Evaluation

- Quarterly review of utility fund balances and committed funds
- Annual review of utility fund health and check of rate model assumptions
- 10-year Utility Management Plan updates
  - Updated utility modeling
  - Updated capital facilities plans
  - Updated rate forecasts
- Intermittent review based on growth and land use assumption changes or new large user demands

Effect of Current Process

- Annual review, but delays rate changes until necessary.
- Rate increases will be larger percentage than an annual basis.
- 2026 will see first rate increases for stormwater and wastewater since 2009.
- Wastewater: 6% annual increases 2026, 2027 and 2028.
- Stormwater: 35% increase in 2026. 1% increases in 2027 and 2028.
- Solid waste rates have not been updated since 2013. Currently evaluating rates.
- Water rates were decreased in 2022 by 10%.

Current Rate Evaluation Practice

Forecast Basis

Study Period: 10 years

Rate Setting Period: 3 years

Reserve Targets

Sewer/Water: 45 days of OpEx + 1% of Assets
Stormwater: 45 days of OpEx + $100k
Solid Waste: 45 days of OpEx + landfill closure cost

Customer Growth

1.21% Growth Rate
~340 equivalent residential customers per year

Annual Rate Revenue

Based on previous year actuals + growth

Operating & Maintenance Costs

Based on current year budget plus inflation

Expense Inflation

3.0-5.0% inflationary factors
Based on last 3 years of actuals

New Debt

Conservative Assumption: Revenue Bonds
20-year term
5.25% interest rate
1% issuance cost

Capital Plan (10-year forecast)

Total Escalated Project Costs

Utility Revenue Sources

Water

- Facilities Fees and Frontage Charges
- Utility Rates – min. daily charge + consumption
- Irrigation utility rate – based on acreage

Wastewater

- Facilities Fees and Frontage Charges
- Utility Rates – min. daily charge + consumption (commercial)
- Pretreatment Permit Fees

Solid Waste

- Utility Rates – refuse/yard waste + recycling
- Landfill Fees
- Roll-off Rates

Stormwater

- Utility Rate (based on ERU)

Revenue Strategies Besides Rate Setting

- Lower costs debt or no debt options
  - Bonds, PWB loans, grants, legislative/congressional directed spending
- Ensuring that enterprise funds adequately recoup costs
  - Accurate inter-departmental billing
  - Evaluation of customer accounts (ex. AMI implementation)
  - Regulatory fines or fees
- Solid Waste Specific
  - Renewable Natural Gas contract land lease and royalties
  - Compost
  - Elimination of high-cost/zero-revenue programs (Sundays, drop boxes, glass recycling)
  - Condemned RV disposal for Kennewick

Rate Evaluation Discussion

- Forecast basis
  - 3, 5, or 10-year outlook?
- Rate Setting Period
  - Annual, 3, 5, or 10-year?
- Annual rate escalation tied to CPI with opt-out?
- Schedule for full cost of service rate analysis?
- Reserve targets that accommodate more than 45-day OpEx
  - Establish reserve targets for maintaining higher bond ratings, % of asset or replacement costs
- Cost of debt assumptions
- Setting rates based on debt financing or rate funding capital improvements
- Market comparisons

Approved for Agenda
Date 9-14-06

TO: **City Council**

FROM: **Energy Services and Administrative Services**

DATE: **September 19, 2006**

SUBJECT: **APPROVAL OF UTILITY FINANCIAL OPERATING POLICY**

RECOMMENDATION

The Utility Advisory Committee (UAC) and staff recommend Council approve the Utility Financial Operating Policy (Attachment), which the UAC reviewed and approved.

This recommendation follows the **August 22, 2006** workshop during which Council discussed the policy with the UAC members and staff.

COMMUNITY PRIORITIES

[X] Strengthen Economic Development

[ ] Improve Our Quality of Life

[X] Be Careful Stewards of Our Public Resources

[ ] Revitalize Our Community

FISCAL IMPACT

The primary fiscal impact of the policy is to promote continued adherence to high standards of financial management for all of Richland's utilities. In so doing, the City and its ratepayers are assured of prudent utility fiscal management, which in turn contributes to long-term continuation of safe, reliable, and low-cost utility service. A prime example of the policy's benefit is the enhanced bond rating assigned recently to the City's electric utility revenue bonds. The rating agency, Standard & Poor's, attached value to both the presence and quality of the policy. The improved rating reduces associated cost of debt issuance and improves bond marketability.

BACKGROUND

Staff recognized the need for a formal policy to guide financial decision making. With UAC collaboration, the needs and interests of the City's utilities and their ratepayers were reviewed in a balanced manner. Providing the utilities the means to ensure quality service, while ultimately protecting the ratepayer, was of paramount importance. The UAC and staff debated numerous key issues and in so doing jointly developed a strong set of principles that should benefit the City for years to come.

ANALYSIS

The primary motivation for development of the principles was to achieve broad concurrence about critical financial decision-making. By so doing, unnecessary debate is minimized and decisions are consistent with expectations. This process contributes to a more productive application of resources. Implementation of the policy also promotes the recent efficiency study recommendation for a more active role by the UAC, which serves to enhance the relationship among Council, the UAC, and staff.

CONCLUSION

It is recommended Council approve the Utility Financial Operating Policy.

PREPARED BY: Raymon D. Sieler, Energy Services Director
Ken Mey, Power and Resource Superintendent
Dan Underwood, Finance Manager

REVIEWED BY: Ron Musson, Administrative Services Director

ATTACHMENT

City of Richland
Utility Financial Operating Policy

The primary objective of all Richland utilities is to provide reliable, low cost services while maintaining appropriate financial reserve levels and preserving utility infrastructure. The purpose of this policy is to provide ongoing accountability for all financial matters relating to the City of Richland utilities. The following principles will be implemented to ensure fiscal policies and objectives are realized:

- Utility monies will be accumulated and used to adequately provide for working capital, renewal and replacement, debt financing, contingency and bond reserve funds.
- A Financial Reserve account will be maintained for each utility. The account level will vary by utility and be determined on the basis of non-discretionary costs for a predetermined number of days.
- The City will maintain bond reserves, or insurance in-lieu of, as required by bond covenants.
- Utility funds will be invested to meet cash-flow requirements with careful consideration given to ensure prudent return on investment and proper protection of principal.
- Short-term borrowing via commercial lines of credit and interfund loans will be considered to fund emergency and extraordinary items.
- Each customer class will pay its fair share of the cost to provide service.
- Current and future customers within each class will pay their fair share of the cost of service.
- Each Utility charges rates which closely correspond to its costs, neither operating at a loss for extended periods nor building up excessive reserves over extended periods..

Introduction

A Financial Operating Policy is intended to provide the management team with a set of guidelines for use in making financial decisions having relatively long-range implications. The benefit of a policy will be realized as management decides how to deal with a host of issues and situations, many of which are driven by external forces; key examples include:

- Selection of resources and associated contracts
- Dealing with industry regulation and competition
- Risk management
- Capital expenditures and their financing
- Long-term debt management
- Bond credit rating protection and enhancement
- Nature and level of retail power rates
- Retail power contracts
- Strategic planning
- Financial and operating ratios
- Benchmarking and inter-utility comparisons
- Economic development support

While the users of this Policy will most frequently be management, Utility Advisory Committee, and City Council, the mere presence of a well-developed policy is a definite asset in the eyes of bond rating agencies, bond insurers, and financial advisors. It affirms the roll of management in charting a successful financial course. This policy will replace any prior approved Utility Policy.

Application

Financial Reserve Level

Operating reserves are intended to provide the financial means of coping primarily with substantial unanticipated obligations or opportunities, particularly in light of increasingly complex and uncertain operating environments. In addition, external financial standards and expectations remain key considerations. Recommendations for the use of reserves will come from management and be approved by City Council following UAC review and advice. Examples of circumstances warranting the use of reserves include:

- significant increases in operating costs driven by wholesale rate changes or extreme weather conditions
- industry standards, e.g., bond rating agency requirements to achieve a given bond rating
- emergency equipment repairs or replacements due to natural forces or intentional acts
- unanticipated loss of significant operating revenue
- the need for adequate working capital to cope with the vagaries of cash flow
- favorable acquisition opportunities

It is utility policy to maintain liquid reserves sufficient to meet the particular needs of each utility; these levels differ depending upon the nature of the utility operating environment. Operating reserves are to be monitored to ensure neither excessive nor insufficient levels. These reserves will be augmented primarily from operating revenue as need arises. Operating reserves are considered an element of unrestricted cash. The following apply to specific City utilities:

Electric - Financial Reserves will be maintained at a level equivalent to **90 days** of annual average nondiscretionary operating costs excluding purchased power. Nondiscretionary operating costs are defined to include wholesale power and transmission expense, distribution operation and maintenance expense, customer accounting expense, administrative and general expense, state tax expense, and debt service. However, for purposes of the 90 day reserve calculation wholesale power and transmission expense are excluded. Financial Reserves are exclusive of bond, facility fee, conservation revolving loan, and rate stabilization monies.

Water - Potential revenue fluctuations due to severe weather conditions require a Financial Reserve equal to **45 days** of operating and maintenance expense be maintained for the Water Utility.

Waste Water - A Financial Reserve equal to **45 days** of operating and maintenance expense will be maintained.

Storm Water - A Financial Reserve equal to **45 days** of operating and maintenance expense will be maintained.

Solid Waste - A Financial Reserve equal to **45 days** of operating and maintenance expense will be maintained.

Debt Service Coverage
The City's utility bond covenants require a minimum annual average debt service coverage ratio of 1.25. This ratio reflects tax-adjusted net operating revenue divided by total annual debt service.

Financial Reporting
It is imperative, that management receives accurate and timely financial and operating reports. Monthly financial statements and budget reports should be available approximately two weeks following month-end with the exception of year-end reports. All reports will have received adequate review prior to distribution. These reports will conform to utility industry reporting standards and reflect the reporting needs required for utility management.

Capital Financing
Capital additions, i.e., long-term fixed assets, can be financed from several sources, including current rate-based revenue, accumulated unrestricted cash, bond proceeds, and contributions-in-aid-of-construction (CIAC). For retail rate-setting purposes, the traditional convention is to rate-finance a portion of capital additions at a level equal to annual depreciation expense; circumstances may warrant departure from this convention. Depending upon the cost and availability of other sources of financing, the actual mix of capital resources may vary over time and across utilities. It is the responsibility of management to employ that combination of capital financing sources most consistent with each utility's financial framework while optimizing the cost of capital. Capital will not be financed for periods longer than its useful life.

Liquidity
City/utility management will ensure reasonable levels of liquidity, as measured by applicable utility standards, e.g., current ratio, working capital. Surplus cash will be invested in a manner to ensure reasonable short-term liquidity without incurring undue penalties. Liquidity levels will be determined, in part, by the need for flexibility in dealing with opportunities, risks, and changes in the utility operating environment.

Lines of Credit and Interfund Loans
City utilities can arrange with commercial lenders for operating and capital lines of credit, if City/utility management deems their use to be necessary and justifiable. Generally, these would be employed only for those short-term situations when other financial sources are unavailable. In addition, each utility can request short-term loans from other City funds. These loans will be interest bearing, documented, and limited to a term of twelve (12) months.

Long-Term Indebtedness
The utilities will manage long-term indebtedness to ensure satisfactory commonly accepted debt ratios, e.g., debt equity, debt per customer, etc. When advantageous, the utility will seek to refinance qualifying portions of its outstanding bonds. Debt principal will be structured to best serve the interests of the utility and its customers. Long-term debt will be incurred for terms consistent with the useful life of the financed physical assets. As an alternative to formal bond reserves, surety bonds will be purchased to guarantee debt service.

Retail Rates

Retail Net Revenue Requirements – Satisfaction Of
Net revenue requirements are those revenues required to cover total rate period costs. It is management's intent under this Policy to ensure current retail rate revenue is sufficient to cover corresponding net revenue requirements; circumstances may dictate departure from this objective. Deficits will require increased retail rates and/or expenditure reductions; should surpluses occur, they can be accumulated or returned to ratepayers through retail rate reductions or smaller increases.

Retail Rate Levels

Retail rates are to be reviewed regularly to ensure adequacy. These rates are to be established in an equitable manner. Class rates will be set to ultimately recover allocated class costs as determined through a cost of service analysis. Other considerations may influence rate levels, including the need to gradually achieve class parity, return on allocated rate base, or other indicators deemed appropriate. Rates will be established consistent with the overall financial requirements and objectives of the utility. Rate revenue sufficiency will be periodically determined on the basis of standard cost of service practice. It is the intent of this policy to have retail rates track material changes in the projected cost of providing service.

Retail Rate Competitiveness and Support for Economic Development

Retail electric rates will reflect the projected cost of providing service. Management will monitor comparative utility bills to determine Richland's relative position locally and regionally. It is a utility goal to preserve competitive rate advantage consistent with prudent utility management, i.e., preserving the utility's financial integrity and system reliability. The utility will support economic development efforts within reasonable limits, including preservation of its contract-based economic development rate.

Frequency of Retail Rate Adjustments

Retail rates will generally be reviewed on an annual basis and adjusted with Council approval following UAC review and advice. Rates may be adjusted more frequently in response to changes in operating costs, e.g., wholesale power and transmission cost. It is the intent under this Policy to ensure under- or over-collections of rate revenue are minimized.

UTILITY ADVISORY COMMITTEE AGENDA ITEM STAFF REPORT

Meeting Date: 7/14/2026 Agenda Category: Items of Business

Prepared By: Carlo D'Alessandro, Public Works Director

Subject

Public Works Board Loan Application — Wastewater Treatment Plant Anaerobic Digester Improvements Project and the Wastewater Treatment Plant Grit Works Rehabilitation Project (15 Minutes)

Department/Office

Energy Services

Document Type

Utility Advisory Committee Item

Recommended Motion

Support the recommendation to submit an application for a loan through the Public Works Board to finance the Wastewater Treatment Plant Grit Works Rehabilitation and Anaerobic Digester Improvements projects.

Summary

The 2025-2030 Capital Improvement Plan includes two projects entitled Wastewater Treatment Plant (WWTP) Grit Works Rehabilitation and Wastewater Treatment Plant Anaerobic Digester Improvements. The WWTP grit works system is one of multiple processes within the WWTP that remove solids from the wastewater stream. It is critical to prevent large and oversize pieces of debris from continuing through the rest of the treatment process. This current grit works system reliability and efficiency are low due to the age of critical system components. Upgrades to the grit works will allow it to work more efficiently and effectively with fewer maintenance issues. The project for the Anaerobic Digesters will focus on replacing end-of-life components and implementing current best practice technologies to improve reliability, digester performance, and energy efficiency. Upgrades include: digester tank rehabilitation, new steel gasholder cover, new mechanical mixing equipment, mechanical piping improvements, gas handling piping and equipment replacement, and new electrical / automated controls.

The Grit Works project has been defined via a process and equipment analysis study completed by the City's consultant, RH2. The estimated construction budget is based on that study and will be refined once a full design is complete. The total project value is estimated at $3.5 million. Staff seeks to pursue funding through a low-interest loan from the Department of Commerce Public Works Board (PWB). Staff was not successful in securing funds for the project in 2025. Staff recommends an application to the PWB for $300,000 to fund the design phase of the project for the 2027 fiscal year.

The Anaerobic Digester project has been defined via a process and equipment analysis study completed by the City's consultant, RH2. The estimated construction budget is based on that study and will be refined once a full design is complete. The total project value is estimated at $11.3 million. Staff seeks to pursue funding through a low-interest loan from the Department of Commerce Public Works Board (PWB). The City was successful in securing a $500,000 preconstruction loan in 2025 to fund the design phase. Staff recommends an application to the PWB for $9,000,000 to fund the construction phase of the project for the 2027 fiscal year.

Fiscal Impact

Fiscal impacts of loan debt will be analyzed if awarded Public Works Board loan.

Attachments

UTILITY ADVISORY COMMITTEE AGENDA ITEM STAFF REPORT

Meeting Date: 7/14/2026 Agenda Category: Items of Business

Prepared By: Clint Whitney, Energy Services Director

Subject
2026 Draft Cost of Service Analysis (COSA) Update (15 Minutes)

Department/Office
Energy Services

Document Type
Utility Advisory Committee Item

Recommended Motion
This item is informational for discussion.

Summary
City of Richland Energy Services (RES) department uses a forward retail rate program to provide City Council and customers with five-year financial projections. This program assists in long-range planning and rate stability. Significant factors, such as bond issuances, wholesale power rate adjustments, capital improvements, and annual financial results, necessitate periodic evaluation of assumptions used in the City's Cost of Service Analysis (COSA).

RES' consultant, FCS/Bowman Group, and RES staff regularly update the COSA model to reflect current financial inputs and market conditions. RES staff then reviews the projected cash flows and utility fund performance to develop recommendations for future rate adjustments and bond issuances which are discussed with the Utility Advisory Committee (UAC) prior to City Council consideration and actions.

Significant drivers to COSA impacts include:

- A bond issue was completed January 2026 for projected capital expenses through 2027.
- Wholesale power costs account for roughly 60% of total utility expenses. There are no imminent financial policy triggers from BPA Power or Transmission business lines through September 2026.
- RES' Capital Improvement Plan (CIP) accounts for approximately 15% of total utility expenses.

The draft COSA indicates a 5.5% rate increase in 2027. However, the CIP expenses for 2027 and 2028 will be adjusted down closer to the $12M-$14M historical levels to reduce the need for a rate increase. Consideration should also be made for a lower increase that occurs more often than in previous years. CPI-U for electricity nationwide indicates a 4.6% annual rate increase through May 2026, while data specific to the CPI-U electricity for Seattle-Tacoma-Bellevue does not appear available yet. Overall CPI-U for Seattle-Tacoma-Bellevue is 4.9% through April 2026.

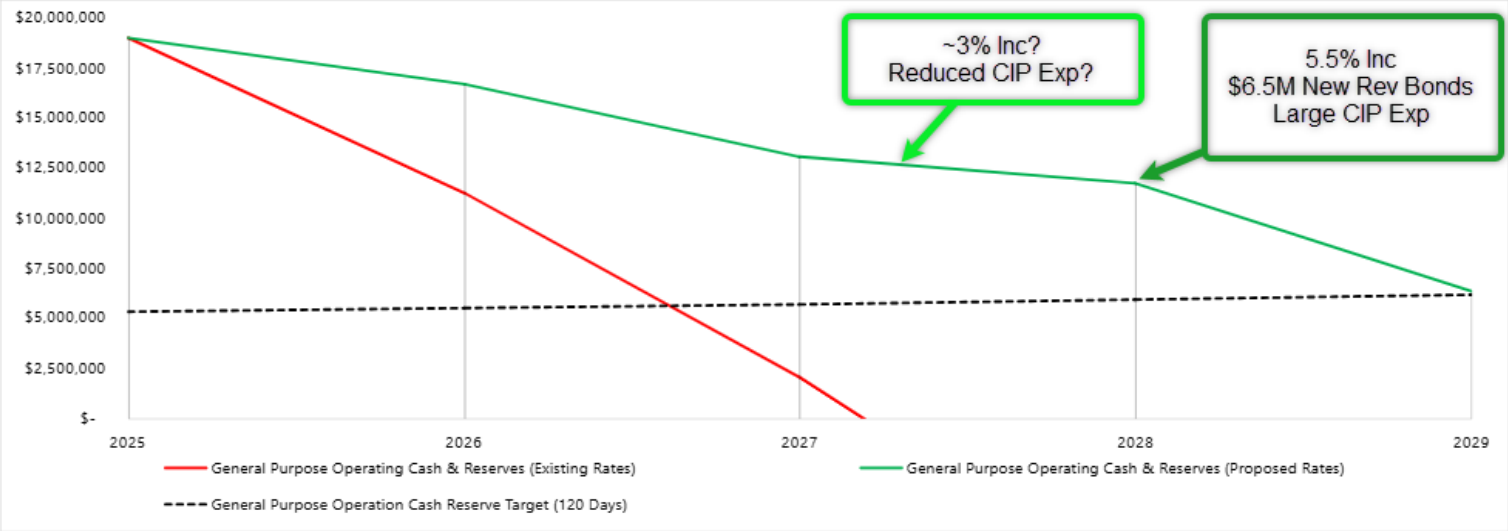
Staff's initial recommendation is to continue analysis for a smaller rate increase in 2Q2027 to reduce the 2028 rate increase.

Fiscal Impact
There is no impact from this discussion item.

Attachments
1. 2026 Draft COSA Summary Dashboard
2. 2026 Draft COSA Summary GPOC Chart
3. May 2026 CPI-U
4. April 2026

City of Richland
Electric Cost of Service
Dashboard

		2024		2025	2026	2027	2028	2029
Previous Rate Study Plan								
Policy Level Increase		*5.50%*		0.00%	5.50%	0.00%	5.50%	0.00%
Revenue Bond Proceeds				$ -	$ 6,250,000	$ -	$ 5,350,000	$ -
GPOC Transfer to Capital Reserve	*$*		*6,100,000*	$ -	$ -	$ -	$ -	$ -
With Existing Rates								
Total Revenues (Existing)	$		76,167,594	$ 72,593,215	$ 73,734,180	$ 74,014,899	$ 74,545,531	$ 75,138,179
Total Expenses (Existing)			69,321,758	73,913,155	82,281,848	82,984,946	84,982,965	89,740,830
Surplus (Deficiency)	**$**		**6,845,836**	**$ (1,319,940)**	**$ (8,547,668)**	**$ (8,970,047)**	**$ (10,437,434)**	**$ (14,602,651)**
Coverage Before Increase		*4.92*		*3.52*	*2.19*	*1.87*	*1.65*	*1.09*
Proposed Changes								
Policy Level Increase		0.00%		0.00%	8.50%	0.00%	5.50%	0.00%
Cumulative Increases		0.00%		0.00%	8.50%	8.50%	14.47%	14.47%
Months Effective		*11*		11	11	11	11	11
Revenue Bond Proceeds	$		-	$ -	$ 7,500,000	$ -	$ 6,500,000	$ -
GPOC Transfer to Capital Reserve			143,258	-	-	-	-	-
After Rate Increase								
Total Revenue (After Increase)	$		76,167,594	$ 72,593,215	$ 79,215,979	$ 79,540,431	$ 84,025,344	$ 84,693,625
Total Expenses (After Increase)			69,321,758	73,913,155	82,494,180	83,198,972	85,350,156	90,110,951
Surplus (Deficiency)	**$**		**6,845,836**	**$ (1,319,940)**	**$ (3,278,201)**	**$ (3,658,541)**	**$ (1,324,812)**	**$ (5,417,326)**
Monthly Residential Bill (1200 kWh)				**$ 113.61**	**$ 123.27**	**$ 123.27**	**$ 130.05**	**$ 130.05**
Coverage (After Increase)		*4.92*		*3.52*	*3.05*	*2.73*	*3.04*	*2.48*
Fund Impacts								
Operating Fund								
Ending Operating Balance	**$**		**26,966,963**	**$ 19,012,841**	**$ 16,734,640**	**$ 13,076,098**	**$ 11,751,286**	**$ 6,333,961**
Maximum Target (120 Days)	*$*		*3,127,599*	*$ 5,322,286*	*$ 5,524,109*	*$ 5,717,813*	*$ 5,939,172*	*$ 6,165,349*
Capital Fund								
Ending Capital Balance	**$**		**8,314,546**	**$ 6,198,434**	**$ 11,169,553**	**$ 5,866,680**	**$ 4,873,833**	**$ 1,060,999**
Minimum Target (None)				*$ -*	*$ -*	*$ -*	*$ -*	*$ -*
Maximum Target (None)				*$ -*	*$ -*	*$ -*	*$ -*	*$ -*
Key Factors								
Depreciation Funding (% of)		100.00%		100.00%	100.00%	100.00%	100.00%	100.00%
CIP	$		12,181,258	$ 12,362,000	$ 14,876,290	$ 16,038,686	$ 18,587,286	$ 15,320,426
Capital Adjustments	$		-	$ -	$ -	$ -	$ -	$ -
BPA Power Rate Increases (FFY)			0.00%	0.00%	4.31%	0.00%	0.00%	5.00%
BPA Transmission Rate Increases (FFY)			0.00%	0.00%	14.42%	0.00%	0.00%	15.00%
O&M Adjustments	$		-	$ -	$ -	$ -	$ -	$ -


$20,000,000
$17,500,000
$15,000,000
$12,500,000
$10,000,000
$7,500,000
$5,000,000
$2,500,000
$-
2025
2026
2027
2028
2029
~3% Inc?
Reduced CIP Exp?
5.5% Inc
$6.5M New Rev Bonds
Large CIP Exp
General Purpose Operating Cash & Reserves (Existing Rates)
General Purpose Operating Cash & Reserves (Proposed Rates)
General Purpose Operation Cash Reserve Target (120 Days)

	A	B	C	AH	AI	AJ	AO	AP	AQ	AR	AS	AT
1		Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, by expenditure category, May 2026										
2		[1982-84=100, unless otherwise noted]										
3												
4	Indent Level	Expenditure category	Relative importance Apr. 2026	Seasonally adjusted percent change	Seasonally adjusted percent change	Seasonally adjusted percent change	Twelve Month	Twelve Month	Twelve Month	Twelve Month		
5				Feb. 2026- Mar. 2026	Mar. 2026- Apr. 2026	Apr. 2026- May 2026	Unadjusted effect on All Items May 2025- May 2026[1]	Standard error, median price change[2]	Largest (L) or Smallest (S) unadjusted change since:[3]	Largest (L) or Smallest (S) unadjusted change since:[3]		
140	2	Energy services	3.237	0.4	1.6	0.4	0.169	0.73	S-Mar. 2026	5.0		
141	3	Electricity	2.495	0.8	2.1	0.6	0.145	0.89	S-Mar. 2026	4.6		
142	3	Utility (piped) gas service	0.741	-0.9	-0.1	-0.5	0.024	1.04	–	–		
143												
144	1	All items less food and energy	79.014	0.2	0.4	0.2	2.277	0.11	L-Sep. 2025	3.0		
145	2	Commodities less food and energy commodities	18.856	0.1	0.0	-0.1	0.205	0.16	–	–		
146	3	Household furnishings and supplies[11]	3.352	-0.2	-0.5	-0.2	0.079	0.45	S-Jul. 2025	2.4		
147	4	Window and floor coverings and other linens[5]	0.237	-0.7	-1.7	-0.7	0.005	1.78	S-Sep. 2025	1.7		
148	5	Floor coverings[4][5]	0.069	0.3	-2.2	-1.3	0.002	4.22	S-Sep. 2025	2.5		
149	5	Window coverings[4][5]	0.045	-1.1	0.9	-1.6	0.003	3.46	S-Nov. 2025	4.7		
150	5	Other linens[5]	0.123	-0.9	-2.5	-0.9	0.000	2.58	S-Jan. 2026	-0.9		
151	4	Furniture and bedding[4]	0.860	-0.4	-0.3	-0.7	0.010	1.12	L-Mar. 2026	3.1		
152	5	Bedroom furniture[4]	0.297	-0.3	0.8	-1.1	0.001	1.88	L-Feb. 2026	3.7		
153	5	Living room, kitchen, and dining room furniture[4][5]	0.429	-0.7	-0.4	-0.5	0.006	1.59	L-Mar. 2026	4.0		
154	5	Other furniture[5]	0.130	0.6	1.5	1.3	0.003	2.31	S-Aug. 2025	0.2		

US Regional +

	B	C	R	S	T	U	V	W
1	Consumer Price Index for All Urban Consumers (CPI-U): Selected areas, all items index, May 2026							
2	[1982-84=100, unless otherwise noted]							
3								
4	Area	Pricing Schedule[1]	Percent change to May 2026 from: May 2025	Percent change to May 2026 from: Mar. 2026	Percent change to May 2026 from: Apr. 2026	Percent change to Apr. 2026 from: Apr. 2025	Percent change to Apr. 2026 from: Feb. 2026	Percent change to Apr. 2026 from: Mar. 2026
55	Seattle-Tacoma-Bellevue, WA	2	–	–	–	4.9	1.3	–
56	St. Louis, MO-IL	2	–	–	–	3.5	2.3	–
57	Urban Alaska	2	–	–	–	4.3	3.6	–
58								
59	Boston-Cambridge-Newton, MA-NH	1	3.2	2.4	–	–	–	–
60	Dallas-Fort Worth-Arlington, TX	1	2.6	-0.3	–	–	–	–
61	Denver-Aurora-Lakewood, CO	1	5.0	1.8	–	–	–	–
62	Minneapolis-St.Paul-Bloomington, MN-WI	1	4.7	2.3	–	–	–	–
63	Riverside-San Bernardino-Ontario, CA[4]	1	3.4	1.0	–	–	–	–
64	San Diego-Carlsbad, CA	1	3.8	1.1	–	–	–	–
65	Tampa-St. Petersburg-Clearwater, FL[8]	1	3.2	1.5	–	–	–	–
66	Urban Hawaii	1	5.1	2.2	–	–	–	–
67	Washington-Arlington-Alexandria, DC-VA-MD-WV[6]	1	4.1	1.3	–	–	–	–
68								

US Regional +

UTILITY ADVISORY COMMITTEE AGENDA ITEM
STAFF REPORT

Meeting Date: 7/14/2026 Agenda Category: Reports and Comments

Prepared By: Clint Whitney, Energy Services Director

Subject
2026 Capital Work Plan - Energy Services

Department
Energy Services

Recommended Motion
Informational only.

Summary
Attached is a summary of planned Energy Services capital work through May 2026. The budgeted 2026 annual capital expenditures are $12.4M with year to date (YTD) expenses of $4.1M.

The 2026 capital work budget includes projected expenses of:

- Line extensions - $1.778M budgeted with YTD expenses of $1.3M
- System Improvements - $784k budgeted with YTD expenses of $402k
- Renewal and Replacement - $4.223M budgeted with YTD expenses of $865k
- Substation Improvements - $2.923M budgeted with YTD expenses of $1.4M
- Dallas Rd Substation - $2.735M budgeted with YTD expenses of $121k

The City's contractors are actively working. One is working on the renewal and replacement projects with work currently occurring at Hills Mobile Home Park and the new Rachel Road distribution feeder. Another contractor is just starting the Thayer Substation rebuild work. Both contractors are on schedule with work planned to be completed by the end of the year.

Fiscal Impact
None.

Attachments
1. RES CWP REPORT-June 2026 (002)

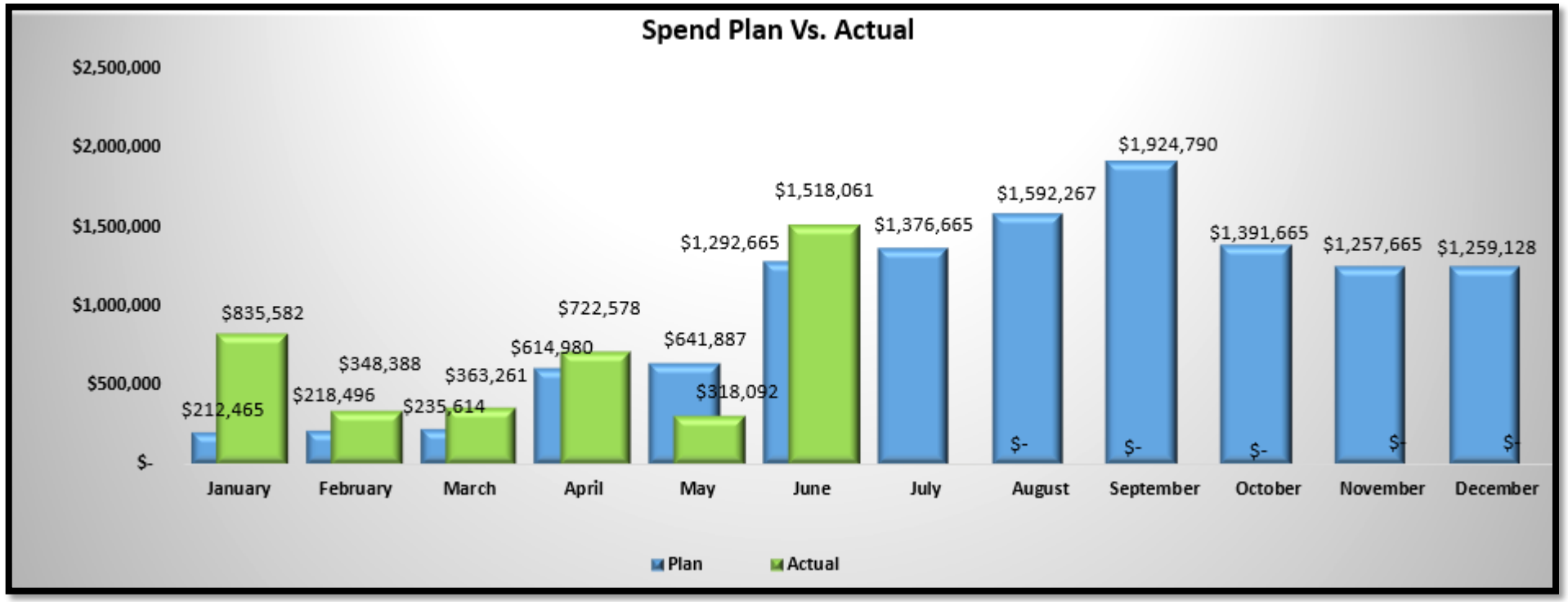
Richland Energy Services
Capital Work Plan
June 2026

CWP Costs through June

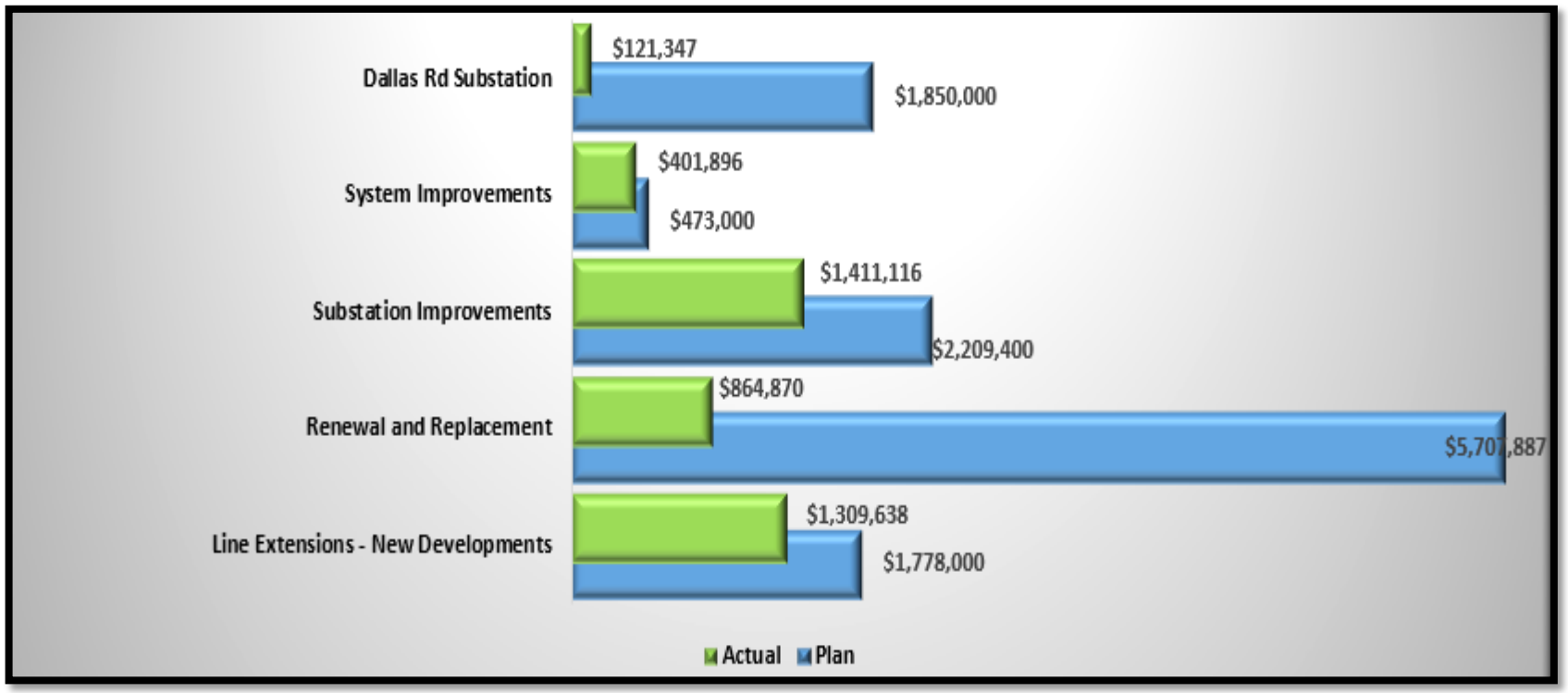
	Approved 2026 Budget	2026 Revised Plan	Actual	Remaining	June
⊞ Line Extensions	$1,778,000	$ 1,778,000	$ 1,309,638	$ 468,362	$ 125,935
⊞ System Improvements	$473,000	$ 473,000	$ 401,896	$ 71,104	$ 15,653
⊞ Renewal and Replacement	$4,534,000	$ 5,707,887	$ 864,870	$ 4,843,017	$ 378,346
⊞ Substation Improvements	$2,923,000	$ 2,209,400	$ 1,411,116	$ 798,284	$ 994,457
⊞ Dallas Rd Area Improvements	$2,735,000	$ 1,850,000	$ 121,347	$ 1,728,654	$3,671
Grand Total	$12,443,000	$ 12,018,287	$ 4,108,867	$ 7,909,420	$1,518,061

Cost Performance YTD:	**$4,108,867**
Cost Performance remaining:	**$7,909,420**
YTD % Complete	**32%**

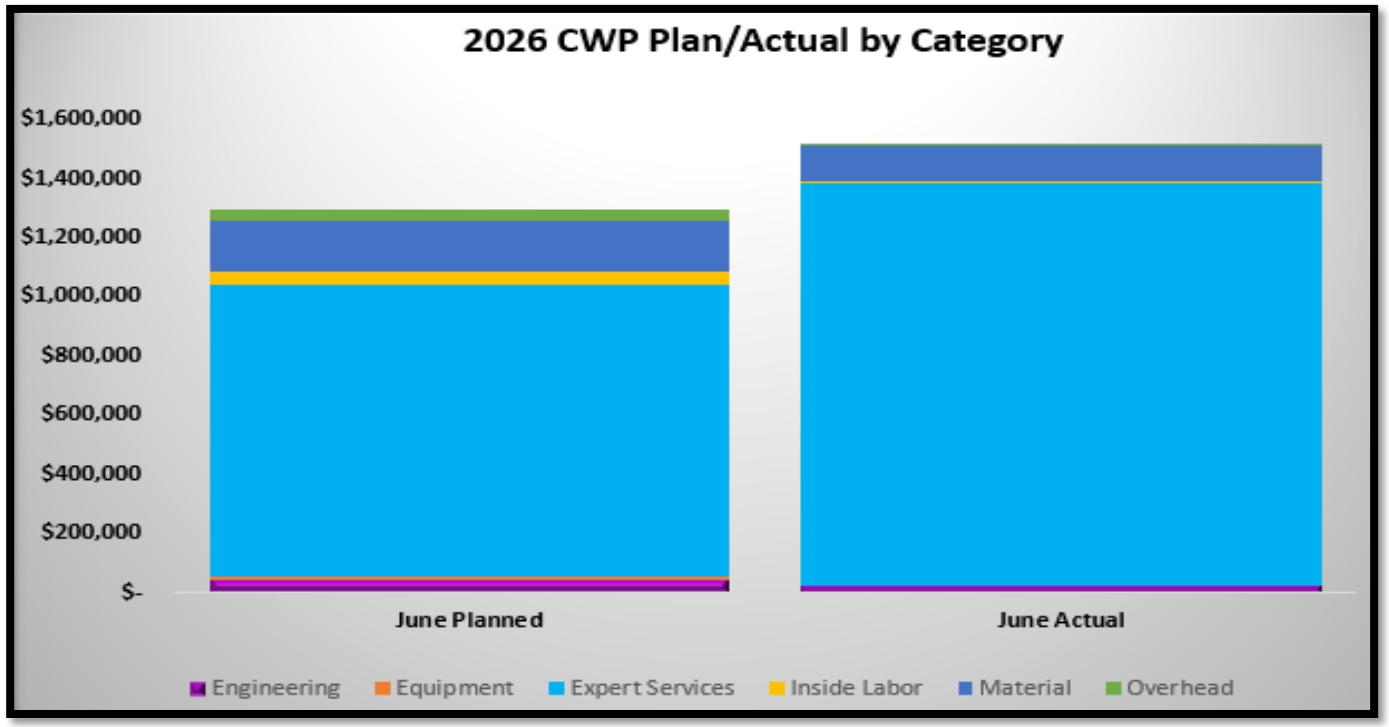
CWP Monthly Spend Vs. Actuals



Costs by Category



CWP Cost Types



Cost Type	June Planned	June Actual
Engineering	$ 46,395	$ 23,945
Equipment	$ 8,667	$ -
Expert Services	$ 986,854	$ 1,360,861
Inside Labor	$ 46,358	$ 7,497
Material	$ 171,778	$ 122,010
Overhead	$ 32,614	$ 3,748
Total	**$ 1,292,665**	**$ 1,518,061**

CWP Project Costs for June

	Approved 2026 Budget	2026 Revised Plan	Actual	Remaining	June
Line Extensions	**$1,778,000**	**$ 1,778,000**	**$ 1,309,638**	**$ 468,362**	**$ 125,935**
System Improvements	**$473,000**	**$ 473,000**	**$ 401,896**	**$ 71,104**	**$ 15,653**
3060 Twin Bridges Rd, Ext 6in conduit and V19 vaults around crop circle	$0	$ -	$ 215,322	$ (215,322)	$0
NEW & ALT SVCS - UNDERGROUND	$473,000	$ 473,000	$ 97,366	$ 375,634	$8,622
Renewal and Replacement	**$4,534,000**	**$ 5,707,887**	**$ 864,870**	**$ 4,843,017**	**$ 378,346**
Renewal and Replacement					
METER INSTALLATION MATERIALS	$25,000	$ 25,000	$ 328	$ 24,672	$0
2951 Duportail St; Relocate primary systems	$0	$ -	$ 773	$ (773)	$0
806 Thayer, R and R underground substation getaways	$0	$ -	$ 488	$ (488)	$0
Pole Replacement Program	$614,000	$ 354,000	$ -	$ 354,000	$0
UG Cable Replacement					
Underground Cable Replacement	$3,895,000	$ 5,328,887	$ 853,270	$ 4,475,617	$376,148
Substation Improvements	**$2,923,000**	**$ 2,209,400**	**$ 1,411,116**	**$ 798,284**	**$ 994,457**
Thayer Substation - Bank 1 Rebuild and 115kV Bus Overhaul	$2,120,000	$ 2,120,000	$ 1,083,576	$ 1,036,424	$993,733
Stevens Substation - Bank 1 Rebuild and 115kV Bus Overhaul	$0	$ -	$ 312,466	$ (312,466)	$0
Design and Install SEL 2414 at SHC b1-2, FIS b1and3, THS b2-3, RLS b1, STS b2-3	$0	$ -	$ 6,980	$ (6,980)	$684
Sandhill Crane Substation Bank 3 Addition	$292,000	$ 32,700	$ 8,095	$ 24,605	$40
Substation Spill Prevention Control and Countermeasure (SPCC)	$212,000	$ -	$ -	$ -	$0
Sandhill Bank 4 Addition	$275,000	$ 32,700	$ -	$ 32,700	$0
Substation Security Improvements	$24,000	$ 24,000	$ -	$ 24,000	$0
Dallas Rd Area Improvements	**$2,735,000**	**$ 1,850,000**	**$ 121,347**	**$ 1,728,654**	$3,671
Design and Construct Dallas Substation	$2,735,000	$ 1,850,000	$ 121,347	$ 1,728,654	$3,671
Grand Total	**$12,443,000**	**$ 12,018,287**	**$ 4,108,867**	**$ 7,909,420**	**$1,518,061**

UTILITY ADVISORY COMMITTEE AGENDA ITEM
STAFF REPORT

Meeting Date: 7/14/2026 Agenda Category: Reports and Comments

Prepared By: Clint Whitney, Energy Services Director

Subject
Forward Agenda

Department
Energy Services

Recommended Motion
Informational only.

Summary
The forward agenda includes these items:
Sept - Ruby Flats Solar Potential 10MW PPA (RES)
Sept - AMI Time of Use (TOU) and Demand Rate Discussion (RES)
Sept - Energy Density Rate Recommendation (RES)
Nov - Key Performance Indicators (RES)
Nov - Indexed Electric Rates Discussion (RES)
Nov - Proposed 2027 Capital Work Plan (RES)

Fiscal Impact
None.

Attachments