



2026 PROGRESS REPORT ON THE 2024 INTEGRATED RESOURCE PLAN

PREPARED IN COLLABORATION WITH



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CONFIDENTIAL & PROPRIETARY

CONTENTS

CONTENTS	2
SECTION 1: OVERVIEW	4
BACKGROUND	4
THE DISTRICT	4
2026 PROGRESS REPORT APPROACH	5
SECTION 2: CHANGING CONDITIONS	5
NATURAL GAS PRICE FORECAST	6
MARKET PRICE FORECAST	7
RENEWABLE RESOURCE OPTIONS	9
DISPATCHABLE RESOURCE OPTIONS	10
ENERGY STORAGE AND DISTRIBUTED ENERGY RESOURCES	11
TRANSMISSION SERVICE	11
OVERSUPPLY MANAGEMENT PROTOCOL	12
BPA POST-2028 POWER SALES AGREEMENT	12
RESOURCE CHANGES SINCE 2024 IRP	12
RESOURCE ADEQUACY	13
SECTION 3: PROGRESS REPORT	14
2024 IRP RESOURCE STRATEGY	14
RENEWABLE PORTFOLIO STANDARD (RPS), CLEAN ENERGY TRANSFORMATION ACT COMPLIANCE	15
ADDITIONAL REGULATORY REQUIREMENTS	16
1. CLEAN ENERGY TRANSFORMATION ACT (CETA)	16
2. CLIMATE COMMITMENT ACT (CCA)	16
3. FEDERAL ENERGY POLICY DEVELOPMENTS	17
PROGRESS AGAINST 2024 IRP ACTION ITEMS	17
1. Pursue carbon-neutral resources to meet capacity requirements	17
2. Maximize the use of BPA Tier 1 power	18
3. Remain engaged in BPA development of post-2028 products and evaluate the options once defined	18
4. Evaluate resource opportunities including solar, battery storage, BPA Tier 2 capacity, and market-based purchases	18
5. Monitor emerging technologies	18

6. Acquire all cost-effective conservation measures and monitor demand response and distributed generation opportunities.	18
SECTION 4: PROGRESS REPORT CONCLUSIONS	19
2026 IRP PROGRESS REPORT CONCLUSIONS	19
PLANNING FOR THE FUTURE	19
ACRONYM REFERENCE TABLE	21

SECTION 1: OVERVIEW

BACKGROUND

Public Utility District No. 1 of Franklin County (Franklin PUD or “the District”) is required by Washington State law, Chapter 19.280 of the Revised Code of Washington (RCW), to develop “a comprehensive resource plan that explains the mix of generation and demand-side resources it plans to use to meet its customers’ electricity needs in both the long term and the short term.” Under this law, Franklin PUD must prepare a comprehensive plan every four years and submit a progress report in the intervening two-year period. The Integrated Resource Plan (IRP) analysis must include a range of load forecasts over a ten-year time horizon; an assessment of feasible conservation and efficiency resources; an assessment of supply-side generation resources; an economic appraisal of renewable and non-renewable resources; a preferred plan for meeting the utility’s requirements; and a formal action plan. The Board adopted Franklin PUD’s 2024 IRP on August 27, 2024.

The 2024 IRP analysis showed that the District’s existing long-term Bonneville Power Administration (BPA) Slice/Block power supply contract and its other owned and contracted resources can provide sufficient energy to meet forecast average annual needs through 2028. However, the 2024 IRP identified an existing and growing capacity deficit that, absent additional resource procurement, expands over the planning horizon due to projected load growth and Western Resource Adequacy Program (WRAP) requirements. The 2024 IRP outlines a strategy to meet the short- and long-term electricity needs of Franklin PUD customers while complying with the Clean Energy Transformation Act (CETA) and Energy Independence Act (EIA). The preferred portfolio identified in the 2024 IRP includes maximizing BPA Tier 1 power, pursuing cost-effective conservation, evaluating utility-scale solar resources, assessing battery storage and other firm capacity resources, considering extensions of existing power purchase agreements (PPAs), and utilizing BPA Tier 2 power, short-term contracts, and market purchases as needed to address projected capacity deficits.

This 2026 Progress Report reviews the changing conditions in the wholesale energy market and planning environment, as well as Franklin PUD’s progress against its strategy and action plan since adoption of the 2024 IRP. This Progress Report is consistent with the State of Washington’s regulatory requirements (RCW 19.280.030).

THE DISTRICT



Franklin PUD provides electric service to approximately 35,000 residential, commercial, industrial, and street lighting customers countywide. The District purchases most of its wholesale power from BPA at cost, through the long-term Slice and Block Power Sales Agreement. Most of the BPA power supply comes from the Federal Columbia River Power System (FCRPS) hydroelectric projects. BPA also markets the output of the Columbia Generating System (nuclear plant) near Richland, WA, and makes miscellaneous energy purchases on the open market.

The District augments its remaining energy and capacity requirements primarily through contracts for portions of the Nine Canyon wind project, and, more recently, the Wheat Field wind project, as well as Packwood Lake and Esquatzel Canal hydroelectric generating facilities and contracted physical firm market capacity. In addition, the District has signed a PPA for offtake from a solar array and is evaluating other solar and battery additions, as well as extensions of existing contracts providing carbon-free power.

2026 PROGRESS REPORT APPROACH

The District performed the following steps in developing this Progress Report:

- Updated the District’s load forecast for comparison with the forecast used in the 2024 IRP;
- Updated the market price projection utilizing Energy Exemplar’s PLEXOS electric forecasting and analysis software;
- Reviewed supply-side resource cost and performance assumptions, including developments related to resource adequacy requirements under WRAP and compliance obligations under CETA; and
- Assessed the District’s progress against items in the 2024 IRP Action Plan.

SECTION 2: CHANGING CONDITIONS

The District’s retail load forecast was updated in May 2026 and differs from the base case forecast developed for the 2024 IRP. The 2024 IRP projected average annual growth in energy and peak demand of approximately 1.5% for energy and 1.4% for peak demand over the 2026–2044 planning horizon.

The 2026 Long-Term Load Forecast (LTLF) incorporates updated economic projections, weather-normalized historical data through 2025, revised assumptions for new large commercial and industrial customers, and explicit modeling of electric vehicle (EV) adoption. The updated forecast projects annual growth in energy and peak demand of approximately 1.3% over the same period.

While the projected growth rates are similar to those in the 2024 IRP, the overall level of the energy forecast is approximately 14 percent lower. This difference is primarily driven by revised assumptions regarding new large customer loads that materialized at lower levels than previously projected. Peak demand growth continues to place pressure on system capacity requirements. The District’s peak demand remains summer-driven, occurring during June, July, and August due to irrigation-related agricultural load during the warm growing season.

The current load forecast is based on an econometric forecasting methodology that employs historical monthly energy and peak demand data, weather variables, and regional economic drivers to establish the relationship between electricity consumption and economic conditions. An hourly modeling framework is then applied to develop forecasted load shapes for resource adequacy and peak demand analysis.

The revised outlook does not materially change the District’s resource adequacy position. Peak demand growth of 1.3% per year, combined with WRAP capacity requirements and the timing of new large load additions, continues to result in an existing and expanding capacity deficit absent additional resource procurement. Accordingly, the updated forecast reinforces the 2024 IRP conclusion that the District must pursue additional firm capacity and energy resources over the planning horizon to maintain reliability and compliance with state and regional requirements.

In addition to changes in load forecasts and resource assumptions, evolving wholesale market structures continue to influence FPUD’s planning environment. Day-ahead and real-time market developments in the Western Interconnection are expected to be implemented over the next several years, providing increased opportunities for economic dispatch, improved price transparency, and enhanced access to regional resources. FPUD continues to monitor these developments and evaluate how participation in organized market structures may support system reliability, integration of variable energy resources, and overall cost-effectiveness of its power supply portfolio.

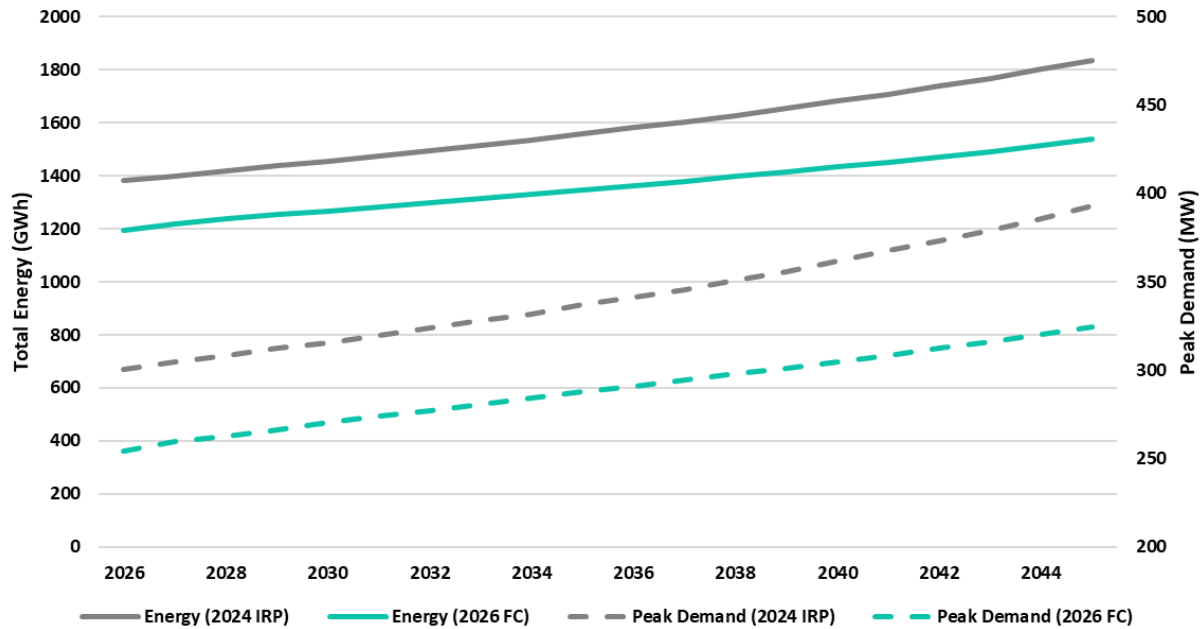


Figure 1. Comparison of Annual Load Forecasts

NATURAL GAS PRICE FORECAST

Commodity costs, supply chain constraints, and inflationary pressures remain important considerations in long-term resource planning. The price forecast for natural gas continues to be a key planning component, as natural gas prices influence wholesale market pricing and the dispatch costs of thermal generation across the Western Electricity Coordinating Council (WECC) region.

The natural gas price forecast used in the 2024 IRP was based on forward market data and long-term fundamental projections available at that time. The Henry Hub forecast has been updated using the NYMEX forward strip as of December 19, 2025 for the period through 2028, with prices thereafter based on S&P Global's most recent short-term and long-term outlooks.

Relative to the assumptions used in the 2024 IRP, the updated forecast reflects broadly comparable near-term pricing but a materially lower long-term price trajectory. The 2024 IRP projected Henry Hub prices rising to \$4.22/MMBtu in 2030 and \$7.45/MMBtu in 2045, whereas the updated forecast projects \$3.20/MMBtu in 2030 and \$5.99/MMBtu in 2045—roughly \$1.00 to \$1.50/MMBtu lower over the long term. Both forecasts are presented in nominal dollars and assume a long-term inflation rate of 2.2 percent; therefore, the difference reflects a change in underlying market fundamentals rather than inflation assumptions.

The revised outlook primarily affects wholesale market price expectations and the evaluation of market purchases and other resource alternatives over the planning horizon. While natural gas prices remain subject to volatility driven by storage levels, weather patterns, global supply-demand conditions, and LNG export activity, the District will continue to monitor forward market conditions and fundamental forecasts as part of its ongoing resource planning process. A comparison of the current Henry Hub projections and those used in the 2024 IRP are shown in the following figure.

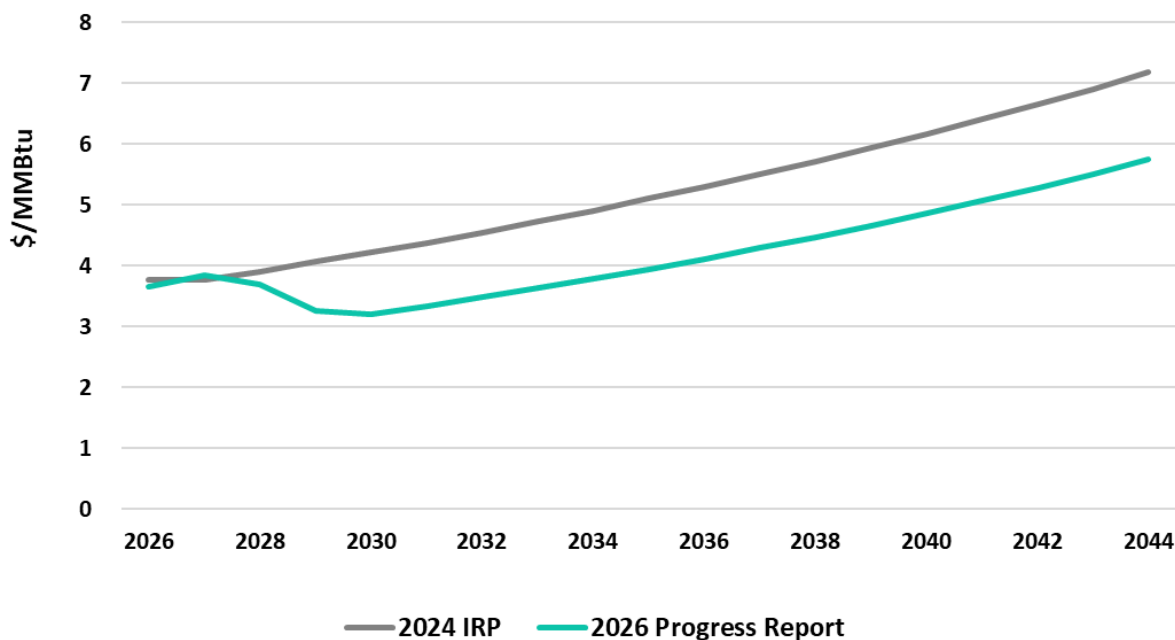


Figure 2. Comparison of Henry Hub Price Projections

MARKET PRICE FORECAST

An updated electricity price simulation was conducted for this Progress Report using Energy Exemplar's PLEXOS market simulation software to model long-term supply and demand fundamentals and produce an updated wholesale power price forecast. PLEXOS simulates the WECC system by modeling resource commitment and dispatch subject to transmission constraints, generator operating characteristics, fuel prices, and regional load growth. The model evaluates system operations over time to produce both production cost outcomes and long-term market price projections.

Key model input updates for the 2026 Progress Report include the revised natural gas price forecast and updated carbon allowance pricing assumptions under Washington's Climate Commitment Act (CCA). Initiative 2117, which would have repealed the CCA, did not pass in the November 2024 election; therefore, the Cap-and-Invest program remains in effect and carbon pricing continues to be incorporated into the market simulation.

Carbon pricing assumptions are based on recent Washington Carbon Allowance market activity and are escalated consistently with WAC 173-446-335, which requires annual increases of 5 percent plus inflation in price floor and ceiling values. From 2027 onward, a unified carbon price trajectory is assumed for Washington and California, reflecting expectations of potential market linkage following Washington's first compliance period. Carbon price assumptions are converted to a \$/MWh adder using an emissions intensity factor for unspecified thermal generation and are incorporated directly into the production cost simulation. Figure 3 below compares the current carbon pricing projection to the projections in 2024 IRP.

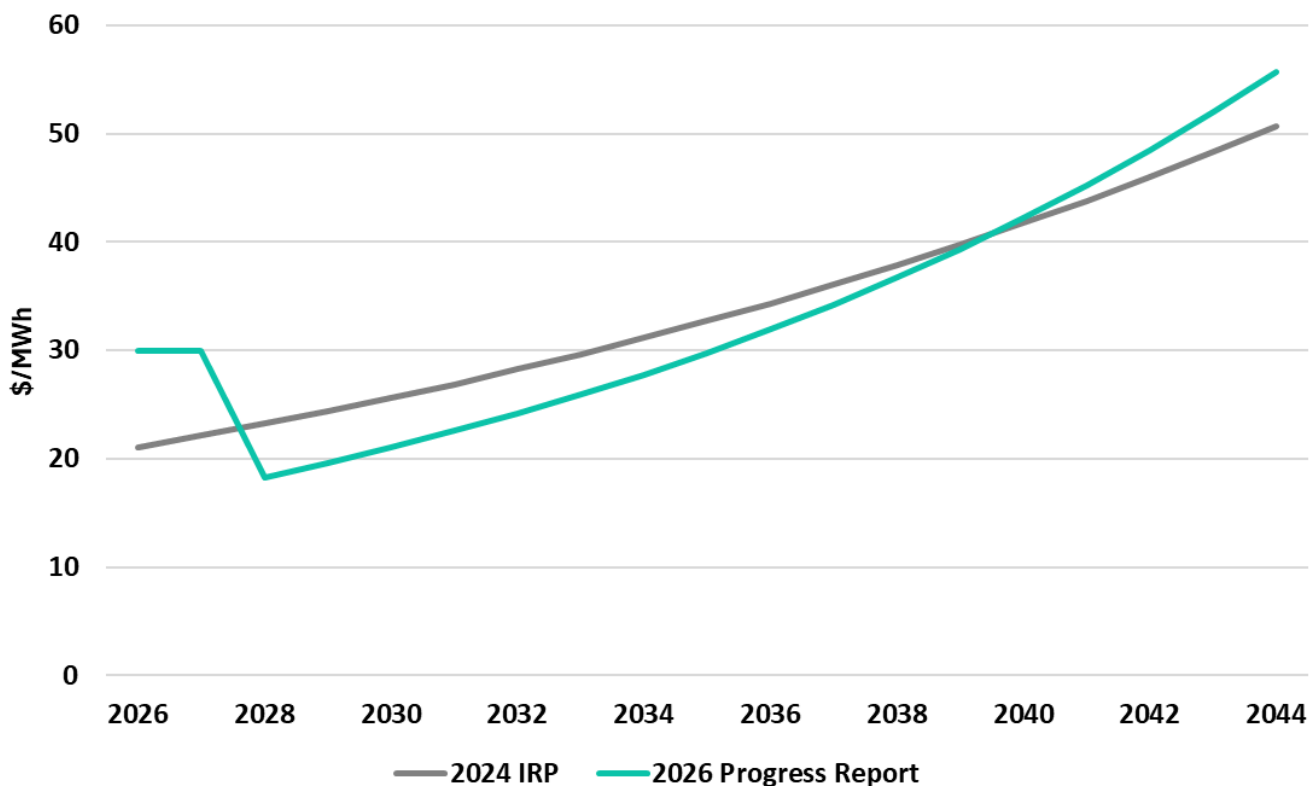


Figure 3. Comparison of Washington Carbon Price Projections

CETA continues to guide long-term resource evaluation. In accordance with CETA requirements, the societal cost of carbon is considered in resource planning and evaluation. However, consistent with standard production cost modeling practice, the social cost of carbon is not applied in real-time dispatch simulations, as it does not represent an actual market transaction cost. Instead, compliance-related carbon allowance prices under the CCA are included in dispatch modeling to reflect expected market behavior.

Together, the updated fuel price outlook and continued carbon pricing framework influence wholesale electricity price projections and the comparative evaluation of resource alternatives over the planning horizon.

The 2024 IRP market price forecast covered the 2025 through 2044 planning period. The updated market price forecast developed for this 2026 Progress Report reflects revised assumptions for natural gas prices, continued carbon pricing under the Climate Commitment Act (CCA), updated load projections, and other market fundamentals.

Compared to the 2024 IRP forecast, projected wholesale market prices are modestly lower in the outer years of the study period, largely reflecting the materially lower long-term Henry Hub price trajectory incorporated into this update. Near-term market prices remain broadly comparable to the 2024 IRP results, while differences become more pronounced beyond 2030 as lower fuel price assumptions moderate marginal production costs for gas-fired generation in the broader WECC region.

Hydroelectric generation continues to be a dominant resource in the Pacific Northwest, and with continued renewable resource development across the region, hydro and zero-marginal-cost renewable

resources frequently set or influence market-clearing prices. As a result, changes in long-term natural gas price assumptions have a more moderate effect on projected wholesale energy prices than might be observed in more thermally dominated regions.

The market price forecast is derived from the short-term forward price curve and a PLEXOS-derived long-term capacity expansion and production cost simulation based on fundamental supply and demand assumptions. As such, it reflects modeled equilibrium market outcomes and does not incorporate forward market risk premiums, short-term scarcity pricing events, or extreme capacity-driven price volatility that may occur in actual traded forward curves. Figure 4 below compares the current annual Mid-C power price forecast with the forecast used in the 2024 IRP.

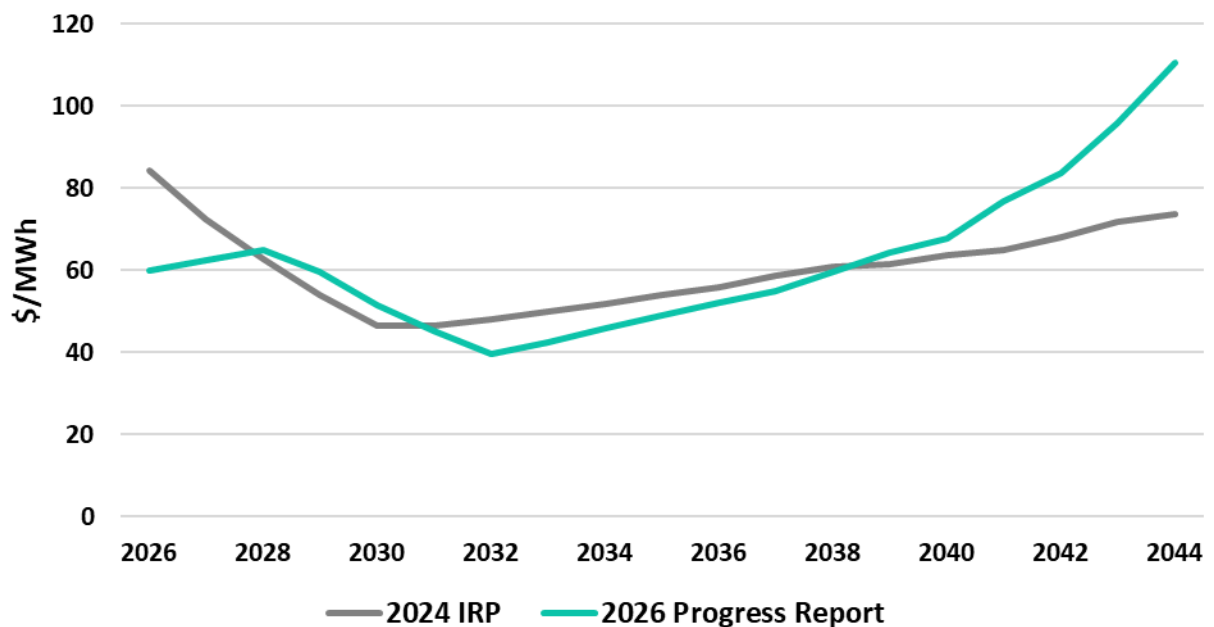


Figure 4. Comparison of Mid-C Annual Electricity Price Forecast

RENEWABLE RESOURCE OPTIONS

The District's 2024 IRP evaluated a broad range of renewable and other carbon-free resource options to meet future energy and capacity needs while complying with CETA. Candidate portfolios included utility-scale solar and wind resources, geothermal resources, battery energy storage systems (BESS), and other non-emitting technologies. Consistent with CETA requirements, the 2024 IRP focused on carbon-free resource alternatives for long-term planning.

Since completion of the 2024 IRP, several developments have affected renewable resource economics. PPA prices for utility-scale solar and wind projects have continued to increase through 2024 and into 2026 reflecting higher financing costs, increased equipment prices, and rising interconnection and transmission upgrade costs. While supply chain disruptions that emerged during the pandemic period have largely stabilized, overall project development costs remain higher than those reflected in earlier IRP analyses.

Federal policy changes have also affected renewable project economics. The One Big Beautiful Bill Act (OBBBA), enacted in 2025, eliminated certain federal tax incentives previously available for wind and solar

development. The removal of these subsidies may increase the effective cost of renewable projects compared to prior assumptions and could influence the pace and economics of future renewable development.

Despite these cost pressures, renewable resources continue to play a central role in long-term utility planning throughout the Pacific Northwest due to state clean energy requirements and decarbonization goals. The District continues to pursue renewable resource opportunities consistent with its resource strategy.

Since completion of the 2024 IRP, the District has taken steps to expand its renewable portfolio, including entering into a seasonal energy arrangement from the Wheat Field Wind project and executing a power purchase agreement for the Palouse Junction Solar project. The District also continues to evaluate additional opportunities, including the Ruby Flats solar project, based on cost-effectiveness, timing, and alignment with system needs.

DISPATCHABLE RESOURCE OPTIONS

The District's 2024 IRP also evaluated dispatchable resource options and their potential role in meeting future energy and capacity requirements. Dispatchable resources can be turned on and off at the direction of the grid operator and can provide reliable capacity during periods of peak demand or reduced renewable generation. While renewable resources are expected to play a growing role in the District's portfolio, dispatchable resources remain important for maintaining system reliability and meeting regional resource adequacy requirements.

The 2024 IRP considered several dispatchable resource alternatives, including reciprocating internal combustion engines (RICE) and natural gas-fired combustion turbines operating in simple or combined cycle configurations. However, Washington's CETA places significant limitations on the long-term use of carbon-emitting generation. While utilities may rely on limited carbon-emitting resources through 2045 using alternative compliance mechanisms, associated emissions must be mitigated, and compliance costs must be considered in resource evaluations.

The District also continues to monitor developments in advanced nuclear technologies, including small modular reactors (SMRs), as well as geothermal resources, both of which could produce carbon-free energy in the future. The District and its customers benefit from the clean and reliable output of the Columbia Generating Station and recognize the potential for next-generation nuclear technologies to contribute to long-term resource needs. While early SMR and advanced geothermal development efforts in the United States have experienced delays and evolving project economics, utilities and developers continue to evaluate these technologies as potential future sources of firm, carbon-free generation.

Since completion of the 2024 IRP, capital and operating costs for dispatchable generation technologies have increased due to inflationary pressures, supply chain constraints, and growing regional demand for firm capacity resources. At the same time, regional resource adequacy requirements under WRAP have increased the importance of firm capacity resources capable of supporting grid reliability during periods of system stress. The District will continue to monitor technological developments, regulatory requirements, and cost trends associated with dispatchable resources as part of future resource planning activities.

ENERGY STORAGE AND DISTRIBUTED ENERGY RESOURCES

Washington State's transition toward carbon-free electricity under CETA and increasing levels of renewable generation may require utilities to consider expanded use of energy storage and distributed energy resources (DERs) to support grid flexibility and reliability.

Energy storage technologies, particularly lithium-ion battery systems, are increasingly used to help integrate renewable resources into the electric grid. Battery storage can store electricity during periods of lower demand or lower market prices and discharge energy during periods of higher demand or when renewable generation is limited. Since the time of the District's earlier IRP analyses, battery storage technology has matured significantly and has been deployed at utility scale across the Western Interconnection. As a result, BESS was evaluated as a candidate resource option in the District's 2024 IRP.

While battery storage costs declined substantially over the past decade, pricing experienced upward pressure beginning in 2021 due to inflation, supply chain constraints, and increased demand for battery materials. More recently, supply chain conditions have improved, and storage deployment continues to expand across the region. Energy storage is increasingly viewed as an important tool for managing peak demand, integrating renewable resources, and supporting system reliability.

Distributed Energy Resources (DERs) include customer- or utility-owned generation or energy technologies located within a utility's service territory and typically interconnected to the distribution system. Examples include rooftop solar systems, behind-the-meter battery storage, demand response programs, and managed electric vehicle charging. Growth in DER adoption slowed temporarily during the pandemic period but has since resumed as supply chains stabilized and electrification trends accelerated. Continued growth in DERs may influence future load patterns and system planning considerations.

The District continues to evaluate BESS and DER as part of its ongoing resource planning efforts, including consideration of their potential role in meeting peak demand and supporting regional resource adequacy requirements.

TRANSMISSION SERVICE

A reliable and robust transmission network is essential to support the delivery of wholesale power to meet customer demand. BPA continues to plan and operate the regional transmission system to maintain reliability while accommodating expected load growth across the Pacific Northwest. BPA evaluates forecast peak loads together with existing long-term firm transmission service obligations to identify system reinforcement needs and plan transmission upgrades.

The District relies on BPA's transmission system to deliver power from federal and non-federal resources serving its load. BPA plans the system in accordance with North American Electric Reliability Corporation (NERC) Planning Standards and WECC Regional Criteria to ensure the reliable operation of the bulk power system.

Since completion of the 2024 IRP, regional electricity demand forecasts have continued to increase, and interconnection requests for new generation resources have grown significantly across the Northwest. In addition, BPA has made changes to its transmission planning process through its Grid Access Transformation (GAT) initiative in 2025, which may impact the speed of processing new interconnection requests.

These trends have heightened the importance of transmission planning and system upgrades needed to support future load growth and resource development. BPA continues to evaluate transmission system needs through its ongoing planning processes and regional coordination efforts.

The District will continue to monitor BPA transmission planning activities and potential system upgrades that may affect the delivery of power to its service area as part of its ongoing resource planning process.

OVERSUPPLY MANAGEMENT PROTOCOL

The District operates its electrical distribution system within BPA Balancing Authority Area. As the balancing authority, BPA is responsible for managing the moment-to-moment balance between generation and load to maintain reliable operation of the regional power grid.

During certain periods—typically when river flows are high and regional electricity demand is relatively low—generation from the Federal Columbia River Power System and other resources may exceed regional load. BPA manages these overgeneration conditions through its Oversupply Management Protocol (OMP). Under this protocol, BPA may reduce or displace certain non-hydro generation resources to maintain system reliability and meet operational requirements of the hydroelectric system.

Because the District receives most of its wholesale power supply through BPA, it is subject to BPA's Oversupply Management Protocol and associated costs that are incorporated into BPA's power rates. The District will continue to monitor BPA operational policies and regional market developments that may affect oversupply management and wholesale power costs.

BPA POST-2028 POWER SALES AGREEMENT

Since completion of the 2024 IRP, the District has selected its power supply contract structure with BPA for the period beginning October 1, 2028. BPA's current Regional Dialogue power sales agreements expire on September 30, 2028, and BPA has developed successor power sales agreements under its Provider of Choice framework for the next contract period.

The District has elected to receive power from BPA under the Block with Shaping + Peak Load Variance Service (PLVS) product structure. This product provides a fixed block of energy supplemented by BPA shaping services to better align deliveries with the District's load requirements. PLVS is essentially a capacity insurance product that protects the utility from unexpected spikes in peak load beyond what has been planned or purchased. The selection of Block with Shaping supports the District's objective to maintain a stable and flexible power supply while reducing exposure to the variability associated with Slice output.

The District's participation in BPA's post-2028 power sales agreement ensures continued access to cost-based federal hydropower resources while maintaining flexibility to supplement BPA supply with market purchases or other resource options as needed to meet future load growth and resource adequacy requirements.

RESOURCE CHANGES SINCE 2024 IRP

Since completion of the 2024 IRP, the District has advanced several resource initiatives consistent with its strategy of maintaining a flexible and cost-effective portfolio.

In 2025, the District secured a share of energy from the Wheat Field Wind project located near Arlington, Oregon. Under a seasonal arrangement, the District will utilize the project's output during the summer months (May through October).

This arrangement allows the District to align renewable energy supply with its seasonal load requirements while avoiding the cost of procuring energy during periods when it is not needed. In addition to supporting energy needs, the resource contributes toward compliance with renewable energy requirements under the Washington Energy Independence Act (I-937).

In addition, the District has executed a power purchase agreement for the Palouse Junction Solar project, a utility-scale solar facility currently under development near Connell in Franklin County. The project is expected to begin delivering energy in 2027 and will provide a local, carbon-free resource that supports compliance with state renewable energy requirement while enhancing portfolio diversity.

The District continues to evaluate other potential resource additions, including Ruby Flats solar project, BESS, BPA Tier 2 purchases, and extensions of existing power purchase agreements.

RESOURCE ADEQUACY

Customer demand for electricity is inherently variable due to fluctuations in weather conditions, economic activity, and other factors. To ensure reliable service, utilities maintain sufficient generating capability and market access to meet forecast peak demand plus a planning reserve margin. The District evaluates resource adequacy as part of its integrated resource planning process to ensure that sufficient capacity is available to meet customer demand under a range of operating conditions.

Ensuring adequate generating capability has become increasingly important as the Western electricity system undergoes significant changes in its resource mix. Growing electricity demand, increasing reliance on variable renewable generation, and the retirement of some conventional generating resources have heightened regional focus on resource adequacy planning.

In response to these challenges, members of the Western Power Pool (WPP) developed WRAP, a regional program designed to ensure sufficient resources are available to meet peak demand across the Western Interconnection. WRAP establishes common planning standards and seasonal resource adequacy requirements for participating utilities.

Franklin PUD participates in WRAP through its partnership with The Energy Authority (TEA). In this arrangement, TEA serves as the Load Responsible Entity (LRE) and aggregates the loads and resources of other participating utilities.

Through WRAP participation, the District submits data on forecast loads and available resources and participates in seasonal resource adequacy demonstrations. Participation in WRAP provides valuable insights into regional reliability conditions and helps inform the District's ongoing planning and evaluation of future resource needs.

The District's 2024 IRP incorporated WRAP planning requirements in evaluating future resource needs. That analysis identified potential seasonal capacity shortfalls over the planning horizon if additional resources are not secured. Since that time, the District has elected to participate in WRAP's binding program through TEA as its Load Responsible Entity (LRE), committing the District to meeting its peak load plus a required reserve margin beginning in the Winter 2027/2028 season. As regional electricity demand

continues to grow and WRAP requirements are fully implemented, maintaining adequate firm capacity will remain an important consideration in the District's resource planning process. The District will continue to evaluate resource options, market opportunities, and demand-side measures to ensure reliable service to its customers while complying with regional adequacy standards.

SECTION 3: PROGRESS REPORT

2024 IRP RESOURCE STRATEGY

Section 2 described several changes in market conditions, regulatory requirements, and regional resource adequacy standards that affect the District's resource planning environment. The District's 2024 Integrated Resource Plan provides the framework for addressing these evolving conditions while ensuring reliable and cost-effective service for customers.

In accordance with Washington State law, the District completed its 2024 Integrated Resource Plan based on a detailed examination of its long-term load forecast, existing supply resources, regional wholesale energy price forecasts, and evolving state and regional policy requirements. The 2024 IRP evaluated the District's load and resource balance over the planning horizon and assessed strategies for meeting future energy and capacity needs while maintaining reliable service and controlling costs for customers.

The 2024 IRP analysis showed that the District's existing long-term BPA Slice/Block power supply contract and its other owned and contracted resources can provide sufficient energy to meet forecast average annual needs through approximately 2028 under expected hydro conditions. Beyond that point, load growth gradually increases the District's exposure to the wholesale electricity market and may require additional resource acquisitions over time.

The 2024 IRP studied the planning horizon through 2044 and showed that under critical or adverse hydro conditions, the District's existing BPA and non-BPA supply resources are expected to provide sufficient energy to remain in load/resource balance on an average annual basis through the near term.

Customer demand for electricity can vary significantly on a seasonal and hourly basis due to weather conditions and other factors. During periods of high customer demand in the winter or summer, the District's load may exceed the capacity of its contracted generating resources. In such cases, the District supplements its supply with short-term purchases from the wholesale electricity market.

The preferred portfolio identified in the 2024 IRP produces the lowest expected cost and risk for the District while maintaining flexibility to respond to changing market conditions. The portfolio maintains BPA power supply as the foundation of the District's resource portfolio while utilizing a combination of renewable resources, conservation, and market purchases to meet future needs. This approach allows the District to target periods of higher risk—such as winter peak demand—while avoiding the carrying costs associated with owning additional generating assets that may only be required during limited periods of the year.

Under this strategy, the District will continue to rely on the wholesale market to meet near-term energy and capacity needs while monitoring opportunities to add cost-effective renewable resources and other supply options as required. Utility-scale solar resources beginning in the mid-2020s (approximately 2026) were identified in the IRP as a potential component of the District's long-term resource portfolio.

The 2024 IRP also incorporated evolving regional resource adequacy requirements through participation in WRAP. As these requirements are implemented, the District will continue to evaluate resource additions, market purchases, and demand-side measures needed to maintain sufficient firm capacity to meet regional planning standards.

For the 2026 Progress Report, Figure 5 illustrates that the District has sufficient resources to meet its projected energy requirements through 2028 and shows the transition to a Block with Shaping + PLVS power sales agreement with BPA beginning in October 2028. Beginning in 2029, following the District's transition to the new BPA power sales agreement, the District is proactively pursuing options to address modest potential energy shortfalls, contract extensions, BPA Tier 2 energy purchases, and other resource additions.

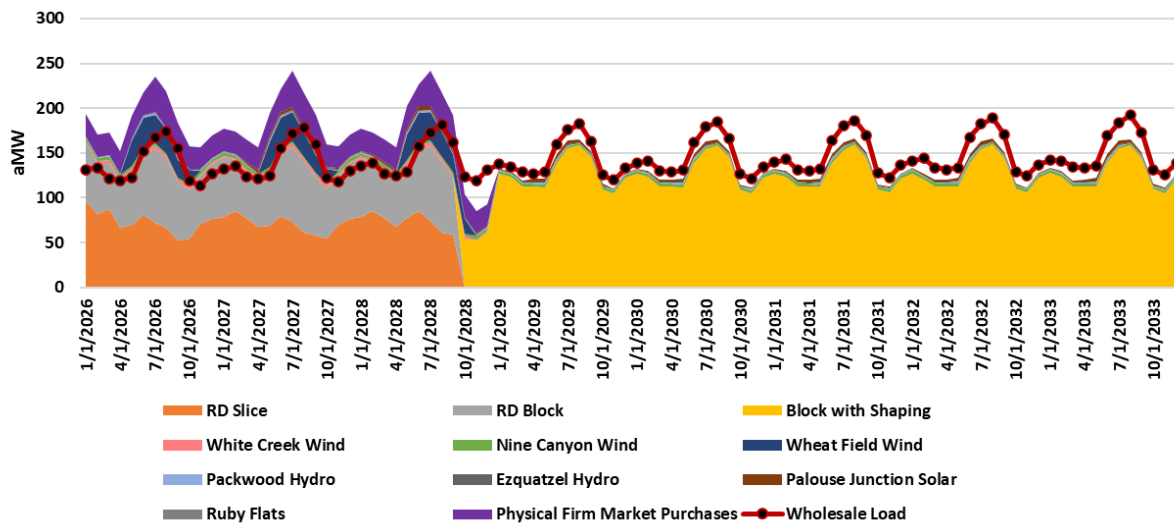


Figure 5. Monthly ATC Energy Load/Resource Balance

RENEWABLE PORTFOLIO STANDARD (RPS), CLEAN ENERGY TRANSFORMATION ACT COMPLIANCE

The District must meet Renewable Portfolio Standard (RPS) obligations under the Washington State Energy Independence Act (I-937) as well as broader clean energy requirements under the Clean Energy Transformation Act (CETA). The District was exempt from RPS requirements until its customer count exceeded 25,000 in 2016. Its first compliance obligation of 3 percent began in 2022, increasing to 9 percent in 2026 and ultimately to 15 percent by 2030. Additional details on CETA requirements are provided in the Additional Regulatory Requirements section, sub-section 3 below.

The 2024 IRP evaluated the District's ability to meet both RPS and CETA requirements based on updated load forecasts, conservation savings, and available renewable and non-emitting resources, including renewable energy credits (RECs).

The District's existing resources and contracted supply provide a substantial portion of RPS and CETA requirements. However, compliance gaps are projected in the planning horizon as load grows and requirements increase. These gaps are expected to be addressed through a combination of additional REC purchases, participation in renewable generation projects, and acquisition of renewable or non-emitting attributes associated with power purchase agreements. The District may also benefit from incremental

renewable output associated with evaluated projects, including utility-scale solar resources, which would further support compliance.

Consistent with the 2024 IRP Action Plan, the District will continue to monitor its RPS and CETA compliance positions and pursue cost-effective options to meet future obligations while maintaining flexibility in its resource portfolio.

ADDITIONAL REGULATORY REQUIREMENTS

1. CLEAN ENERGY TRANSFORMATION ACT (CETA)

In 2019, CETA (RCW 19.405) established a statutory pathway for transitioning Washington's electric supply to carbon-free electricity. CETA also expanded the requirements for electric utility resource planning under RCW 19.280. These requirements include assessments of regional generation and transmission capacity availability, resource adequacy metrics, forecasts of distributed energy resources, evaluations of costs and risks associated with resource choices, and consideration of environmental and public health impacts. CETA also requires utilities to develop a ten-year Clean Energy Action Plan (CEAP) as part of the integrated resource planning process.

The District's 2024 IRP incorporated these requirements and evaluated resource strategies that support compliance with CETA's long-term objectives. Under CETA, utilities must eliminate coal-fired electricity from their portfolios, supply greenhouse gas neutral electricity by 2030, and provide electricity from renewable or non-emitting resources by 2045. CETA also establishes an interim requirement that utilities supply at least 80 percent of their electricity from renewable and non-emitting resources by 2030.

CETA also requires utilities to prepare Clean Energy Implementation Plans (CEIPs) describing interim targets and actions for achieving these policy objectives. The District's first CEIP, covering the 2022 through 2025 compliance period, was filed on January 1, 2022, and indicated that renewable and non-emitting resources were expected to serve approximately 97 percent of the District's annual retail load during that period.

In 2025, the District developed an updated CEIP covering the 2026 through 2029 compliance period. The CEIP establishes interim targets for greenhouse gas neutral electricity by 2030 and clean electricity by 2045, identifies energy efficiency, demand response, and renewable resource targets, and outlines specific actions to achieve those targets. The CEIP is informed by the District's IRP process and reflects the resource strategy identified in the 2024 IRP. The District will continue updating its CEIP in coordination with future IRP cycles.

2. CLIMATE COMMITMENT ACT (CCA)

During the 2021 legislative session, Washington State enacted the Climate Commitment Act (CCA), which established an economy-wide cap-and-invest program to reduce greenhouse gas emissions beginning in 2023. The program sets a declining cap on statewide emissions and requires regulated entities to obtain carbon allowances through state-administered auctions or secondary markets.

The CCA program is now operational, and carbon allowance prices have become an important input to regional electricity market pricing and resource planning analyses. Carbon pricing affects the dispatch cost of carbon-emitting generation and influences wholesale electricity market prices throughout the Western Interconnection, particularly in regions with carbon pricing exposure such as Washington and California.

The 2024 IRP incorporated carbon price assumptions based on Washington Carbon Allowance (WCA) market activity as part of the market price forecast modeling. The District continues to monitor developments in the carbon market and regulatory implementation, as these factors may influence future wholesale market prices and long-term resource planning decisions.

3. FEDERAL ENERGY POLICY DEVELOPMENTS

Recent federal policy changes may influence the cost, availability, and development timelines of renewable energy, energy storage, and other generation resources. Changes to federal tax incentives, domestic content requirements, and supply chain regulations could affect future resource economics and project development throughout the Western Interconnection. FPUd continues to monitor federal policy developments and evaluate potential impacts as part of its ongoing resource planning process.

PROGRESS AGAINST 2024 IRP ACTION ITEMS

The District's 2024 IRP included an action plan addressing both resource acquisitions and power supply related issues. The following summarizes progress to date for each of these action items.

1. Pursue carbon-neutral resources to meet capacity requirements

Consistent with the resource strategy identified in the 2024 IRP, the District continues to evaluate carbon-neutral resources that can contribute toward meeting future capacity needs and regional resource adequacy requirements.

The District currently has several renewable and non-emitting resource contracts in place and is evaluating additional opportunities to support future capacity needs. These include:

Existing Resources:

- Wheat Field Wind, a 97 MW nameplate wind resource placed under contract in 2025 and utilized primarily during the May through October period when seasonal loads are higher.
- Palouse Junction, a 10 MW nameplate solar resource recently placed under contract.
- Packwood Hydroelectric participation, which remains an evergreen resource in the District's portfolio.
- Esquatzel Hydroelectric Project, a 1 MW nameplate hydro resource that remains under contract.
- BPA Tier 1 power supply from the Federal Columbia River Power System.

Existing Resources Under Evaluation (Extension or Expansion):

- Physical firm market capacity, for which the District is evaluating a potential contract extension, including quantity and term.
- Nine Canyon Wind, where the District is evaluating renewal or increase of its current 10 MW share.

Resources Under Evaluation:

- A 25 MW, four-hour BESS, under evaluation following a market-based RFP.
- Ruby Flats, a 33 MW nameplate share of a solar resource under evaluation.
- BPA Tier 2 power, which is being evaluated as part of the District's power supply planning.

2. Maximize the use of BPA Tier 1 power

The District has selected Block with Shaping Capacity + Peak Load Variance Service under BPA's post-2028 Provider of Choice contracts, replacing its prior Slice/Block structure. This selection reflects the District's objective to maximize access to Tier 1 capacity from the Federal Columbia River Power System, maintain flexibility to integrate non-federal resources into its portfolio, and reduce supply variability associated with Slice output.

3. Remain engaged in BPA development of post-2028 products and evaluate the options once defined

The District actively participated in BPA's Provider of Choice development process and regional discussions regarding future BPA power sales products. Through this engagement, the District evaluated available product structures and completed its selection of Block with Shaping Capacity and Peak Load Variance Service product for the post-2028 contract period. With product selection complete, the District is now focused on implementation of the Provider of Choice contracts and integration of the selected BPA product into its long-term resource portfolio.

4. Evaluate resource opportunities including solar, battery storage, BPA Tier 2 capacity, and market-based purchases

Consistent with the 2024 IRP strategy, the District continues to evaluate resource opportunities to support future energy and capacity needs. Current evaluations include solar resources, battery storage systems, potential BPA Tier 2 purchases, and extensions of existing power purchase agreements that may expire during the planning horizon.

These efforts support the District's ongoing resource planning and procurement process.

5. Monitor emerging technologies

The District continues to monitor developments in emerging energy technologies, including geothermal resources, hydrogen production and storage technologies, and small modular nuclear reactors (SMRs). These technologies are evaluated periodically in terms of cost, reliability, and potential commercial availability as part of the District's long-term resource planning process.

6. Acquire all cost-effective conservation measures and monitor demand response and distributed generation opportunities.

The District continues to pursue cost-effective conservation and evaluate demand response opportunities as part of its integrated resource planning activities.

In 2025, the District conducted an updated Conservation Potential Assessment (CPA) to evaluate energy efficiency opportunities within its service territory. In addition, the District completed a Demand Response Potential Assessment (DRPA) in 2025. This assessment evaluated potential demand response programs over a twenty-year horizon using methodologies consistent with those used by the Northwest Power and Conservation Council.

The DRPA serves as a foundational planning tool as demand response programs continue to evolve within the Pacific Northwest public power sector. These assessments help the District identify opportunities to shift demand during peak periods and support regional resource adequacy objectives.

SECTION 4: PROGRESS REPORT CONCLUSIONS

2026 IRP PROGRESS REPORT CONCLUSIONS

The goal of an IRP is to provide a framework for evaluating a wide range of supply resources, conservation measures, and renewable energy options and how they interact with and complement the District's existing power supply portfolio. The result is a preferred strategy and action plan intended to guide the District in managing its resource portfolio over time while maintaining reliable and cost-effective electricity service for its customers at a reasonable level of risk.

The District's 2024 IRP examined the planning horizon through 2030 and was adopted by the District's Board of Commissioners in 2024. The analysis showed that the District's existing long-term BPA power supply contract and its other owned and contracted resources:

1. Provide sufficient energy to meet forecast customer needs on an average annual basis through approximately 2028 under expected hydro conditions.
2. Indicate the need for ongoing monitoring of renewable portfolio standard compliance under the Washington Energy Independence Act (I-937).
3. Indicate the potential for growing seasonal capacity needs during winter and summer periods as regional demand increases and resource adequacy requirements evolve.

The 2024 IRP also identified a strategy for meeting the District's future energy and capacity needs while complying with Washington State energy policies and maintaining portfolio flexibility. The strategy maintains BPA power supply as the foundation of the District's resource portfolio while relying on a combination of renewable resources, conservation, and market purchases to address emerging needs.

This approach allows the District to target resource procurement during periods of highest risk, while avoiding the full carrying costs associated with constructing or acquiring new generating assets that may only be needed during limited periods of the year. The District continues to evaluate renewable resource opportunities, including solar and wind resources, as well as BESS and other carbon-neutral resources that may contribute to meeting future capacity needs.

The District's participation in WRAP and its selection of a post-2028 BPA Provider of Choice contract structure further supports this strategy by ensuring continued access to federal power resources while maintaining flexibility to integrate non-federal resources into the portfolio.

Based on the analysis conducted for this 2026 Progress Report, updated load forecasts, market price projections, regulatory developments, and regional resource adequacy requirements do not materially change the preferred resource strategy identified in the 2024 IRP. The District will continue implementing the IRP action plan while monitoring evolving market conditions, regulatory requirements, and resource opportunities.

PLANNING FOR THE FUTURE

In the 2024 IRP, the District identified its preferred resource portfolio using industry-recognized planning tools and methodologies consistent with current best practices in utility resource planning. As discussed in Section 3, Additional Regulatory Requirements, changes in the regulatory and market environment continue to influence how utilities evaluate long-term resource strategies.

Historically, long-term resource planning relied primarily on forecasts of average monthly customer demand with consideration of typical on- and off-peak load profiles. This approach has been widely used in the Pacific Northwest, where many public power utilities receive most of their electricity supply through long-term contracts with BPA, supplemented by utility-owned or contracted non-federal resources. While BPA's marketing of the Federal Columbia River Power System provides the region with a low-emissions power supply portfolio, recent clean energy and carbon reduction mandates have introduced additional complexities to resource planning.

For electric utilities in Washington State, renewable portfolio standards and clean energy policies established under the Energy Independence Act (I-937) and CETA influence the types of resources that may be used to meet future electricity demand. These policies encourage increased reliance on renewable generation, non-emitting resources, energy storage technologies, conservation, and demand response programs. In addition, the Climate Commitment Act (CCA) establishes a statewide cap-and-invest program designed to reduce greenhouse gas emissions across multiple sectors of the economy. Over time, these policies may increase electrification of transportation, industrial processes, and other energy uses, potentially placing new demands on the electric utility sector.

The District continues to provide most of its power supply through long-term contracts with BPA. These contracts provide an allocation of annual energy at cost based on the District's forecast average energy needs. Because the allocation is based on annual energy requirements, the District may experience periods when its energy portfolio is surplus on an annual basis but deficit during certain months, seasons, or peak demand periods. Understanding these variations is important when evaluating potential new resources.

As a result, modern resource planning increasingly evaluates utility load and resource balance at an hourly level across multiple seasons and years. This approach allows planners to better understand how different resource types interact with the existing portfolio and whether they contribute to meeting periods of peak demand. For example, wind and solar generation vary by hour of the day and season of the year, while energy storage technologies and demand response programs can shift electricity use across different periods of the day.

By analyzing load and resource balance at an hourly level and incorporating probabilistic modeling techniques, utilities can better identify the frequency, duration, and magnitude of potential energy and capacity surpluses or deficits. This approach allows utilities to evaluate candidate resource portfolios more effectively and identify solutions that provide the best combination of reliability, cost control, and risk management across a range of potential future conditions.

ACRONYM REFERENCE TABLE

ACRONYM	DESCRIPTOR
aMW	Average Megawatt
BESS	Battery Energy Storage Systems
BPA	Bonneville Power Administration
CCA	Climate Commitment Act
CEAP	Clean Energy Action Plan
CEIP	Clean Energy Implementation Plan
CETA	Clean Energy Transformation Act
CPA	Conservation Potential Assessment
DER	Distributed Energy Resource
DRPA	Demand Response Potential Assessment
FCRPS	Federal Columbia River Power System
GAT	Grid Access Transformation
I-937	Washington State's Energy Independence Act
IRP	Integrated Resource Plan
LRE	Load Responsible Entity
LTLF	Long-Term Load Forecast
Mid-C	Mid-Columbia
MMBtu	Million British Thermal Unit
MW	Megawatt
NERC	North American Electric Reliability Corporation
NYMEX	New York Mercantile Exchange
OMP	Oversupply Management Protocol
PLVS	Peak Load Variance Service
PNW	Pacific Northwest
PPA	Power Purchase Agreement
PUD	Public Utility District
RCW	Revised Code of Washington
REC	Renewable Energy Credit
RPS	Renewable Portfolio Standard
SMR	Small Modular Reactor
TEA	The Energy Authority
WCA	Washington Carbon Allowance
WECC	Western Electricity Coordinating Council
WPP	Western Power Pool
WRAP	Western Resource Adequacy Program