

# Public Utility District #1 of Ferry County

## 2014 Budget

The Budget for 2014 as presented here has been adopted by Resolution No. 13-12 by the Board of Commissioners of the Public Utility District No. 1 of Ferry County, Washington on this 16th day of December, 2013.

The overall Budget for 2014 reflects a minimal increase of 1% amounting to approximately \$72,000 more than the 2013 total Budget.

The budget assumes a 6% increase to retail rates for all rate schedules. The second major assumption in this budget is that the industrial load, in particular the mining operations, is maintaining operational levels similar to previous year; a slight reduction in consumption is estimated. The third assumption is regarding the cost of purchased power. Bonneville Power Administration has forecast a 7.96% increase for power costs and an 11.0% increase for transmission costs. Continuing with the billing structure that BPA first implemented in 2011, power rates are forecast and not set. So, as in previous years, the true effect will not be known until the full year has passed.

The significant operating and capital expenditures for this year include:

- Operating:
  - \$3,658,400 for purchased power
  - \$1,415,700 for labor
  
- Capital:
  - \$80,000 for the cost of poles
  - \$35,000 for the cost of conductor (Overhead and Underground)
  - \$60,000 for the cost of additional capital materials (Meters, Transformers, etc.)
  - \$33,000 for replacement Utility Vehicle
  - \$44,000 for general plant maintenance

The total number of FTE employees for the district will remain at 17.5 positions as it was during 2013.

**The Methodology** for the Budget for 2014 is based on a methodology used by other municipal agencies; zero-based budgeting. It begins with the assumption that all items for the Budget begin with a zero base. In other words, there are no “carry-overs” from prior years. Each budget item is analyzed by reviewing historical trends and adjusting for future expectations for the ensuing year. In effect, the annual budget is “built from the ground up.”

**Sources of Funds** for 2014 presume residential retail sales consistent with 2013 with only a slight decrease in usage from our major industrial customers. With the Storm Recovery Fee imposed in 2012 eliminated from billings, the 6% increase in retail rates will result in anticipated 1% increase in revenues over the 2013 Budget.

**The Total Uses for the Operating Section** of the 2014 Budget increased 3.80% mainly as a result of the increase anticipated in the cost of purchased power.

**The Budget for Financing Activities** has decreased from 2013. The District will continue repayment of its zero-percent CERB loan that began in January 2010 and extends through the year 2019. There is no other outstanding debt service held by the District.

**The Budget for Capital Expenditures** has decreased. The Capital section of the Budget contemplates the continued replacement of deteriorating poles, the purchase of overhead and underground conductor, replacement transformers and meters. Also included is the cost for needed equipment replacement and general plant maintenance at the district shop and office.

**Presentation** of the Budget is in several sections:

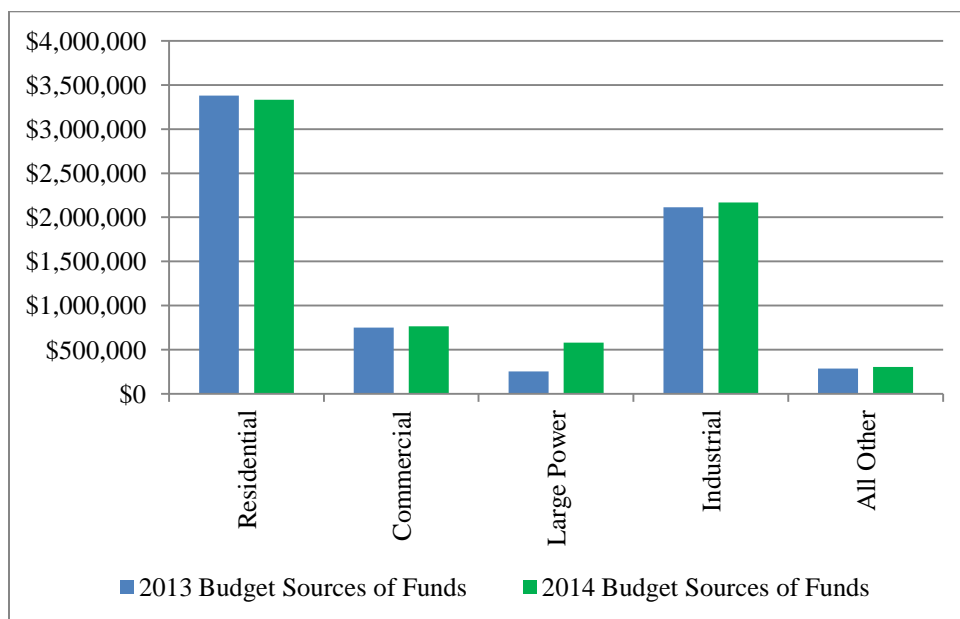
- The Operating Budget
- Sources of Funds
  - Sales of Electricity
  - Other sources
- Uses of Funds
  - Purchased Power
  - Distribution Operations and Maintenance
  - Customer Service
  - General & Administrative
  - Industry Memberships
  - General Maintenance
  - Taxes
  - Interest Expense
- Financing Activities
  - CERB Repayment
- Capital Expenditures
  - Capital Items
  - Equipment

**The 2014 Budget Time Line** is/was as follows:

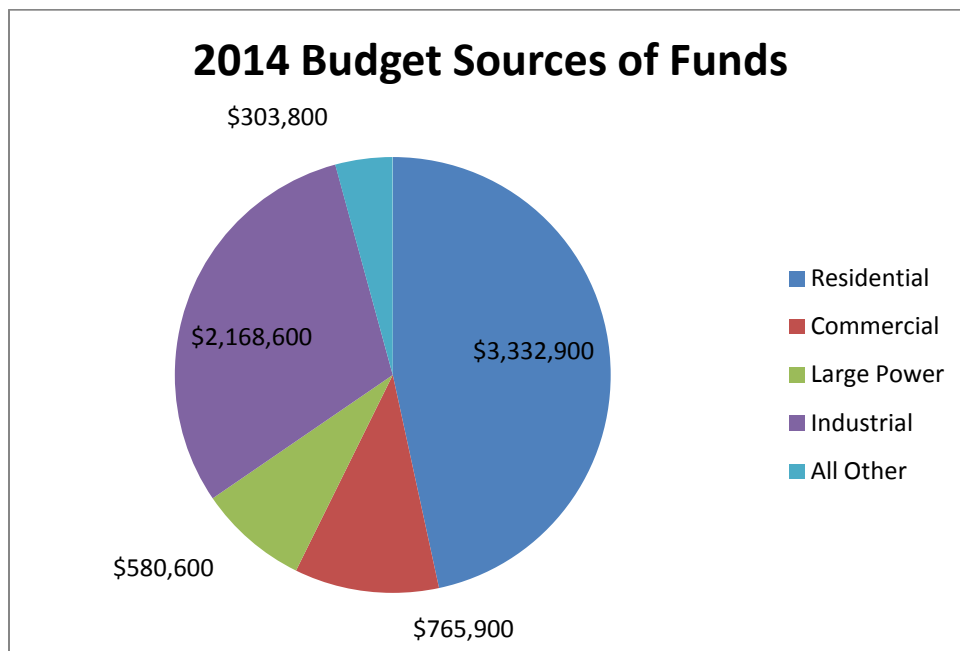
- August 19 Commissioner Workshop
- September 16 Finalize Preliminary Budget & Publish on Web site
- October 1 Publish Notice of Hearing
- October 21 Budget Hearing
- November 18 Board Discussion/Approval
- December 16 Board Discussion/Approval if not approved on November 18

## Discussion of the Budget for 2014

The total **Sources of Funds** reflects a minor increase due to the anticipated raise in rates. A historical analysis by rate class led to an expectation of an increase to the large power category and a nominal change in all other sources.

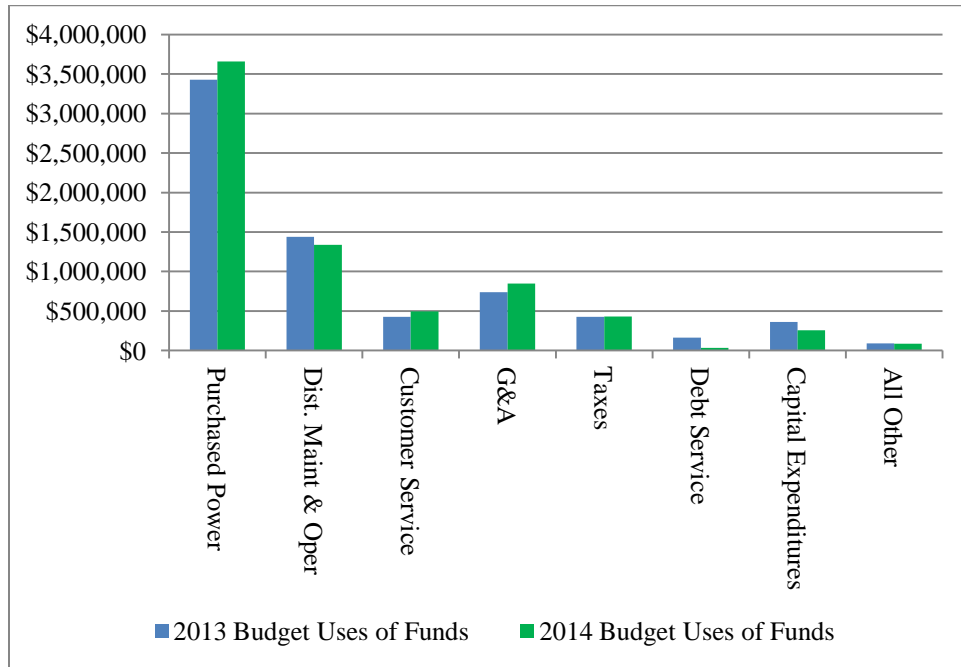


Residential sales are expected to account for 47% of revenues while commercial sales account for 11%. Industrial sales totals, including the 115 Kv sales, amount to 30% of total revenues. Total Sources of Funds are graphed below.



## Uses of Funds

**The Cost of Purchased Power** is estimated based on forecasted rates provided by BPA. Purchased power costs account for 51% of the District’s Budget for 2014; this represents a higher percentage than ever before. Bonneville Power Administration is the District’s only source of purchased power and the rate schedule currently in effect is for the Fiscal Years 2014 and 2015. In October 2013 BPA’s 2014 Fiscal Year will begin. With a new billing rate structure recently implemented, the full effect on rates is merely forecast and not positively known.

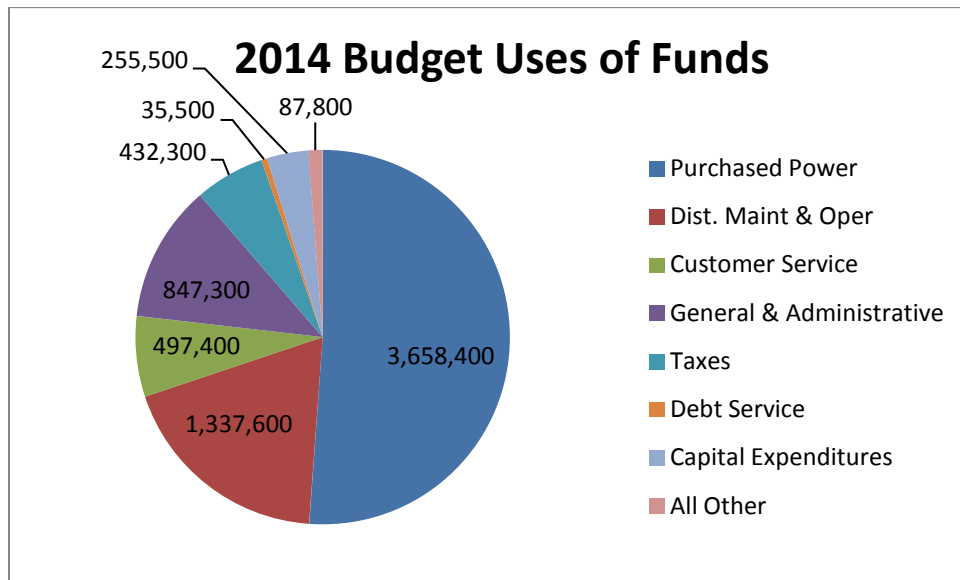


**Distribution and Operations.** Labor costs are laden to account for payroll taxes and benefits and have been allocated based on historical activity with a forecast of activities for 2014. Costs are anticipated to rise in this area due to the extensive changes going into effect with the Affordable Care Act that was recently put into force. The overall decrease to costs in this section is a result of reallocation of these labor costs.

A significant portion of the costs of operations and maintenance of the electric system is a combination of tree trimming and brushing by contractors. The District anticipates continuation of a relatively aggressive tree trimming and brush clearing program in the amount of \$150,000. The District has right-of-way agreements so that sufficient rights-of-way remain clear of undergrowth as well as “danger trees” that may border the cleared areas. This budget provides funds to continue the District’s plan for a 10-year cycle of right-of-way clearing and maintenance. A more aggressive pole testing and replacement regimen is also being continued to upgrade degrading distribution and transmission poles.

**Customer Service and General & Administrative.** The changes in these sections of the Budget are a result of reallocation of labor costs.

**Industry Memberships, General Maintenance, Taxes, and Interest** expenses have all decreased slightly from 2013 with the exception of taxes. The District maintains **Industry Memberships** in several industry groups: the Central Washington Public Utilities whose function is to aggregate benefit costs as well as labor negotiations; the NW Wage & Hour group that monitors wages and other labor issues; the Public Power Council that monitors the cost of purchased power and related issues; The Washington PUD Association which lobbies in both Olympia and Washington, DC on behalf of the Washington PUD's; TEDD which is the development agency in Ferry County; Northwest Requirements Utilities which monitors BPA and its impact on small, full-requirements customers of the federal agency; and other agencies such as the Chamber of Commerce and other local associations. **General Maintenance** has decreased slightly based on historical analysis. **Taxes** are a function of revenues; so with revenues increasing, taxes in general will also increase over 2013 costs. **Interest** expense has been eliminated for 2014 with the payoff of all interest bearing long-term debt. The total **Budget Uses of Funds** is graphed below in detail.



**Financing Activities.** In 2008, the District was awarded a zero-interest loan from CERB (State of Washington, Community Economic Revitalization Board) which funded the 7-mile line extension on Toroda Creek Road to Columbia River Carbonates. The loan repayment began in January 2010 and will continue each January thru 2019. The District's full repayment of the line-of-credit borrowed in 2012 to pay for storm recovery efforts has eliminated all interest-bearing long-term debt.

**Capital Expenditures.** The Capital Program reflects a large reduction in expenditures for 2014. As expected there is a need for poles, transformers, meters, and other line equipment, as well as other equipment, building maintenance and computer replacements. In the Budget for 2014, the District plans to purchase power poles for

replacement totaling \$80,000. Overhead and underground conductor costs are estimated at \$35,000. Line and pad mount transformers and meters are estimated to cost \$26,000. The budget also anticipates the purchase of a Distributed Storage System in collaboration with Energy Northwest.

A replacement sports utility vehicle is needed to provide the District with a reliable means of transporting up to four employees at once. To fully utilize this vehicle it will be used by the engineering staff on a regular basis. The District anticipates a \$10,000 expenditure for a feasibility study for a unified communication system with other Okanogan and Ferry County government agencies as well as \$10,000 for new staking and mapping equipment.

This area of the budget also includes the cost of installing some additional fencing around substations, signage for said substations and upgrading of some computer hardware in the District office.

**PUD No. 1 of Ferry County**

**Budget**

**2014**

<b>Operating Budget</b>		<b>2013</b>	<b>2014</b>		
<b>Acct #</b>	<b>Sources</b>	<b>Budget</b>	<b>Budget</b>	<b>% Change</b>	<b>\$Change</b>
440.100	ENERGY SALES-RESIDENTIAL	2,497,100	2,479,500	-0.70%	(17,600)
440.150	ENERGY SALES-RESIDENTIAL REPUBLIC	596,600	594,500	-0.35%	(2,100)
440.200	ENERGY SALES-RESIDENTIAL SEASONAL	283,600	258,900	-8.71%	(24,700)
441.000	ENERGY SALES-IRRIGATION	61,000	62,600	2.62%	1,600
442.200	ENERGY SALES-COMMERCIAL	382,200	388,600	1.67%	6,400
442.250	COMMERCIAL-REPUBLIC	367,600	377,300	2.64%	9,700
442.400	LARGE POWER	299,300	314,000	4.91%	14,700
442.450	LARGE POWER-REPUBLIC	253,300	266,600	5.25%	13,300
442.500	ENERGY SALES-INDUSTRIAL	239,200	249,800	4.43%	10,600
442.500	INDUSTRIAL	717,000	758,500	5.79%	41,500
442.600	INDUSTRIAL 115 Kv	1,158,100	1,160,300	0.19%	2,200
444.750	ENERGY SALES-PUBLIC STREET LIGHTING REPUBLIC	10,700	11,200	4.67%	500
450.000	FORFEITED DISCOUNTS-LATE PAYMENT CHGS	500	500	0.00%	-
451.000	MISCELLANEOUS SERVICE REVENUES	20,000	30,000	50.00%	10,000
451.100	SERVICE REVENUES-NEW CONNECTS	1,000	1,000	0.00%	-
454.000	RENT-ELECTRIC PROPERTY	47,500	47,500	0.00%	-
456.000	OTHER ELECTRIC REVENUE	1,400	2,400	71.43%	1,000
419.000	INTEREST & DIVIDEND INCOME	18,600	17,900	-3.76%	(700)
421.000	MISC NON-OPERATING INCOME	125,400	130,700	4.23%	5,300
<b>Total Sources</b>		<b>7,080,100</b>	<b>7,151,800</b>	<b>1.01%</b>	<b>71,700</b>

<b>Operating Budget</b>		<b>2013</b>	<b>2014</b>		
<b>Uses</b>		<b>Budget</b>	<b>Budget</b>	<b>% Change</b>	<b>\$Change</b>
<b>Purchased Power</b>					
555.000	Cost of Purchased Power - BPA	3,427,700	3,658,400	6.73%	230,700
<b>Distribution Operations and Maintenance</b>					
570.000	MAINT OF STATION EQUIPMENT - TRANSMISSION	3,900	2,600	-33.33%	(1,300)
571.000	MAINT OF OVERHEAD LINES-TRANSMISSION	19,500	17,300	-11.28%	(2,200)
580.000	SUPERVISION AND ENGINEERING-OPERATIONS	180,800	193,600	7.08%	12,800
582.000	STATION EXPENSES-OPERATIONS	8,900	6,000	-32.58%	(2,900)
583.000	OVERHEAD LINE EXPENSE-OPERATIONS	19,200	17,600	-8.33%	(1,600)
584.000	UNDERGROUND LINE EXPENSE-OPERATIONS	35,700	35,900	0.56%	200
586.000	METER EXPENSE-OPERATIONS	123,000	102,200	-16.91%	(20,800)
586.100	PUMP CONNECTS & DISCONNECTS	4,800	4,900	2.08%	100
588.000	MISCELLANEOUS DISTRIBUTION EXPENSE-OPERATIONS	212,700	208,500	-1.97%	(4,200)
589.000	RENT AND LEASE EXPENSE	600	600	0.00%	-
590.000	SUPERVISION AND ENGINEERING-MAINTENANCE	29,400	29,400	0.00%	-
591.000	SOLAR-MAINTENANCE	18,300	18,200	-0.55%	(100)
592.000	STATION EQUIPMENT-MAINTENANCE	40,100	36,600	-8.73%	(3,500)
593.000	OVERHEAD LINE EXPENSE-MAINTENANCE	292,200	248,800	-14.85%	(43,400)
593.100	POLE TESTING-MAINTENANCE	90,200	89,800	-0.44%	(400)
593.200	CHEMICAL VEGETATION TREATMENT-MAINTENANCE	15,800	15,800	0.00%	-
593.300	BRUSH CLEARING-MAINTENANCE	30,000	30,000	0.00%	-
593.400	OUTAGE OH LINE EXPENSE - MAINTENANCE	75,200	53,200	-29.26%	(22,000)
593.500	CONTRACT TREE TRIMMING - MAINTENANCE	120,000	120,000	0.00%	-
594.000	UNDERGROUND LINE EXPENSE-MAINTENANCE	38,400	34,800	-9.38%	(3,600)
594.400	OUTAGE UG LINE EXPENSE - MAINTENANCE	23,700	16,400	-30.80%	(7,300)
595.000	LINE TRANSFORMERS-MAINTENANCE	37,500	33,600	-10.40%	(3,900)
595.100	PCB PROGRAM - MAINTENANCE	400	400	0.00%	-
596.000	STREET LIGHTING-MAINTENANCE	-	-	0.00%	-
597.000	METERS-MAINTENANCE	12,000	12,000	0.00%	-
598.000	SECURITY LIGHTS-MAINTENANCE	12,000	12,000	0.00%	-
<b>Total Distribution Operations and Maintenance</b>		<b>1,440,400</b>	<b>1,337,600</b>	<b>-7.14%</b>	<b>(102,800)</b>
<b>Customer Service</b>					
901.000	SUPERVISION CONSUMER ACCOUNTING	-	-	0.00%	-
902.000	METER READING EXPENSE	92,400	85,700	-7.25%	(6,700)
903.000	CONSUMER RECORDS AND COLLECTION EXPENSE	278,600	356,900	28.10%	78,300
903.500	CREDIT CARD EXPENSE	5,400	5,400	0.00%	-
904.000	UNCOLLECTIBLE ACCOUNTS EXPENSE	12,000	12,000	0.00%	-
908.000	ENERGY CONSERVATION EXPENSE	2,000	2,000	0.00%	-
908.100	SOLAR-GRANT	1,200	1,200	0.00%	-



908.101	MODULAR HOMES & BUILDINGS-ENERGY STAR	-	-	0.00%	-
908.102	HOT WATER TANKS - ENERGY STAR	-	-	0.00%	-
908.103	APPLIANCE & WINDOWS-ENERGY STAR	-	-	0.00%	-
908.300	WATERWISE-STEAM GENERATION-SOLAR EDUCATION	-	-	0.00%	-
908.400	LIGHTING RETROFITS	-	-	0.00%	-
908.500	CONSERVATION ADMINISTRATION	17,200	18,000	4.65%	800
909.000	INFORMATION AND INSTRUCTION ADVERTISING	14,400	14,400	0.00%	-
910.000	MISC CUSTOMER SERVICE AND INFORMATION EXPENSE	4,000	1,800	-55.00%	(2,200)
910.200	ECONOMIC DEVELOPMENT	-	-	0.00%	-
	<b>Total Customer Service</b>	<b>427,200</b>	<b>497,400</b>	<b>16.43%</b>	<b>70,200</b>
	<b>General and Administrative</b>				
920.000	ADMINISTRATIVE AND GENERAL SALARIES	363,000	447,400	23.25%	84,400
921.000	OFFICE SUPPLIES AND EXPENSE	94,200	91,300	-3.08%	(2,900)
923.000	OUTSIDE SERVICES EMPLOYED	24,000	28,500	18.75%	4,500
924.000	PROPERTY INSURANCE EXPENSE	19,800	21,200	7.07%	1,400
925.000	INJURIES AND DAMAGES	100,700	94,400	-6.26%	(6,300)
926.000	EMPLOYEE PENSIONS AND BENEFITS	-	-	0.00%	-
928.000	STATE AUDIT EXPENSE	20,000	25,000	25.00%	5,000
929.000	DUPLICATE CHARGES PUD ELECTRIC USAGE-CREDIT	(6,000)	(6,000)	0.00%	-
930.100	GENERAL ADVERTISING EXPENSE	1,300	7,100	446.15%	5,800
930.200	MISCELLANEOUS GENERAL EXPENSE	4,000	4,000	0.00%	-
930.300	COMMISSIONERS EXPENSE	118,200	134,400	13.71%	16,200
	<b>Total General and Administrative</b>	<b>739,200</b>	<b>847,300</b>	<b>14.62%</b>	<b>108,100</b>
	<b>Industry Memberships</b>				
930.400	MISCELLANEOUS-INDUSTRY FEES	200	200	0.00%	-
930.410	CWPU-INDUSTRY FEES	19,800	17,100	-13.64%	(2,700)
930.430	NWPPA-INDUSTRY FEES	6,600	7,400	12.12%	800
930.440	NWW&H-INDUSTRY FEES	700	700	0.00%	-
930.450	PPC-INDUSTRY FEES	4,500	4,600	2.22%	100
930.460	TRICO-INDUSTRY FEES	1,500	1,500	0.00%	-
930.470	WPUDA-INDUSTRY FEES	15,000	13,800	-8.00%	(1,200)
930.490	NRU-INDUSTRY FEES	7,200	6,600	-8.33%	(600)
	<b>Total Industry Memberships</b>	<b>55,500</b>	<b>51,900</b>	<b>-6.49%</b>	<b>(3,600)</b>
	<b>General Maintenance</b>				
932.000	Maintenance of General Plant	36,400	35,900	-1.37%	(500)
	<b>Total General Maintenance</b>	<b>36,400</b>	<b>35,900</b>	<b>-1.37%</b>	<b>(500)</b>

<b>Taxes</b>					
408.100	TAXES-STATE PUD PRIVILEGE	147,600	151,500	2.64%	3,900
408.400	TAXES-STATE UNEMPLOYMENT	-	-	0.00%	-
408.500	TAXES-STATE BUSINESS & OCCUPATION TAX	2,400	3,600	50.00%	1,200
408.600	TAXES-STATE UTILITY TAX	274,800	277,200	0.87%	2,400
408.700	LEASEHOLD TAX	-	-	0.00%	-
	<b>Total Taxes</b>	<b>424,800</b>	<b>432,300</b>	<b>1.77%</b>	<b>7,500</b>

<b>Interest Expense</b>					
427.100	Interest on Debt Services	58,400	-	-100.00%	(58,400)
	<b>Total Uses</b>	<b>6,609,600</b>	<b>6,860,800</b>	<b>3.80%</b>	<b>251,200</b>
	<b>Net Operating Budget</b>	<b>470,500</b>	<b>291,000</b>	<b>-38.15%</b>	<b>(179,500)</b>

		<b>2013</b>	<b>2014</b>		
		<b>Budget</b>	<b>Budget</b>	<b>% Change</b>	<b>\$Change</b>
231.300	<b>CERB Repayment</b>	35,500	35,500	0.00%	-

**Principal Payments on Electric System Revenue Note**

	Semi-Annual Principal Payments	-	-	0.00%	-
	Monthly Principal Payments	71,100	-	-100.00%	(71,100)
	Additional Principal Payments	-	-	0.00%	-
	<b>Total Principal Payments</b>	<b>71,100</b>	<b>-</b>	<b>-100.00%</b>	<b>(71,100)</b>
	<b>Net Operating Budget and Debt Principal Repayment</b>	<b>363,900</b>	<b>255,500</b>	<b>-29.79%</b>	<b>(108,400)</b>

		<b>2013</b>	<b>2014</b>		
	<b>Capital Expenditures</b>	<b>Budget</b>	<b>Budget</b>	<b>% Change</b>	<b>\$Change</b>
	Poles	30,000	80,000	166.67%	50,000
	OH Conductor	34,500	5,000	-85.51%	(29,500)
	URD Conductor	30,000	30,000	0.00%	-
	Transformers, pad mount	20,000	10,000	-50.00%	(10,000)
	Transformers, line	20,000	10,000	-50.00%	(10,000)
	Transmission Cross Arms	5,000	-	-100.00%	(5,000)
	Sub Station Transformer	120,000	-	-100.00%	(120,000)
	Meters	2,500	6,000	140.00%	3,500
	Distributed Storage System – ENW		10,000	100.00%	10,000
	Non-Itemized Capital Expenditures	14,500	5,000	-65.52%	(9,500)

**Equipment**

Replacement Pick Up/Util Vehicle	65,000	33,000	-49.23%	(32,000)
Unified Communications – Ok County	-	10,000	100.00%	10,000
Staking/Mapping Equipment		10,000	100.00%	10,000

**Building Maintenance**

Shop	20,000	24,000	20.00%	4,000
Main Office	-	10,000	100.00%	10,000
Substation Signage/Fencing	-	10,000	100.00%	10,000

**Office Equipment**

Check Scanning Equipment	-	-		
Computer Replacements	2,400	2,500	4.17%	100

<b>Total Capital Purchases, Additions, and Replacements</b>	<b>363,900</b>	<b>255,500</b>	<b>-29.79%</b>	<b>(108,400)</b>
---	----------------	----------------	----------------	------------------

<b>TOTAL BUDGET</b>	<b>7,080,100</b>	<b>7,151,800</b>	<b>1.01%</b>	<b>71,700</b>
<b>NET TOTAL BUDGET</b>	<b>-</b>	<b>-</b>		<b>-</b>