

Public Utility District #1 of Ferry County

2015 Budget

October 20, 2014

The Budget for 2014 as presented here has been adopted by Resolution No. 14-08 by the Board of Commissioners of the Public Utility District No. 1 of Ferry County, Washington on this 20th day of October, 2014.

The Budget reflects an overall increase of 4.7% from the 2014 Budget. The main reason for this change is that last year's budget under estimated sources of revenue. In hopes to more closely reflect actual sources, this increase occurred. The cost of purchased power remains the largest use of funds in The District's operating budget. Increases and decreases reflected in the other operating categories are based on cost shifts seen during the most recent years. Capital expenditures reflect the largest difference from last year's budget so that some necessary upgrades to the system as well as equipment can be accomplished.

This budget is based on several assumptions. The first assumption is that the utility will not increase retail rates to its consumers during 2015. The second major assumption in this budget is that the utility's industrial load will continue to maintain operational levels from the previous year. The two main industrial consumers have plans for normal operations through the calendar year 2015. The third assumption is that the cost of purchased power from Bonneville Power Administration will remain constant with the costs realized in 2014; thus there is no change reflected in this line item of the budget.

The significant operating and capital expenditures for this year include:

- Operating:
 - \$170,000 for contract tree trimming
 - \$30,000 for contract brush clearing
- Capital:
 - \$80,000 for the cost of poles
 - \$35,000 for the cost of conductor (Overhead and Underground)
 - \$52,000 for replacement transformers and meters
 - \$40,000 for misc system materials; cross arms, insulators, cut outs, etc.
 - \$60,000 for an access trail to 10-13 Mile distribution system
 - \$45,000 for general plant maintenance at the District Office and Shop
 - \$37,500 for upgrades to computer equipment and the PUD website
 - \$25,000 for a replacement pickup
 - \$135,000 for a service truck with boom
 - \$150,000 for a replacement boom on an existing boom truck

The total number of FTE employees for the district will remain at 17.5 positions as it was last year with the creation of a Deputy Treasurer position in February 2014. Labor dollars are reflected within each operating budget category based on work trends over the most recent years. **The Methodology** for the Preliminary Budget for 2015 is based on a methodology often used by 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 2015 presume retail sales similar to those in 2014 as well as consistent usage from our major industrial customers. Extreme weather conditions are not factored into the sales predictions. Other sources are based on historical trends.

The Total Uses for the Operating Section of the 2015 Budget has decreased by 3.7% from the previous year. Cost shifts seen during the most recent years are the main cause of this decrease including increased labor costs for capitalized projects.

The Budget for Financing Activities The District will continue repayment of its zero-percent CERB loan that began in January 2010. This loan extends through the year 2019. This is the only long-term debt service that the District holds.

The Budget for Capital Expenditures has increased to reflect the on-going need for the District to maintain the integrity of the system. The Capital section of the Budget contemplates the replacement of aging poles, the purchase of overhead and underground conductor, replacement transformer and meters, and other needed materials during day to day operations. Major equipment purchases being considered include a new boom to update an aging one from an obsolete manufacturer, a pickup to be used for snow plowing and hauling supplies due to premature deterioration of the current pickup, as well as a new boom truck for the serviceman. General plant maintenance needs at the district shop and office consist of painting, cement repairs, fencing upgrades and asphalt upkeep. The cost to create an access trail to the distribution system in the 10 – 13 mile area is also part of the expenditures; this need was identified during the wind storm of 2012. Upgrades to out-dated computer equipment and the PUD website are also being planned.

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
- Financing Activities
 - CERB Repayment
- Capital Expenditures

The Budget Time Line is/was as follows:

- September 15 Present Preliminary Budget & Publish on Web site
- October 1 Publish Notice of Hearing
- October 20 Budget Hearing/Board Discussion/Budget Approval

**PUD No. 1 of Ferry County
Preliminary Budget
2015**

Acct #	Operating Budget Sources	2014 Budget	2015 Budget	% Change	\$Change
440.100	ENERGY SALES-RESIDENTIAL	2,479,500	2,428,800	-2.04%	(50,700)
440.150	ENERGY SALES-RESIDENTIAL REPUBLIC	594,500	584,100	-1.75%	(10,400)
440.200	ENERGY SALES-RESIDENTIAL SEASONAL	258,900	266,800	3.05%	7,900
441.000	ENERGY SALES-IRRIGATION	62,600	59,000	-5.75%	(3,600)
442.200	ENERGY SALES-COMMERCIAL	388,600	474,800	22.18%	86,200
442.250	COMMERCIAL-REPUBLIC	377,300	377,300	0.00%	-
442.400	LARGE POWER	314,000	272,000	-13.38%	(42,000)
442.450	LARGE POWER-REPUBLIC	266,600	286,300	7.39%	19,700
442.500	ENERGY SALES-INDUSTRIAL	249,800	242,000	-3.12%	(7,800)
442.500	INDUSTRIAL	758,500	883,300	16.45%	124,800
442.600	INDUSTRIAL 115 Kv	1,160,300	1,273,700	9.77%	113,400
444.750	ENERGY SALES-PUBLIC STREET LIGHTING REPUBLIC	11,200	11,200	0.00%	-
450.000	FORFEITED DISCOUNTS-LATE PAYMENT CHGS	500	1,000	100.00%	500
451.000	MISCELLANEOUS SERVICE REVENUES	30,000	32,600	8.67%	2,600
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	2,400	3,700	54.17%	1,300
419.000	INTEREST & DIVIDEND INCOME	17,900	21,000	17.32%	3,100
421.000	MISC NON-OPERATING INCOME	130,700	222,000	69.85%	91,300
Total Sources		<u>7,151,800</u>	<u>7,488,100</u>	4.70%	336,300

Operating Budget		2014	2015		
Uses		Budget	Budget	% Change	\$Change
Purchased Power					
555.000	Cost of Purchased Power - BPA	3,658,400	3,658,400	0.00%	-
Distribution Operations and Maintenance					
570.000	MAINT OF STATION EQUIPMENT - TRANSMISSION	-	4,800	100.00%	4,800
571.000	MAINT OF OVERHEAD LINES-TRANSMISSION	17,300	14,900	-13.87%	(2,400)
580.000	SUPERVISION AND ENGINEERING-OPERATIONS	193,600	166,700	-13.89%	(26,900)
582.000	STATION EXPENSES-OPERATIONS	6,000	100	-98.33%	(5,900)
583.000	OVERHEAD LINE EXPENSE-OPERATIONS	17,600	600	-96.59%	(17,000)
584.000	UNDERGROUND LINE EXPENSE-OPERATIONS	35,900	10,400	-71.03%	(25,500)
586.000	METER EXPENSE-OPERATIONS	102,200	35,200	-65.56%	(67,000)
586.100	PUMP CONNECTS & DISCONNECTS	4,900	300	-93.88%	(4,600)
588.000	MISCELLANEOUS DISTRIBUTION EXPENSE-OPERATIONS	208,500	225,500	8.15%	17,000
589.000	RENT AND LEASE EXPENSE	600	700	16.67%	100
590.000	SUPERVISION AND ENGINEERING-MAINTENANCE	29,400	2,100	-92.86%	(27,300)
591.000	SOLAR-MAINTENANCE	18,200	7,000	-61.54%	(11,200)
592.000	STATION EQUIPMENT-MAINTENANCE	36,600	16,900	-53.83%	(19,700)
593.000	OVERHEAD LINE EXPENSE-MAINTENANCE	248,800	326,000	31.03%	77,200
593.100	POLE TESTING-MAINTENANCE	89,800	27,500	-69.38%	(62,300)
593.200	CHEMICAL VEGETATION TREATMENT-MAINTENANCE	15,800	5,400	-65.82%	(10,400)
593.300	BRUSH CLEARING-MAINTENANCE	30,000	30,000	0.00%	-
593.400	OUTAGE OH LINE EXPENSE - MAINTENANCE	53,200	44,500	-16.35%	(8,700)
593.500	CONTRACT TREE TRIMMING - MAINTENANCE	120,000	170,000	41.67%	50,000
594.000	UNDERGROUND LINE EXPENSE-MAINTENANCE	34,800	13,700	-60.63%	(21,100)
594.400	OUTAGE UG LINE EXPENSE - MAINTENANCE	16,400	2,200	-86.59%	(14,200)
595.000	LINE TRANSFORMERS-MAINTENANCE	33,600	12,000	-64.29%	(21,600)

595.100	PCB PROGRAM - MAINTENANCE	400	400	0.00%	-
596.000	STREET LIGHTING-MAINTENANCE	-	-	0.00%	-
597.000	METERS-MAINTENANCE	12,000	2,500	-79.17%	(9,500)
598.000	SECURITY LIGHTS-MAINTENANCE	12,000	2,400	-80.00%	(9,600)
Total Distribution Operations and Maintenance		1,337,600	1,121,800	-16.13%	(215,800)

Customer Service

901.000	SUPERVISION CONSUMER ACCOUNTING	-	-	0.00%	-
902.000	METER READING EXPENSE	85,700	118,500	38.27%	32,800
903.000	CONSUMER RECORDS AND COLLECTION EXPENSE	356,900	307,100	-13.95%	(49,800)
903.500	CREDIT CARD EXPENSE	5,400	11,800	118.52%	6,400
904.000	UNCOLLECTIBLE ACCOUNTS EXPENSE	12,000	-	-100.00%	(12,000)
908.000	ENERGY CONSERVATION EXPENSE	2,000	4,300	115.00%	2,300
908.100	SOLAR-GRANT	1,200	-	-100.00%	(1,200)
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	18,000	-	-100.00%	(18,000)
909.000	INFORMATION AND INSTRUCTION ADVERTISING	14,400	600	-95.83%	(13,800)
910.000	MISC CUSTOMER SERVICE AND INFORMATION EXPENSE	1,800	4,300	138.89%	2,500
910.200	ECONOMIC DEVELOPMENT	-	-	0.00%	-
Total Customer Service		497,400	446,600	-10.21%	(50,800)

General and Administrative

920.000	ADMINISTRATIVE AND GENERAL SALARIES	447,400	463,700	3.64%	16,300
921.000	OFFICE SUPPLIES AND EXPENSE	91,300	91,800	0.55%	500

923.000	OUTSIDE SERVICES EMPLOYED	28,500	36,000	26.32%	7,500
924.000	PROPERTY INSURANCE EXPENSE	21,200	20,400	-3.77%	(800)
925.000	INJURIES AND DAMAGES	94,400	80,300	-14.94%	(14,100)
926.000	EMPLOYEE PENSIONS AND BENEFITS	-	-	0.00%	-
928.000	STATE AUDIT EXPENSE	25,000	25,000	0.00%	-
929.000	DUPLICATE CHARGES PUD ELECTRIC USAGE-CREDIT	(6,000)	(6,000)	0.00%	-
930.100	GENERAL ADVERTISING EXPENSE	7,100	6,500	-8.45%	(600)
930.200	MISCELLANEOUS GENERAL EXPENSE	4,000	6,700	67.50%	2,700
930.300	COMMISSIONERS EXPENSE	134,400	152,400	13.39%	18,000
	Total General and Administrative	847,300	876,800	3.48%	29,500
	Industry Memberships				
930.400	MISCELLANEOUS-INDUSTRY FEES	200	200	0.00%	-
930.410	CWPU-INDUSTRY FEES	17,100	7,000	-59.06%	(10,100)
930.430	NWPPA-INDUSTRY FEES	7,400	7,500	1.35%	100
930.440	NWW&H-INDUSTRY FEES	700	700	0.00%	-
930.450	PPC-INDUSTRY FEES	4,600	4,500	-2.17%	(100)
930.460	TEDD-INDUSTRY FEES	1,500	1,500	0.00%	-
930.470	WPUDA-INDUSTRY FEES	13,800	13,600	-1.45%	(200)
930.490	NRU-INDUSTRY FEES	6,600	6,600	0.00%	-
	Total Industry Memberships	51,900	41,600	-19.85%	(10,300)
	General Maintenance				
932.000	Maintenance of General Plant	35,900	37,100	3.34%	1,200
	Total General Maintenance	35,900	37,100	3.34%	1,200
	Taxes				
408.100	TAXES-STATE PUD PRIVILEGE	151,500	150,000	-0.99%	(1,500)
408.400	TAXES-STATE UNEMPLOYMENT	-	-	0.00%	-

408.500	TAXES-STATE BUSINESS & OCCUPATION TAX	3,600	1,200	-66.67%	(2,400)
408.600	TAXES-STATE UTILITY TAX	277,200	273,600	-1.30%	(3,600)
408.700	LEASEHOLD TAX	-	-	0.00%	-
	Total Taxes	432,300	424,800	-1.73%	(7,500)

Interest Expense

427.100	Interest on Debt Services	-	-	0.00%	-
---------	---------------------------	---	---	-------	---

Total Uses	6,860,800	6,607,100	-3.70%	(253,700)
-------------------	------------------	------------------	---------------	------------------

Net Operating Budget	291,000	881,000		590,000
-----------------------------	----------------	----------------	--	----------------

	2014	2015		
	Budget	Budget	% Change	\$Change

231.300	CERB Repayment	35,500	35,500	0.00%	-
---------	-----------------------	--------	--------	-------	---

Principal Payments on Long-Term Debt Services

Semi-Annual Principal Payments	-	-	0.00%	-
--------------------------------	---	---	-------	---

Monthly Principal Payments	-	-	0.00%	-
----------------------------	---	---	-------	---

Additional Principal Payments	-	-	0.00%	-
-------------------------------	---	---	-------	---

Total Principal Payments	-	-	0.00%	-
---------------------------------	----------	----------	--------------	----------

Net Operating Budget and Debt Principal Repayment	255,500	845,500		590,000
--	----------------	----------------	--	----------------

	2014	2015		
	Budget	Budget	% Change	\$Change

Capital Expenditures				
Poles	80,000	80,000	0.00%	-

OH & URD Conductor	35,000	35,000	0.00%	-
--------------------	--------	--------	-------	---

Transformers, pad mount	10,000	20,000	100.00%	10,000
-------------------------	--------	--------	---------	--------

Transformers, line	10,000	20,000	100.00%	10,000
--------------------	--------	--------	---------	--------

Meters	6,000	12,000	100.00%	6,000
--------	-------	--------	---------	-------

Distributed Storage System _ ENW	10,000	-	-100.00%	(10,000)
----------------------------------	--------	---	----------	----------

10 - 13 Mile Access Trail	-	60,000	100.00%	60,000
Non-Itemized Capital Materials	5,000	40,000	700.00%	35,000
Capital Labor	-	186,000	100.00%	186,000
Equipment				
Replacement Pick Up/Util Vehicle	33,000	25,000	-24.24%	(8,000)
Service Truck w/Boom	-	135,000	100.00%	135,000
New Boom Truck #16	-	150,000	100.00%	150,000
Unified Communications - OK County	10,000	-	-100.00%	(10,000)
Staking/Mapping Equipment	10,000	-	-100.00%	(10,000)
				-
Building Maintenance				
Shop	24,000	25,000	4.17%	1,000
Main Office	10,000	15,000	50.00%	5,000
Substation Signage/Fencing	10,000	-	-100.00%	(10,000)
Asphalt Main Office Parking Lot	-	5,000	100.00%	5,000
Office Equipment				
Website Upgrade	-	5,000	100.00%	5,000
Server Upgrade Main & UPN	-	30,000	100.00%	30,000
Computer Replacements	2,500	2,500	0.00%	-
Total Capital Purchases, Additions, and Replacements	<u>255,500</u>	<u>845,500</u>	<u>230.92%</u>	<u>590,000</u>
TOTAL BUDGET	<u>7,151,800</u>	<u>7,488,100</u>	<u>4.70%</u>	<u>336,300</u>
				-