

Public Utility District #1 of Ferry County

2017 Budget

December 19, 2016

The Approved Budget for 2017 is \$7,688,400 which reflects an overall decrease of 3.86% from the 2016 Budget; this is a reduction of approximately \$309,000. This budget reflects a 1.3 million dollar reduction in revenues with the anticipated loss of load from curtailment of local mining activity. Reductions to cost of purchased power, public utility taxes, and state privilege taxes from this load loss are offset by increases in Bonneville Power Administration's rates, anticipated increases in labor and benefit costs, and necessary capital expenditures.

The cost of purchased power from Bonneville Power Administration will remain the largest use of operating funds; it is expected that approximately 3.5 million dollars will be spent for this in 2017. BPA has announced that in October 2017, at the beginning of its fiscal year, they will increase rates to its full requirement utilities. Ferry County PUD will be affected by this increase though the full impact to the district is not yet known.

An additional assumption for this budget is that the Utility will utilize G&O funds to balance the shortfall in revenue sources to match the necessary expenditures. The District has prepared for the major load loss by maintaining enough G&O funds to help stabilize the 2017 budget.

The 2017 Preliminary Budget for capital expenditures remains very similar to the 2016 budget. It includes items needed for the District to maintain the integrity of its system.

The significant capital expenditures for this year include:

- \$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.
- \$40,000 for general plant maintenance at the District Office and Shop
- \$120,000 for a bucket truck for the tree crew
- \$30,000 for a used crew truck for the tree crew
- \$12,000 for a snow machine

The total number of FTE employees for the district will remain at 19.5 positions. Labor dollars and benefits are reflected within each operating budget category based on work trends over the most recent years.

The Methodology for the 2017 Budget 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 2017 presume a significant reduction to retail sales due to the anticipated loss of load as previously mentioned. A loss of approximately 52% of the utilities industrial load is expected with mining operations shutting down after the first quarter of 2017. The Washington State Carbon Tax that was proposed by the legislature and mentioned in the preliminary budget was not enacted, so there will be no new revenue source as anticipated. Other sources are based on historical trends. In addition, extreme weather conditions could affect sources of funds; however they are not factored into the sales predictions.

The Total Uses for the Operating Section of 2017 have been reduced from the previous year. The largest factor is the anticipated reduction to cost of purchased power to the District with the industrial load loss. The increasing cost to maintain employee benefits and market based wages is reflected as increases to several operations categories of the budget. Rising medical premiums and other rising employer costs due to implementation of the Affordable Care Act, increasing L&I rates, and rising rates for the Utility’s defined contribution retirement plan are all factors. Cost shifts between types of funds also reflect as increases and decreases from the previous year’s budget. The tax category reflects a significant reduction in uses of funds. The State Utility Tax and the State Privilege Taxes will be reduced from the revenue losses in industrial sales thus a decrease of 20% is anticipated in taxes for the Utility.

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 continues to be the only long-term debt service that the District holds.

The Budget for Capital Expenditures has decreased in 2017. The Capital section of the Budget contemplates the replacement of aging poles, the purchase of overhead and underground conductor, replacement transformers and meters, and other needed materials during day to day operations. Equipment purchases being considered include replacement of the tree crew’s bucket truck as well as the purchase of a used crew truck for them. In addition, there is a need for a new snow machine which would help the line crew access lines during heavy snow storms. Also under consideration are a cable locator, a mobile mapping system and a spectrum analyzer. General plant maintenance needs at the district shop and office consist of painting, cement work, fencing and building repairs.

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 2017 Budget Time Line was as follows:

- September 19 Budget Workshop & Publish Budget on Web Site Once Available
- October 1 Publish Notice of Hearing
- October 17 Budget Hearing/Board Discussion
- November 14 Board Discussion
- December 19 Board Discussion and Approval of the 2017 Budget

PUD No. 1 of Ferry County
Preliminary Budget
2017

Acct #	Operating Budget Sources	2016 Budget	2017 Budget	% Change	\$Change
440.10	ENERGY SALES-RESIDENTIAL	2,636,100	2,456,900	-6.80%	(179,200)
440.15	ENERGY SALES-RESIDENTIAL REPUBLIC	599,500	541,600	-9.66%	(57,900)
440.20	ENERGY SALES-RESIDENTIAL SEASONAL	315,300	299,500	-5.01%	(15,800)
441.00	ENERGY SALES-IRRIGATION	62,300	65,300	4.82%	3,000
442.20	ENERGY SALES-COMMERCIAL	517,700	477,700	-7.73%	(40,000)
442.25	COMMERCIAL-REPUBLIC	413,200	386,400	-6.49%	(26,800)
442.40	LARGE POWER	317,400	343,700	8.29%	26,300
442.45	LARGE POWER-REPUBLIC	308,400	276,600	-10.31%	(31,800)
442.50	ENERGY SALES-INDUSTRIAL	169,700	154,200	-9.13%	(15,500)
442.50	INDUSTRIAL	961,300	550,700	-42.71%	(410,600)
442.60	INDUSTRIAL 115 Kv	1,383,100	485,600	-64.89%	(897,500)
444.75	ENERGY SALES-PUBLIC STREET LIGHTING REPUBLIC	7,100	7,200	1.41%	100
450.00	FORFEITED DISCOUNTS-LATE PAYMENT CHGS	900	900	0.00%	-
451.00	MISCELLANEOUS SERVICE REVENUES	34,300	36,000	4.96%	1,700
451.10	SERVICE REVENUES-NEW CONNECTS	1,400	1,600	14.29%	200
454.00	RENT-ELECTRIC PROPERTY	56,100	50,900	-9.27%	(5,200)
456.00	OTHER ELECTRIC REVENUE	5,800	12,700	118.97%	6,900
419.00	INTEREST & DIVIDEND INCOME	33,100	33,800	2.11%	700
421.00	MISC NON-OPERATING INCOME	174,600	171,600	-1.72%	(3,000)
	Non-Revenue Funds to be Utilized - G&O Funds		1,335,541	100.00%	1,335,541
	Total Sources	7,997,300	7,688,441	-3.86%	(308,859)

Operating Budget Uses		2016 Budget	2017 Budget	% Change	\$Change
Purchased Power					
555.00	Cost of Purchased Power - BPA	3,930,200	3,535,641	-10.04%	(394,559)
Distribution Operations and Maintenance					
570.00	MAINT OF STATION EQUIPMENT - TRANSMISSION	5,700	7,800	36.84%	2,100
571.00	MAINT OF OVERHEAD LINES-TRANSMISSION	18,300	19,300	5.46%	1,000
580.00	SUPERVISION AND ENGINEERING-OPERATIONS	200,000	209,100	4.55%	9,100
582.00	STATION EXPENSES-OPERATIONS	100	100	0.00%	-
583.00	OVERHEAD LINE EXPENSE-OPERATIONS	700	700	0.00%	-
584.00	UNDERGROUND LINE EXPENSE-OPERATIONS	11,300	13,500	19.47%	2,200
586.00	METER EXPENSE-OPERATIONS	41,800	74,900	79.19%	33,100
586.10	PUMP CONNECTS & DISCONNECTS	400	400	0.00%	-
588.00	MISCELLANEOUS DISTRIBUTION EXPENSE-OPERATIONS	272,100	280,700	3.16%	8,600
589.00	RENT AND LEASE EXPENSE	600	600	0.00%	-
590.00	SUPERVISION AND ENGINEERING-MAINTENANCE	2,500	2,000	-20.00%	(500)
591.00	SOLAR-MAINTENANCE	4,600	12,200	165.22%	7,600
592.00	STATION EQUIPMENT-MAINTENANCE	17,700	21,500	21.47%	3,800
593.00	OVERHEAD LINE EXPENSE-MAINTENANCE	388,700	412,900	6.23%	24,200
593.10	POLE TESTING-MAINTENANCE	53,300	30,000	-43.71%	(23,300)
593.20	CHEMICAL VEGETATION TREATMENT-MAINTENANCE	5,300	6,400	20.75%	1,100
593.30	BRUSH CLEARING-MAINTENANCE	41,000	30,000	-26.83%	(11,000)
593.40	OUTAGE OH LINE EXPENSE - MAINTENANCE	87,700	92,900	5.93%	5,200
593.50	CONTRACT TREE TRIMMING - MAINTENANCE	201,200	225,800	12.23%	24,600
594.00	UNDERGROUND LINE EXPENSE-MAINTENANCE	14,400	15,100	4.86%	700
594.40	OUTAGE UG LINE EXPENSE - MAINTENANCE	2,700	2,900	7.41%	200
595.00	LINE TRANSFORMERS-MAINTENANCE	18,900	12,900	-31.75%	(6,000)
595.10	PCB PROGRAM - MAINTENANCE	400	400	0.00%	-

596.00	STREET LIGHTING-MAINTENANCE	-	-	0.00%	-
597.00	METERS-MAINTENANCE	2,800	2,900	3.57%	100
598.00	SECURITY LIGHTS-MAINTENANCE	2,600	23,200	792.31%	20,600
	Total Distribution Operations and Maintenance	1,394,800	1,498,200	7.41%	103,400
	Customer Service				
901.00	SUPERVISION CONSUMER ACCOUNTING	-	-	0.00%	-
902.00	METER READING EXPENSE	160,300	169,700	5.86%	9,400
903.00	CONSUMER RECORDS AND COLLECTION EXPENSE	340,900	355,200	4.19%	14,300
903.50	CREDIT CARD EXPENSE	13,800	15,900	15.22%	2,100
904.00	UNCOLLECTIBLE ACCOUNTS EXPENSE	12,000	12,000	0.00%	-
908.00	ENERGY CONSERVATION EXPENSE	4,500	4,700	4.44%	200
908.10	SOLAR-GRANT	-	-	0.00%	-
908.11	MODULAR HOMES & BUILDINGS-ENERGY STAR	-	-	0.00%	-
908.12	HOT WATER TANKS - ENERGY STAR	-	-	0.00%	-
908.13	APPLIANCE & WINDOWS-ENERGY STAR	-	-	0.00%	-
908.30	WATERWISE-STEAM GENERATION-SOLAR EDUCATION	-	-	0.00%	-
908.40	LIGHTING RETROFITS	-	-	0.00%	-
908.50	CONSERVATION ADMINISTRATION	-	-	0.00%	-
909.00	INFORMATION AND INSTRUCTION ADVERTISING	-	-	0.00%	-
910.00	MISC CUSTOMER SERVICE AND INFORMATION EXPENSE	2,900	3,500	20.69%	600
910.20	ECONOMIC DEVELOPMENT	-	-	0.00%	-
	Total Customer Service	534,400	561,000	4.98%	26,600
	General and Administrative				
920.00	ADMINISTRATIVE AND GENERAL SALARIES	521,400	549,900	5.47%	28,500
921.00	OFFICE SUPPLIES AND EXPENSE	92,800	91,400	-1.51%	(1,400)
923.00	OUTSIDE SERVICES EMPLOYED	28,500	22,500	-21.05%	(6,000)
924.00	PROPERTY INSURANCE EXPENSE	20,800	29,100	39.90%	8,300

925.00	INJURIES AND DAMAGES	81,300	93,300	14.76%	12,000
926.00	EMPLOYEE PENSIONS AND BENEFITS	-	-	0.00%	-
928.00	STATE AUDIT EXPENSE	25,000	30,000	20.00%	5,000
929.00	DUPLICATE CHARGES PUD ELECTRIC USAGE-CREDIT	(6,000)	(9,000)	50.00%	(3,000)
930.10	GENERAL ADVERTISING EXPENSE	7,200	7,200	0.00%	-
930.20	MISCELLANEOUS GENERAL EXPENSE	14,400	15,200	5.56%	800
930.30	COMMISSIONERS EXPENSE	164,900	171,500	4.00%	6,600
	Total General and Administrative	950,300	1,001,100	5.35%	50,800
	Industry Memberships				
930.40	MISCELLANEOUS-INDUSTRY FEES	200	200	0.00%	-
930.41	CWPU-INDUSTRY FEES	7,000	7,000	0.00%	-
930.43	NWPPA-INDUSTRY FEES	7,500	7,500	0.00%	-
930.44	NWW&H-INDUSTRY FEES	700	700	0.00%	-
930.45	PPC-INDUSTRY FEES	4,200	4,200	0.00%	-
930.46	TEDD-INDUSTRY FEES	1,500	1,500	0.00%	-
930.47	WPUDA-INDUSTRY FEES	11,600	11,600	0.00%	-
930.49	NRU-INDUSTRY FEES	6,700	6,700	0.00%	-
	Total Industry Memberships	39,400	39,400	0.00%	-
	General Maintenance				
932.00	Maintenance of General Plant	37,800	37,700	-0.26%	(100)
	Total General Maintenance	37,800	37,700	-0.26%	(100)
	Taxes				
408.10	TAXES-STATE PUD PRIVILEGE	160,800	127,200	-20.90%	(33,600)
408.40	TAXES-STATE UNEMPLOYMENT	-	-	0.00%	-
408.50	TAXES-STATE BUSINESS & OCCUPATION TAX	1,200	200	-83.33%	(1,000)
408.60	TAXES-STATE UTILITY TAX	300,600	238,200	-20.76%	(62,400)

408.70	LEASEHOLD TAX	-	-	0.00%	-
Total Taxes		462,600	365,600	-20.97%	(97,000)
Interest Expense					
427.10	Interest on Debt Services	-	-	0.00%	-
Total Uses		7,349,500	7,038,641	-4.23%	(310,859)
Net Operating Budget		647,800	649,800		2,000

		2016 Budget	2017 Budget	% Change	\$Change
231.30	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		612,300	614,300		2,000

	2016 Budget	2017 Budget	% Change	\$Change
Capital Expenditures				
Poles	80,000	80,000	0.00%	-
OH & URD Conductor	35,000	35,000	0.00%	-
Transformers, pad mount	20,000	20,000	0.00%	-
Transformers, line	20,000	20,000	0.00%	-
Substation Transformers/Rebuilds	24,000	-	-100.00%	(24,000)
Meters	12,000	12,000	0.00%	-
10 - 13 Mile Access Trail	-	-	0.00%	-
Non-Itemized Capital Materials	40,000	40,000	0.00%	-

Capitalized Labor	178,800	178,800	0.00%	-
Equipment				
Replacement Pick Up/Util Vehicle	55,000	-	-100.00%	(55,000)
Forklift 20,000lb Lift Capacity	35,000	-	-100.00%	(35,000)
18 - 20 ft Tow Trailer	10,000	-	-100.00%	(10,000)
Recondition Boom - Service Truck #26	35,000	-	-100.00%	(35,000)
Bucket Truck - Tree Trimmers		120,000	100.00%	120,000
Used Crew Truck - Tree Trimmers		30,000	100.00%	30,000
Snow Machine		12,000	100.00%	12,000
Cable Locator		8,000	100.00%	8,000
Building Maintenance				
Shop	25,000	20,000	-20.00%	(5,000)
Main Office	30,000	20,000	-33.33%	(10,000)
Asphalt Main Office Parking Lot	5,000	-	-100.00%	(5,000)
Office Equipment				
Computer Operating System Upgrade	5,000	-	-100.00%	(5,000)
Mobile Mapper		3,000	100.00%	3,000
Spectrum Analyzer		13,000	100.00%	13,000
Computer Replacements	2,500	2,500	0.00%	-
Total Capital Purchases, Additions, and Replacements	612,300	614,300	0.33%	2,000
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TOTAL BUDGET	7,997,300	7,688,441	-3.86%	(308,859)
NET TOTAL BUDGET	-	0		0