

Public Utility District #1 of Ferry County

2018 Preliminary Budget

September 29, 2017

The Preliminary Budget for 2018 reflects an overall reduction of approximately 3.5 percent from the 2017 Budget. This is approximately a \$270 thousand dollar reduction in revenues.

Reductions to cost of purchased power, public utility taxes, and state privilege taxes from the load loss of the curtailment of local mining activity are offset by increases in Bonneville Power's rates, anticipated increases in labor and benefit costs, and increases in taxes over last year's budget due to the increased retail sales in other rate classes.

The cost of purchased power from Bonneville Power Administration will remain the largest use of operating funds; it is expected that approximately 3.36 million dollars will be spent for this in 2018. BPA announced that in October 2017, at the beginning of its fiscal year, Ferry County PUD can expect a combined rate increase of over 7.0%, to its purchased power costs.

A major assumption for this budget is that the utility's retail rates during 2018 will increase by one half of one cent per kilowatt hour. This is a much lesser rate increase than had originally been anticipated with the previously mentioned load loss. Refer to the **Sources of Funds** section below for further explanation.

The 2018 Preliminary Budget for capital expenditures reflects a 22% reduction from the 2017 capital budget. The District previously prepared for this year's continued reduction in revenues by having an adequate equipment fleet in place. Therefore, the preliminary budget only includes capital 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
- \$22,500 for a utility snow machine

The total number of FTE employees for the district is anticipated to be reduced to 18.5 from the current 19.5 positions with an anticipated retirement that will take place around April 2018. Labor dollars and benefits are reflected within each operating budget category based on work trends over the most recent years.

The Methodology for the Preliminary Budget for 2018 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 2018 presume an additional reduction to retail sales of approximately \$500,000 of the utilities industrial load with mining operations shutting down. Last year’s budget anticipated load loss to all other rate classes with the curtailment of these mining operations. However, this loss was never realized. The other sources reflect increased revenues since they are based on historical trends without this unrealized load loss. 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 2018 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 governmental regulations over medical plans, 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 increase in uses of funds; by increasing most retail sales back to historical levels, the State Privilege Taxes and State Public Utility Taxes owing will rise.

The Budget for Financing Activities The District will continue the annual \$35,460 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 2018. 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 reflect the need for a new utility snow machine which would help the line crew access lines during heavy snow storms. General plant maintenance needs at the district shop and office consist of painting, cement, 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 2018 Budget Time Line is/was as follows:

- September 18 Budget Discussions & Publish Budget on Web Site Once Available
- October 1 Publish Notice of Hearing
- October 16 Budget Hearing/Board Discussion
- November 20 Board Discussion
- December 18 Board Discussion/Approval

**PUD No. 1 of Ferry County
Preliminary Budget
2018**

Acct #	Operating Budget Sources	2017 Budget	2018 Budget	% Change
440.100	ENERGY SALES-RESIDENTIAL	2,456,900	3,227,200	31.35%
440.150	ENERGY SALES-RESIDENTIAL REPUBLIC	541,600	706,200	30.39%
440.200	ENERGY SALES-RESIDENTIAL SEASONAL	299,500	305,900	2.14%
441.000	ENERGY SALES-IRRIGATION	65,300	74,800	14.55%
442.200	ENERGY SALES-COMMERCIAL	477,700	634,000	32.72%
442.250	COMMERCIAL-REPUBLIC	386,400	489,600	26.71%
442.400	LARGE POWER	343,700	530,800	54.44%
442.450	LARGE POWER-REPUBLIC	276,600	370,700	34.02%
442.500	ENERGY SALES-INDUSTRIAL	154,200	197,600	28.15%
442.500	INDUSTRIAL	550,700	321,600	-41.60%
442.600	INDUSTRIAL 115 Kv	485,600	216,000	-55.52%
444.750	ENERGY SALES-PUBLIC STREET LIGHTING REPUBLIC	7,200	7,200	0.00%
450.000	FORFEITED DISCOUNTS-LATE PAYMENT CHGS	900	1,100	22.22%
451.000	MISCELLANEOUS SERVICE REVENUES	36,000	36,100	0.28%
451.100	SERVICE REVENUES-NEW CONNECTS	1,600	1,000	-37.50%
454.000	RENT-ELECTRIC PROPERTY	50,900	55,400	8.84%
456.000	OTHER ELECTRIC REVENUE	12,700	15,000	18.11%
419.000	INTEREST & DIVIDEND INCOME	33,800	55,700	64.79%
421.000	MISC NON-OPERATING INCOME	171,600	172,800	0.70%
	NON-REVENUE FUNDS TO BE UTILIZED - G&O FUNDS	1,335,541		
	Total Sources	7,688,441	7,418,700	-3.51%

Operating Budget		2017	2018	
Uses		Budget	Budget	% Change
Purchased Power				
555.000	COST OF PURCHASED POWER - BPA	3,535,641	3,358,600	-5.01%
Distribution Operations and Maintenance				
570.000	MAINT OF STATION EQUIPMENT - TRANSMISSION	7,800	-	-100.00%
571.000	MAINT OF OVERHEAD LINES-TRANSMISSION	19,300	5,500	-71.50%
580.000	SUPERVISION AND ENGINEERING-OPERATIONS	209,100	220,800	5.60%
582.000	STATION EXPENSES-OPERATIONS	100	100	0.00%
583.000	OVERHEAD LINE EXPENSE-OPERATIONS	700	700	0.00%
584.000	UNDERGROUND LINE EXPENSE-OPERATIONS	13,500	13,600	0.74%
586.000	METER EXPENSE-OPERATIONS	74,900	81,300	8.54%
586.100	PUMP CONNECTS & DISCONNECTS	400	1,500	275.00%
588.000	MISCELLANEOUS DISTRIBUTION EXPENSE- OPERATIONS	280,700	284,700	1.43%
589.000	RENT AND LEASE EXPENSE	600	600	0.00%
590.000	SUPERVISION AND ENGINEERING-MAINTENANCE	2,000	2,100	5.00%
591.000	SOLAR-MAINTENANCE	12,200	4,800	-60.66%
592.000	STATION EQUIPMENT-MAINTENANCE	21,500	15,600	-27.44%
593.000	OVERHEAD LINE EXPENSE-MAINTENANCE	412,900	417,200	1.04%
593.100	POLE TESTING-MAINTENANCE	30,000	25,000	-16.67%
593.200	CHEMICAL VEGETATION TREATMENT- MAINTENANCE	6,400	2,900	-54.69%
593.300	BRUSH CLEARING-MAINTENANCE	30,000	30,000	0.00%
593.400	OUTAGE OH LINE EXPENSE - MAINTENANCE	92,900	94,000	1.18%
593.500	CONTRACT TREE TRIMMING - MAINTENANCE	225,800	232,600	3.01%
594.000	UNDERGROUND LINE EXPENSE-MAINTENANCE	15,100	22,200	47.02%
594.400	OUTAGE UG LINE EXPENSE - MAINTENANCE	2,900	9,900	241.38%
595.000	LINE TRANSFORMERS-MAINTENANCE	12,900	12,900	0.00%
595.100	PCB PROGRAM - MAINTENANCE	400	400	0.00%
596.000	STREET LIGHTING-MAINTENANCE			0.00%

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597.000	METERS-MAINTENANCE	2,900	3,000	3.45%
598.000	SECURITY LIGHTS-MAINTENANCE	23,200	5,800	-75.00%
	Total Distribution Operations and Maintenance	1,498,200	1,487,200	-0.73%
	Customer Service			
901.000	SUPERVISION CONSUMER ACCOUNTING	-	-	0.00%
902.000	METER READING EXPENSE	169,700	172,200	1.47%
903.000	CONSUMER RECORDS AND COLLECTION EXPENSE	355,200	332,500	-6.39%
903.500	CREDIT CARD EXPENSE	15,900	15,900	0.00%
904.000	UNCOLLECTIBLE ACCOUNTS EXPENSE	12,000	12,000	0.00%
908.000	ENERGY CONSERVATION EXPENSE	4,700	4,800	2.13%
908.100	SOLAR-GRANT	-	-	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	-	-	0.00%
909.000	INFORMATION AND INSTRUCTION ADVERTISING	-	-	0.00%
910.000	MISC CUSTOMER SERVICE AND INFORMATION EXPENSE	3,500	3,500	0.00%
910.200	ECONOMIC DEVELOPMENT	-	-	0.00%
	Total Customer Service	561,000	540,900	-3.58%
	General and Administrative			
920.000	ADMINISTRATIVE AND GENERAL SALARIES	549,900	575,300	4.62%
921.000	OFFICE SUPPLIES AND EXPENSE	91,400	85,400	-6.56%
923.000	OUTSIDE SERVICES EMPLOYED	22,500	22,500	0.00%
924.000	PROPERTY INSURANCE EXPENSE	29,100	30,900	6.19%

925.000	INJURIES AND DAMAGES	93,300	100,200	7.40%
926.000	EMPLOYEE PENSIONS AND BENEFITS	-	-	0.00%
928.000	STATE AUDIT EXPENSE	30,000	-	-100.00%
929.000	DUPLICATE CHARGES PUD ELECTRIC USAGE-CREDIT	(9,000)	(9,000)	0.00%
930.100	GENERAL ADVERTISING EXPENSE	7,200	7,200	0.00%
930.200	MISCELLANEOUS GENERAL EXPENSE	15,200	15,300	0.66%
930.300	COMMISSIONERS EXPENSE	171,500	173,900	1.40%
	Total General and Administrative	<u>1,001,100</u>	<u>1,001,700</u>	<u>0.06%</u>
	Industry Memberships			
930.400	MISCELLANEOUS-INDUSTRY FEES	200	200	0.00%
930.410	CWPU-INDUSTRY FEES	7,000	7,000	0.00%
930.430	NWPPA-INDUSTRY FEES	7,500	7,500	0.00%
930.440	NWW&H-INDUSTRY FEES	700	700	0.00%
930.450	PPC-INDUSTRY FEES	4,200	4,200	0.00%
930.460	TEDD-INDUSTRY FEES	1,500	1,500	0.00%
930.470	WPUDA-INDUSTRY FEES	11,600	11,600	0.00%
930.490	NRU-INDUSTRY FEES	6,700	6,700	0.00%
	Total Industry Memberships	<u>39,400</u>	<u>39,400</u>	<u>0.00%</u>
	General Maintenance			
932.000	MAINTENANCE OF GENERAL PLANT	37,700	37,800	0.27%
	Total General Maintenance	<u>37,700</u>	<u>37,800</u>	<u>0.27%</u>
	Taxes			
408.100	TAXES-STATE PUD PRIVILEGE	127,200	163,100	28.22%
408.400	TAXES-STATE UNEMPLOYMENT	-	-	0.00%
408.500	TAXES-STATE BUSINESS & OCCUPATION TAX	200	800	300.00%
408.600	TAXES-STATE UTILITY TAX	238,200	279,000	17.13%
408.700	LEASEHOLD TAX			0.00%

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	Total Taxes	365,600	442,900	21.14%
	Interest Expense			
427.100	INTEREST ON DEBT SERVICES	-	-	0.00%
	Total Uses	7,038,641	6,908,500	-1.85%
	Net Operating Budget	649,800	510,200	

		2017 Budget	2018 Budget	% 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	614,300	474,700	

	2017 Budget	2018 Budget	% 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%
Meters	12,000	12,000	0.00%
10 Mile Access Trail	-	20,000	100.00%
Non-Itemized Capital Materials	40,000	40,000	0.00%
Capitalized Labor	178,800	182,700	2.18%

Equipment

Bucket Truck - Tree Trimmers	120,000	-	-100.00%
Used Crew Truck - Tree Trimmers	30,000	-	-100.00%
Utility Snow Machine	12,000	22,500	87.50%
Cable Locator	8,000	-	-100.00%

Building Maintenance

Shop	20,000	20,000	0.00%
Main Office	20,000	20,000	0.00%
	-	-	0.00%

Office Equipment

Mobile Mapper	3,000	-	-100.00%
Spectrum Analyzer	13,000	-	-100.00%
Computer Replacements	2,500	2,500	0.00%

Total Capital Purchases, Additions, and Replacements	614,300	474,700	-22.73%
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TOTAL BUDGET	7,688,441	7,418,700	-3.51%
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NET TOTAL BUDGET	-	-	
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