

# Public Utility District #1 of Ferry County

## 2012 Budget

November 21, 2011

The Budget for 2012 as presented here has been adopted by Resolution No. 11-11 by the Board of Commissioners of the Public Utility District No. 1 of Ferry County, Washington on this 21<sup>st</sup> day of November, 2011.

The total Budget for 2012 is approximately 8.4% higher than the total Budget for 2011 mainly due to the forecast increase in the cost of purchased power from the District's sole supplier, the Bonneville Power Administration. This increase in cost will require an increase in sources for the upcoming year to help offset it. The District has continued to maintain significant expenditure reductions that were implemented in 2011 as well to assist in balancing the 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 from the previous year. Beginning in October 2011 with Bonneville Power Administration's 2012 fiscal year, they will be implementing a new billing structure. The effect on the cost of purchased power for the 2012 Budget year is forecast to be a 9.2% increase. The true effect will not be known until the year has passed.

The significant operating and capital expenditures for this year include:

- Operating:
  - \$120,000 for contract tree trimming
  - \$30,000 for contract brush clearing
- Capital:
  - \$59,500 for the cost of poles (to replace 140 poles)
  - \$35,000 for the cost of conductor (Overhead and Underground)
  - \$40,000 for replacement transformers
  - \$120,000 for replacement of a main substation transformer and capital improvements to the substation
  - \$26,500 to replace crew pick-up
  - \$85,000 to purchase a boom and lift for the bucket truck bought in 2011
  - \$20,000 for general plant maintenance at the District Shop

The total number of FTE employees for the district will remain at 16.5 positions as it was during 2011. There is some consideration being made towards hiring an engineering aide to assist with the District's mapping needs.

**Sources of Funds** for 2012 presume retail sales consistent with 2011 as well as consistent usage from our major industrial customers. With the 6% increase in retail rates an increase in revenues is anticipated.

**The Total Uses for the Operating Section** of the 2012 Budget increased 12.7% mainly as a result of the increase anticipated in the cost of purchased power. An increase in the District's taxes is also expected due to the projected revenues from the rate increase as well as a reduction to previously allowed deductions.

**The Budget for Financing Activities** has decreased greatly from 2011. Since the RUS loan was paid in full; the District was fully released from this debt in the spring of 2011. The District will continue repayment of its zero-percent CERB loan that began in January 2010 and extends through the year 2019.

**The Budget for Capital Expenditures** has increased to reflect the on-going need for the District to maintain the integrity of the system. The replacement of a major substation transformer is planned; the first of three which will be needed over the next few years. In addition the retro fill of one transformer is also planned. The Capital section of the Budget contemplates the replacement of over 140 poles, the purchase of overhead and underground conductor, replacement transformers, as well as transmission line cross arm replacements. Also included is the cost for needed equipment replacement and general plant maintenance at the district shop and office.

**The Methodology** for the Preliminary Budget for 2011 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."

**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

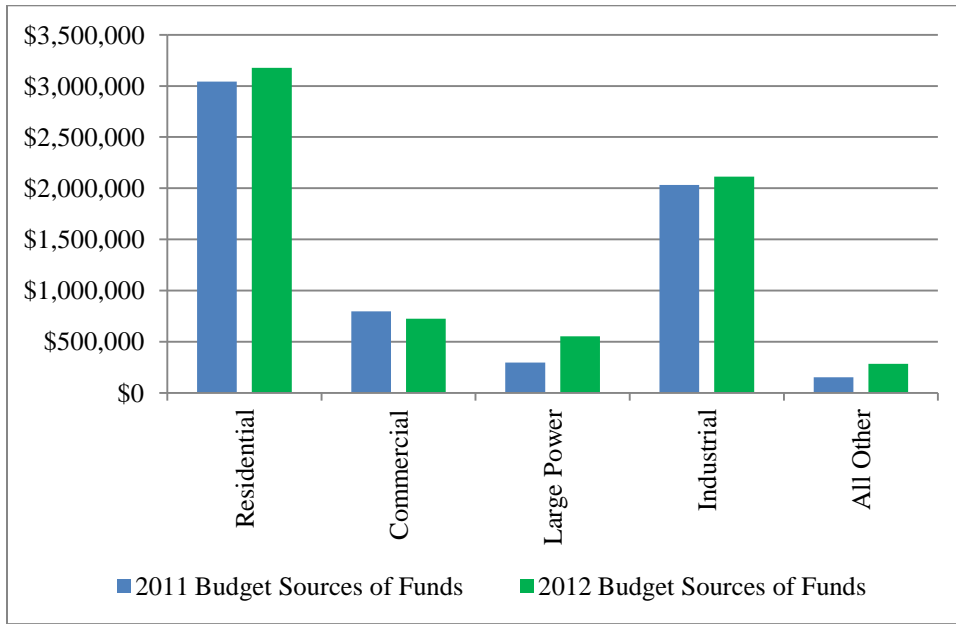
- General Maintenance
  - Taxes
- Financing Activities
  - CERB Repayment
- Capital Expenditures
  - Capital Items
  - Equipment
  - Office Security Upgrades

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

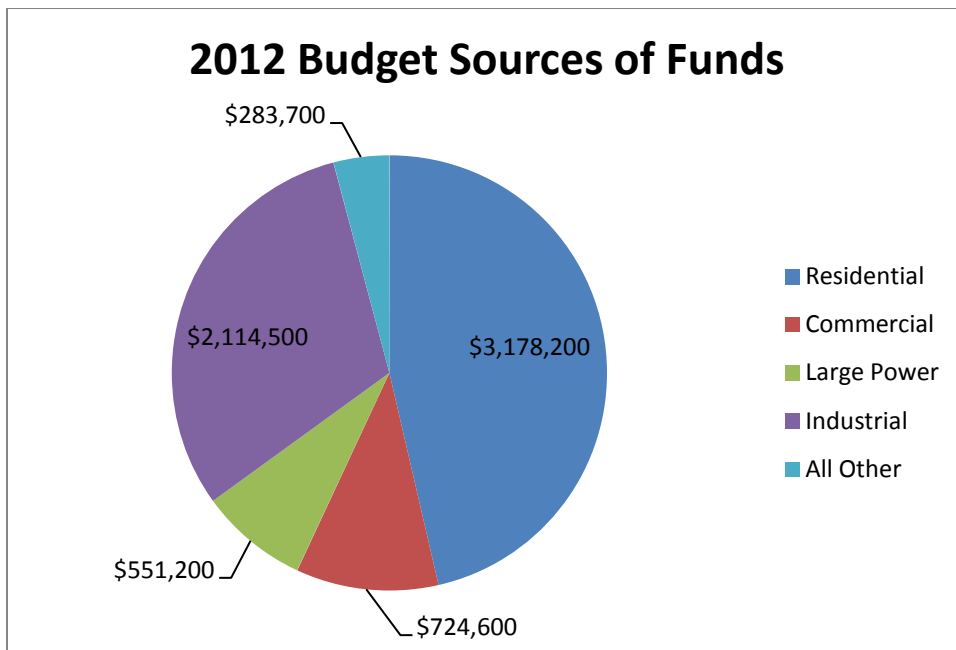
- August 15 Commissioner Workshop
- August 29 Commissioner Workshop continued
- September 19 Finalize Preliminary Budget & Publish on Web site
- October 1 Publish Notice of Hearing
- October 17 Budget Hearing
- November 21 Board Discussion/Approval
- December 19 Board Discussion/Approval if not approved on November 21

# Discussion of the Preliminary Budget for 2012

The total **Sources of Funds** reflect an increase due to the anticipated raise in rates. A historical analysis by rate class led to an expectation of an additional increase to the large power category and a decrease to commercial sources.

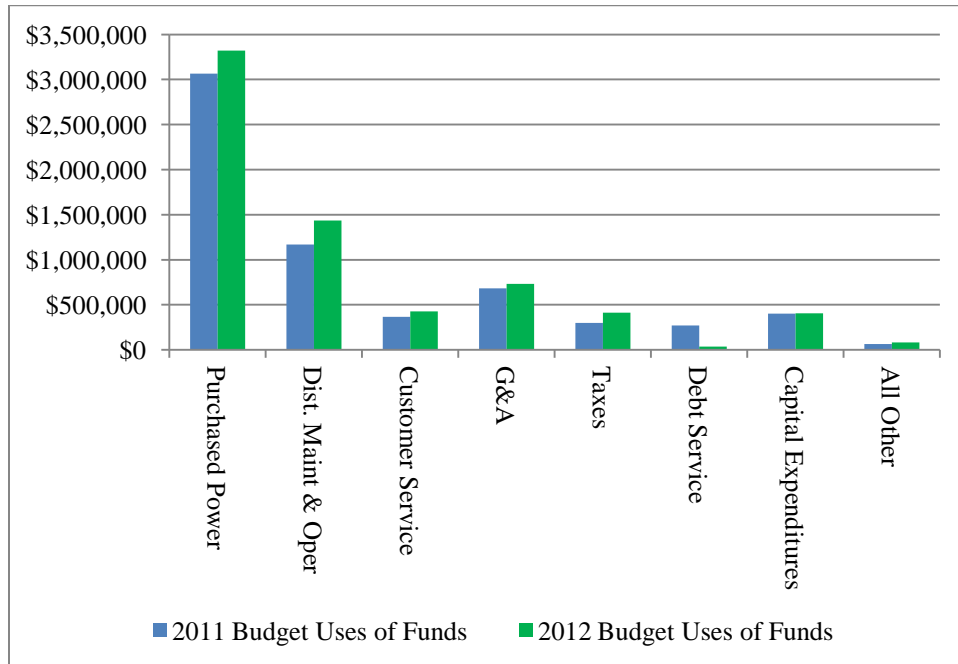


Residential sales are expected to account for 46% of revenues while commercial sales account for 11%. Industrial sales totals, including the 115 Kv sales, amount to 31% of total revenues. Total Sources of Funds are graphed below.



## Uses of Funds

**The Cost of Purchased Power** is estimated based on forecasted rates provided by BPA. Purchased power costs account for 48% of the District’s Preliminary Budget for 2012 similar to that of 2011. Bonneville Power Administration is the Districts only source of purchased power and the rate schedule currently in effect is for the Fiscal Years 2012 and 2013. In October 2011 BPA’s 2012 Fiscal Year will begin. At that time a new billing rate structure will be implemented by them. The full effect of this change is currently forecast and not positively known.



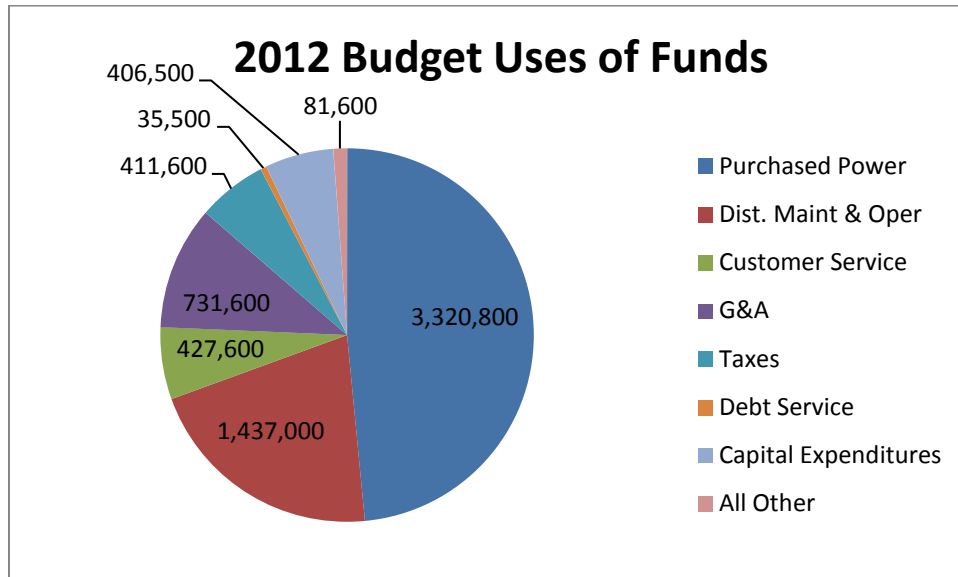
**Distribution and Operations.** Labor costs are laden to account for payroll taxes and benefits and have been allocated based on activity in 2011 combined with a forecast of activities for 2012. Though overall labor costs have declined from 2010 due to a reduction in staff; 2012 reflects an over-all increase in this area from 2011 expenditures.

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 increased from 2011 with the exception of interest. 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 been increased to perform long-delayed maintenance on the headquarters and warehouse facilities. **Taxes** are a function of revenues; so with revenues increasing, taxes in general will also increase over 2011 costs. The District will see an increase in the State Privilege Tax and Public Utility Tax in 2012 due to a reduction in previously allowed deductions. The District remits these taxes to the State of Washington and the State distributes some of the taxes back to Ferry County and the City of Republic and reserves some for itself. **Interest** expense has been eliminated for 2012 with the payoff of the RUS 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 in the spring of 2011 of its RUS loan balance has greatly reduced the overall expenditures in this area.

**Capital Expenditures.** The Capital Program is divided into three parts: poles, transformers, meters, other line equipment and related equipment as well as expenditures

for office equipment and upgrades. In the Preliminary Budget for 2012, the District plans to purchase 140 additional power poles for replacement totaling \$59,500. Overhead and underground conductor costs are estimated at \$35,000. Line and pad mount transformers and meters are estimated to cost \$40,000. The budget also anticipates replacement of cross arms on the transmission line and one substation transformer.

A new boom and lift is needed for the District's bucket truck purchased in 2011. This is needed so that reliable equipment is available for maintenance and instillation of overhead lines. The replacement of one aging pickup was postponed last year and the purchase is anticipated during 2012.

This area of the budget also includes the cost of upgrading some security features at the District office and improvements at the District Shop

**PUD No. 1 of Ferry County  
Preliminary Budget  
2012**

<b>Operating Budget Sources</b>	<b>2011 Budget</b>	<b>2012 Budget</b>	<b>% Change</b>
ENERGY SALES-RESIDENTIAL	2,280,700	2,361,300	3.53%
ENERGY SALES-RESIDENTIAL REPUBLIC	552,200	566,300	2.55%
ENERGY SALES-RESIDENTIAL SEASONAL	210,500	250,600	19.05%
ENERGY SALES-IRRIGATION	50,000	60,100	20.20%
ENERGY SALES-COMMERCIAL	430,000	366,800	-14.70%
COMMERCIAL-REPUBLIC	367,300	357,800	-2.59%
LARGE POWER	-	298,400	
LARGE POWER-REPUBLIC	296,000	252,800	-14.59%
ENERGY SALES-INDUSTRIAL	241,700	239,100	-1.08%
INDUSTRIAL	748,400	717,300	-4.16%
INDUSTRIAL 115 Kv	1,042,300	1,158,100	11.11%
ENERGY SALES-PUBLIC STREET LIGHTING REPUBLIC	10,100	10,500	3.96%
FORFEITED DISCOUNTS-LATE PAYMENT CHGS	500	500	0.00%
MISCELLANEOUS SERVICE REVENUES	20,000	20,000	0.00%
SERVICE REVENUES-NEW CONNECTS	1,000	1,000	0.00%
RENT-ELECTRIC PROPERTY	50,000	47,500	-5.00%
OTHER ELECTRIC REVENUE	-	-	
INTEREST & DIVIDEND INCOME	-	18,700	
MISC NON-OPERATING INCOME	20,200	125,400	520.79%
<b>Total Sources</b>	6,320,900	6,852,200	8.41%

<b>Operating Budget Uses</b>	<b>2011 Budget</b>	<b>2012 Budget</b>	<b>% Change</b>
<b>Purchased Power</b>			
Cost of Purchased Power - BPA	3,066,800	3,320,800	8.28%
<b>Distribution Operations and Maintenance</b>			
MAINT OF STATION EQUIPMENT - TRANSMISSION	-	3,800	
MAINT OF OVERHEAD LINES-TRANSMISSION	20,500	19,300	-5.85%
SUPERVISION AND ENGINEERING-OPERATIONS	106,200	177,800	67.42%
STATION EXPENSES-OPERATIONS	100	8,700	8600.00%
OVERHEAD LINE EXPENSE-OPERATIONS	22,400	18,700	-16.52%
UNDERGROUND LINE EXPENSE-OPERATIONS	34,900	35,600	2.01%
METER EXPENSE-OPERATIONS	109,700	119,200	8.66%
PUMP CONNECTS & DISCONNECTS	4,400	4,800	9.09%
MISCELLANEOUS DISTRIBUTION EXPENSE-OPERATIONS	130,800	231,800	77.22%
RENT AND LEASE EXPENSE	400	600	50.00%
SUPERVISION AND ENGINEERING-MAINTENANCE	45,500	29,200	-35.82%
SOLAR-MAINTENANCE	15,200	18,400	21.05%
STATION EQUIPMENT-MAINTENANCE	41,500	39,500	-4.82%
OVERHEAD LINE EXPENSE-MAINTENANCE	365,900	284,100	-22.36%
POLE TESTING-MAINTENANCE	83,500	89,400	7.07%
CHEMICAL VEGETATION TREATMENT-MAINTENANCE	13,200	16,000	21.21%
BRUSH CLEARING-MAINTENANCE	50,000	30,000	-40.00%
OUTAGE OH LINE EXPENSE - MAINTENANCE		72,900	
CONTRACT TREE TRIMMING - MAINTENANCE		120,000	
UNDERGROUND LINE EXPENSE-MAINTENANCE	56,700	37,300	-34.22%
OUTAGE UG LINE EXPENSE - MAINTENANCE		23,000	
LINE TRANSFORMERS-MAINTENANCE	47,500	36,200	-23.79%
PCB PROGRAM - MAINTENANCE		400	
STREET LIGHTING-MAINTENANCE		-	
METERS-MAINTENANCE	12,000	12,000	0.00%
SECURITY LIGHTS-MAINTENANCE	10,100	12,100	19.80%
<b>Total Distribution Operations and Maintenance</b>	<b>1,170,500</b>	<b>1,437,000</b>	<b>22.77%</b>
<b>Customer Service</b>			
SUPERVISION CONSUMER ACCOUNTING	-	-	
METER READING EXPENSE	87,500	90,400	3.31%
CONSUMER RECORDS AND COLLECTION EXPENSE	240,800	282,100	17.15%
CREDIT CARD EXPENSE	4,200	4,800	14.29%
UNCOLLECTIBLE ACCOUNTS EXPENSE	12,000	12,000	0.00%
ENERGY CONSERVATION EXPENSE	2,000	2,000	0.00%

SOLAR-GRANT	1,200	1,200	0.00%
MODULAR HOMES & BUILDINGS-ENERGY STAR	-	-	
HOT WATER TANKS - ENERGY STAR	-	-	
APPLIANCE & WINDOWS-ENERGY STAR	-	-	
WATERWISE-STEAM GENERATION-SOLAR EDUCATION	-	-	
LIGHTING RETROFITS	-	-	
CONSERVATION ADMINISTRATION	1,700	16,700	882.35%
INFORMATION AND INSTRUCTION ADVERTISING	14,400	14,400	0.00%
MISC CUSTOMER SERVICE AND INFORMATION EXPENSE	4,000	4,000	0.00%
ECONOMIC DEVELOPMENT	-	-	
<b>Total Customer Service</b>	<b>367,800</b>	<b>427,600</b>	<b>16.26%</b>
<b>General and Administrative</b>			
ADMINISTRATIVE AND GENERAL SALARIES	333,700	354,200	6.14%
OFFICE SUPPLIES AND EXPENSE	90,100	102,600	13.87%
OUTSIDE SERVICES EMPLOYED	18,000	22,500	25.00%
PROPERTY INSURANCE EXPENSE	19,200	19,600	2.08%
INJURIES AND DAMAGES	92,100	97,300	5.65%
EMPLOYEE PENSIONS AND BENEFITS	-	-	
STATE AUDIT EXPENSE	15,000	16,000	6.67%
DUPLICATE CHARGES PUD ELECTRIC USAGE-CREDIT	(6,000)	(6,000)	0.00%
GENERAL ADVERTISING EXPENSE	1,100	1,100	0.00%
MISCELLANEOUS GENERAL EXPENSE	2,500	4,000	60.00%
COMMISSIONERS EXPENSE	115,300	120,300	4.34%
<b>Total General and Administrative</b>	<b>681,000</b>	<b>731,600</b>	<b>7.43%</b>
<b>Industry Memberships</b>			
MISCELLANEOUS-INDUSTRY FEES	200	200	0.00%
CWPU-INDUSTRY FEES	12,500	16,800	34.40%
NWPPA-INDUSTRY FEES	5,500	6,600	20.00%
NWW&H-INDUSTRY FEES	600	700	16.67%
PPC-INDUSTRY FEES	3,400	4,200	23.53%
TEDD-INDUSTRY FEES	900	1,500	66.67%
WPUDA-INDUSTRY FEES	13,200	13,800	4.55%
NRU-INDUSTRY FEES	6,300	6,600	4.76%
<b>Total Industry Memberships</b>	<b>42,600</b>	<b>50,400</b>	<b>18.31%</b>
<b>General Maintenance</b>			
Maintenance of General Plant	20,500	31,200	52.20%
<b>Total General Maintenance</b>	<b>20,500</b>	<b>31,200</b>	<b>52.20%</b>

<b>Taxes</b>			
TAXES-STATE PUD PRIVILEGE	110,400	142,800	29.35%
TAXES-STATE UNEMPLOYMENT	1,200	-	-100.00%
TAXES-STATE BUSINESS & OCCUPATION TAX	2,400	2,400	0.00%
TAXES-STATE UTILITY TAX	184,800	266,400	44.16%
LEASEHOLD TAX	600	-	
<b>Total Taxes</b>	<b>299,400</b>	<b>411,600</b>	<b>37.47%</b>
<b>Interest Expense</b>			
RUS Interest	40,200	-	-100.00%
<b>Total Uses</b>	<b>5,688,800</b>	<b>6,410,200</b>	<b>12.68%</b>
<b>Net Operating Budget</b>	<b>632,100</b>	<b>442,000</b>	<b>-30.07%</b>

	<b>2011 Budget</b>	<b>2012 Budget</b>	<b>% Change</b>
<b>CERB Repayment</b>	35,500	35,500	
<b>Principal Payments on RUS Debt</b>			
Semi-Annual Principal Payments on RUS Loan	134,900	-	-100.00%
Monthly Principal Payments on RUS Loan	18,700	-	-100.00%
Additional Principal Payments on RUS Loan	40,500	-	
<b>Total Principal Payments on RUS Debt</b>	<b>194,100</b>	<b>-</b>	<b>-100.00%</b>
<b>Net Operating Budget and Debt Principal Repayment</b>	<b>402,500</b>	<b>406,500</b>	<b>0.99%</b>

	<b>2011 Budget</b>	<b>2012 Budget</b>	<b>% Change</b>
<b>Capital Expenditures</b>			
Poles	59,500	59,500	0.00%
OH Conductor	5,000	5,000	0.00%
URD Conductor	30,000	30,000	0.00%
Transformers, pad mount	20,000	20,000	0.00%
Transformers, line	20,000	20,000	0.00%
Transmission Cross Arms	5,000	5,000	0.00%
Sub Station Transformer	50,000	120,000	140.00%
Meters	2,500	2,500	0.00%
Non-Itemized Capital Expenditures	-	4,500	

**Equipment**

Replacement Pick Up	-	26,500	
Bucket Truck Boom/Lift	150,000	84,500	-43.67%

**Building Maintenance**

Shop Asphalt & Concrete Work	32,500	20,000	-38.46%
Main Office - Carpet Replacement	15,000	-	-100.00%
Computer Room Upgrades	-	6,000	

**Office Equipment**

Check Scanning Equipment	13,000	-	-100.00%
Security Doors(Comp room & Office)	-	3,000	

<b>Total Capital Purchases, Additions, and Replacements</b>	<b>402,500</b>	<b>406,500</b>	<b>0.99%</b>
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<b>TOTAL BUDGET</b>	<b>6,320,900</b>	<b>6,852,200</b>	<b>8.41%</b>
<b>NET TOTAL BUDGET</b>	<b>-</b>	<b>-</b>	