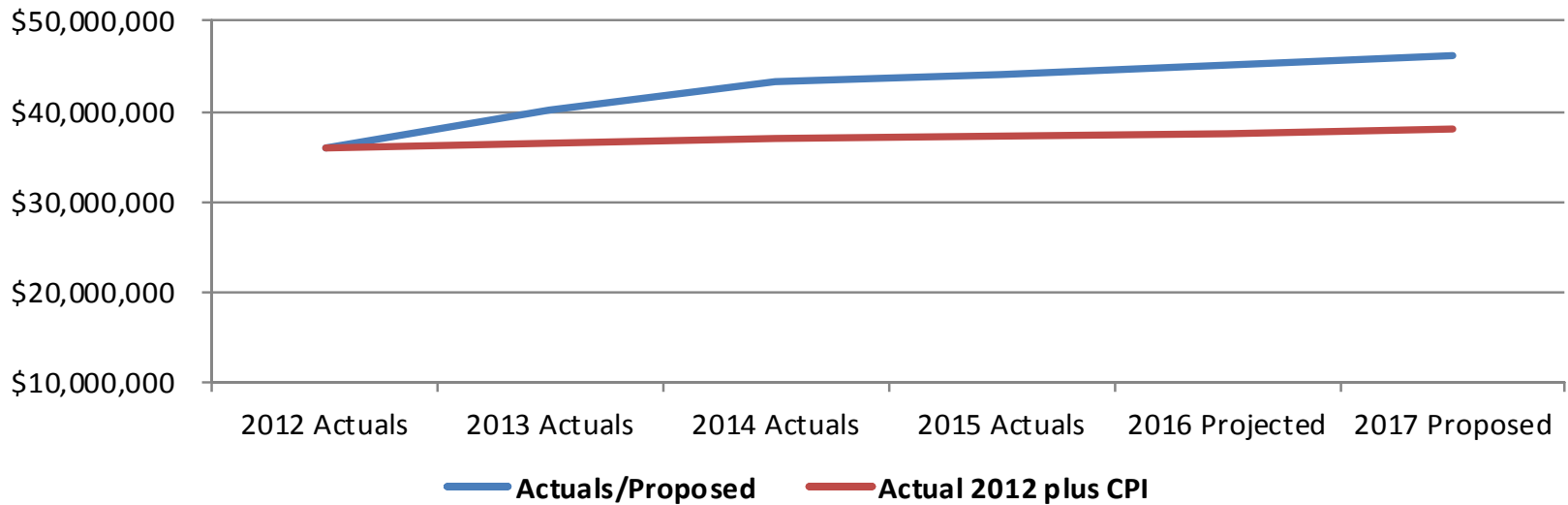


2017 BUDGET PRESENTATION GENERAL FINANCIAL DATA AND TRENDS

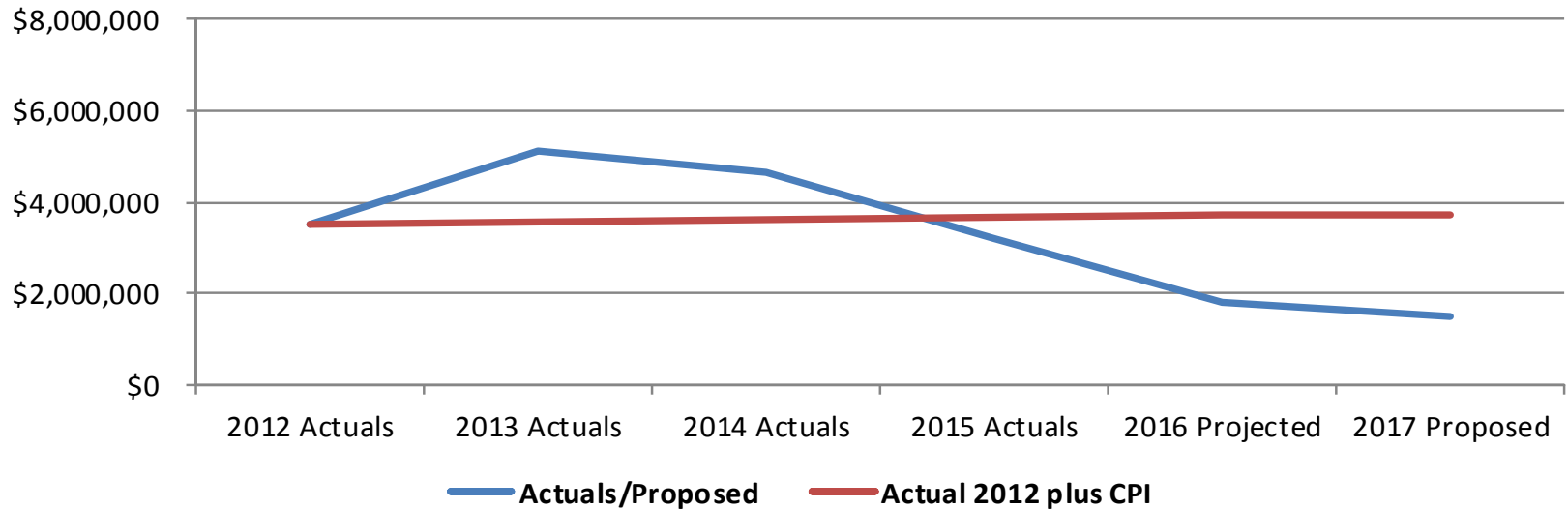
Don Coppock

RETAIL ELECTRIC SALES



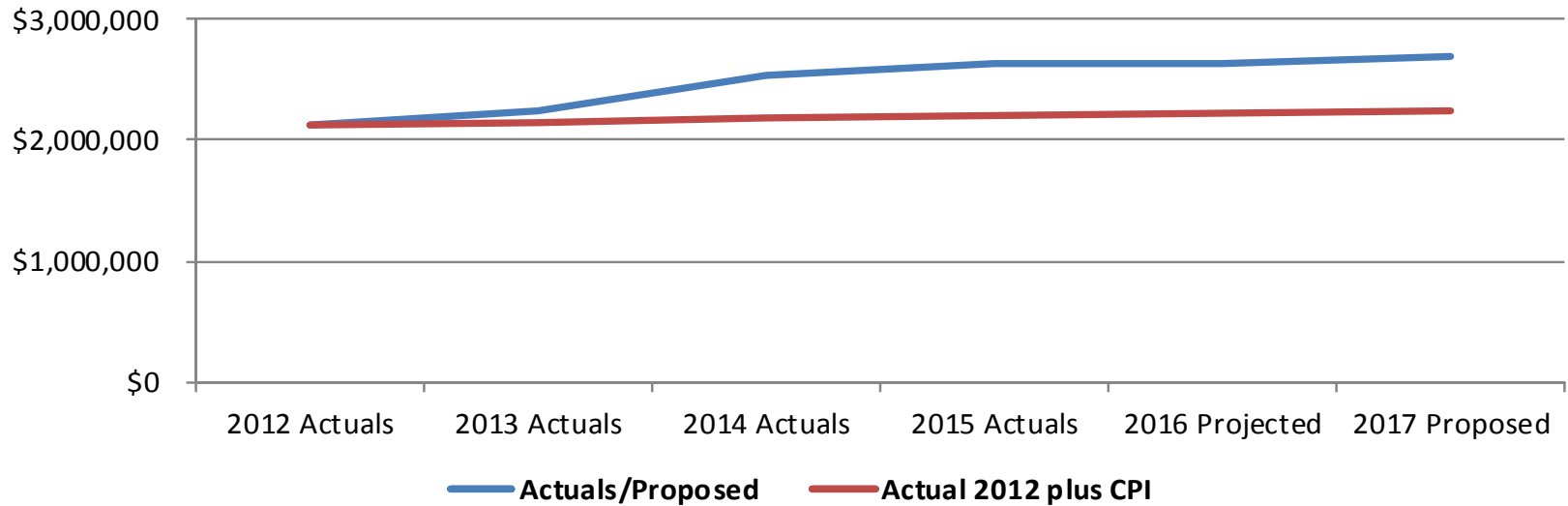
- 5% average annual increase, 2012 Actual - 2017 Proposed
- Predicting 1% load growth (actual 2011-2015 is about .25%)
- No adder for weather adjustment
- No anticipated new large load
- No rate increase during 2017

WHOLESALE ELECTRIC SALES



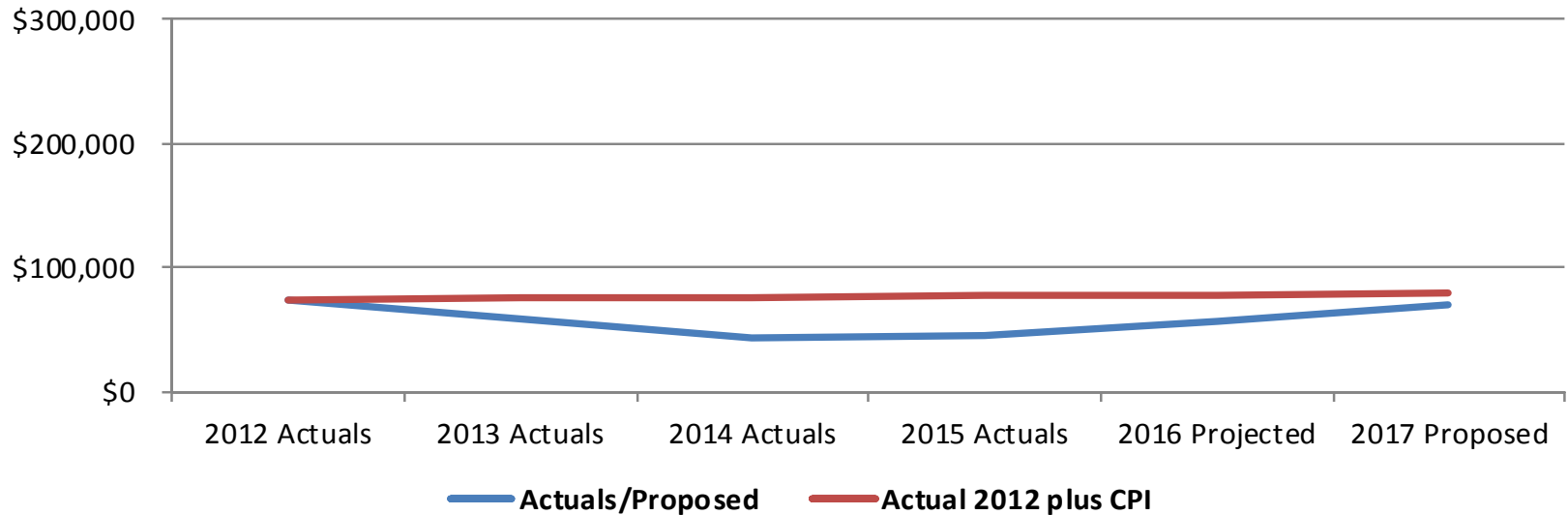
- 10% average annual decrease, 2012 Actual – 2017 Proposed
- Based on $\frac{3}{4}$ to median water year
- Ten year average wind (Nine Canyon Wind)
- Previous two years average pricing

WHOLESALE BROADBAND SALES



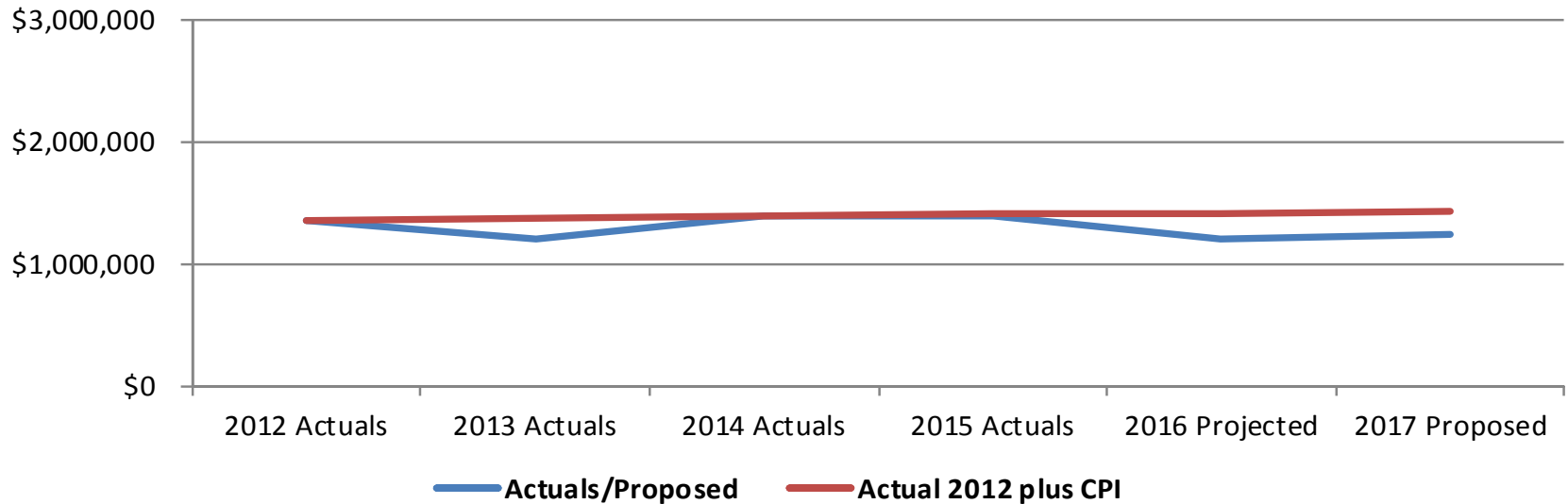
- 5% average annual increase, 2012 Actual – 2017 Proposed
- Based on current revenue levels

INTEREST INCOME



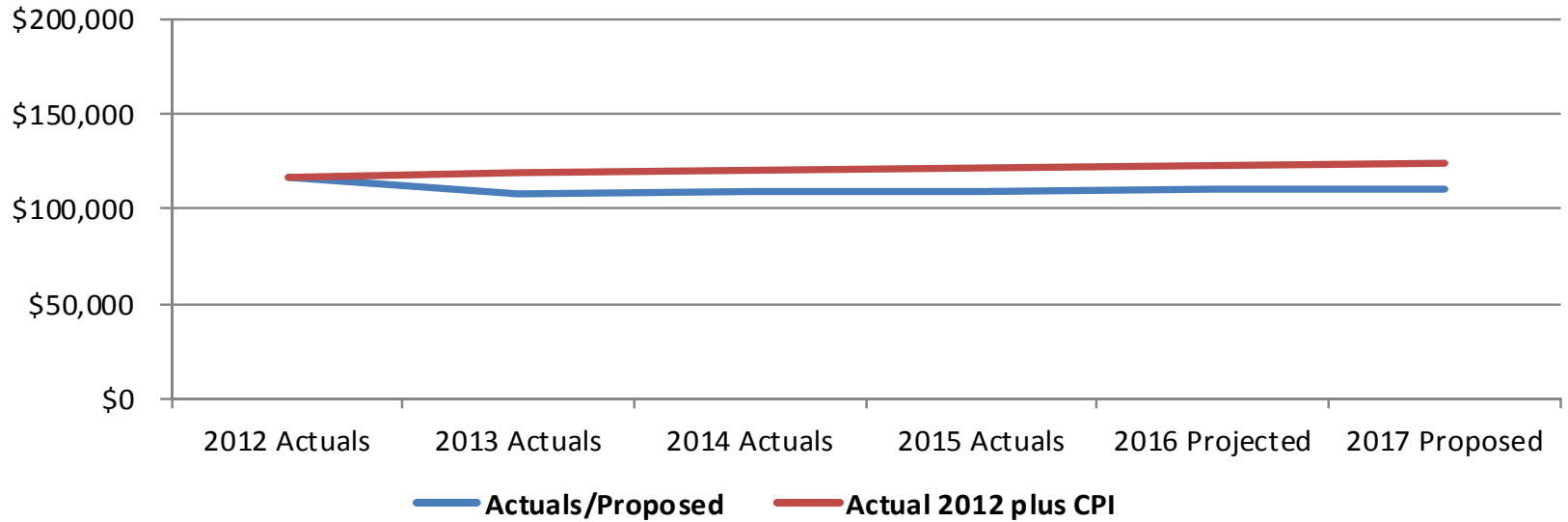
- 1% average annual decrease, 2012 Actual - 2017 Proposed
- Current earnings on investments maturing in 2017
- Funds still to be invested, LGIP .49% and CDs .40%
- Conservation loan interest estimated at \$11,000

MISCELLANEOUS INCOME



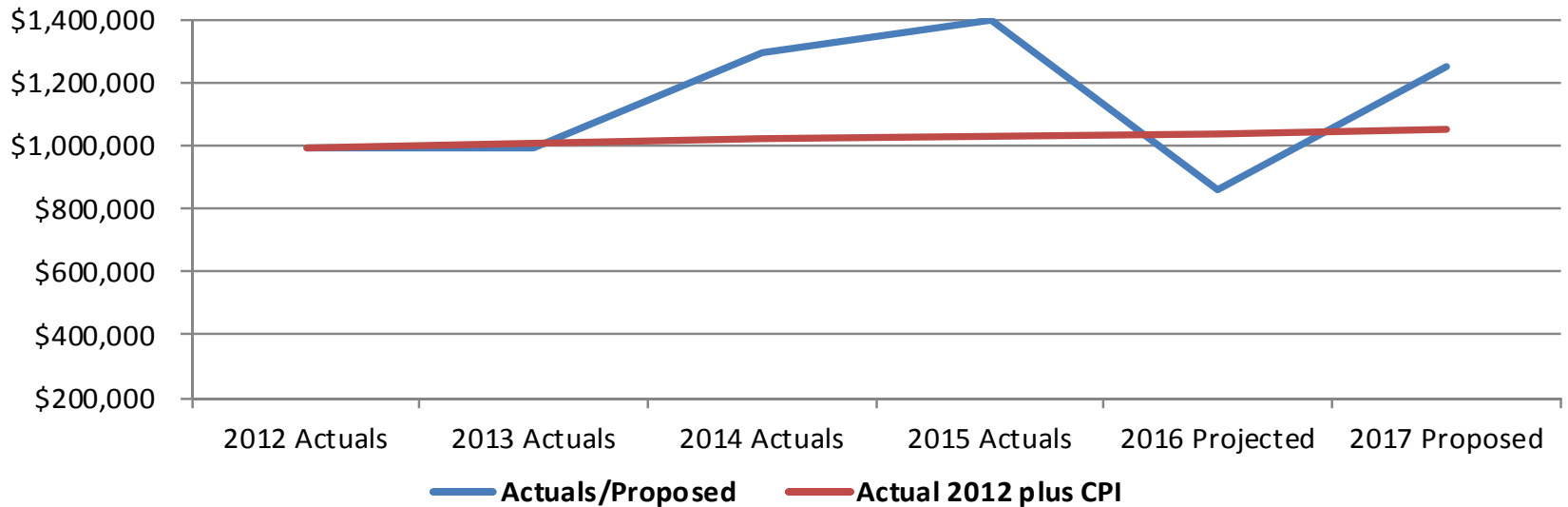
- 1% average annual decrease, 2012 Actual - 2017 Proposed
- Previous twelve months revenue and Build America Bond (BAB) refund
- Wheeling \$599k, BAB refund \$406k and other income \$224k

RENTAL INCOME



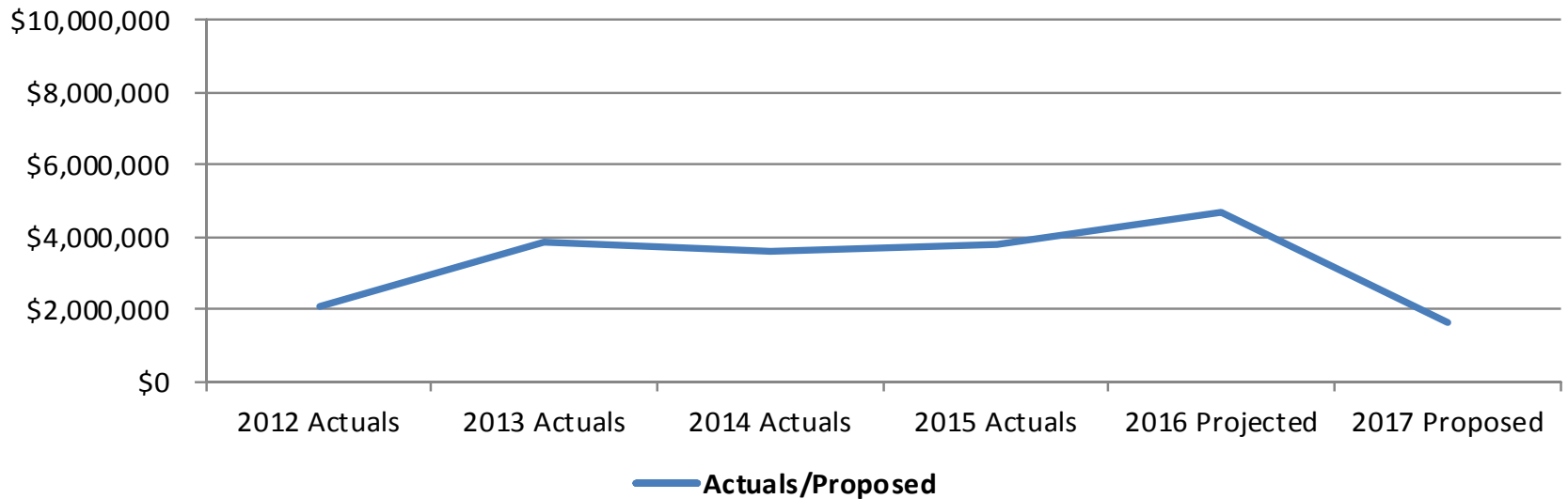
- 1% average annual decrease, 2012 Actual - 2017 Proposed
- Pole contact rental (Charter, Centurylink and others)
- 2013 decrease is due to a cable TV company closing in Twisp

CONSTRUCTION CONTRIBUTIONS



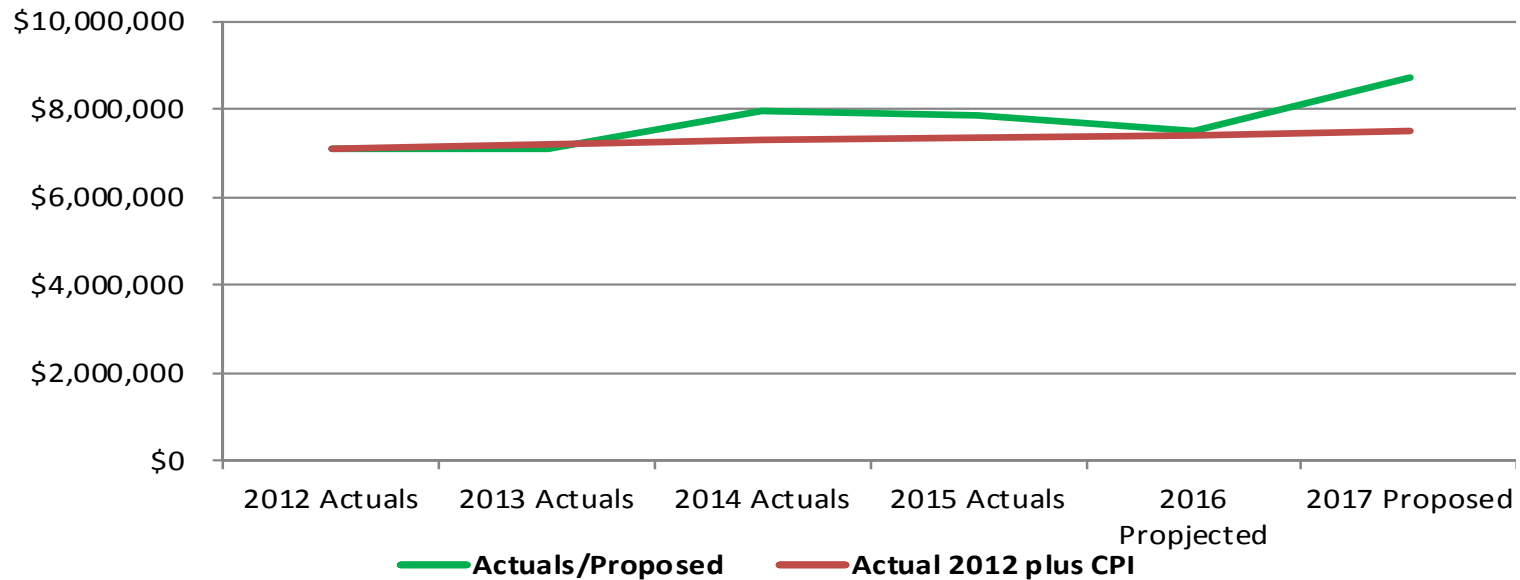
- 4% average annual increase, 2012 Actual – 2017 Proposed
- Estimated using previous two year average
- Customer contributions for electric service/line extensions

GRANT PROCEEDS



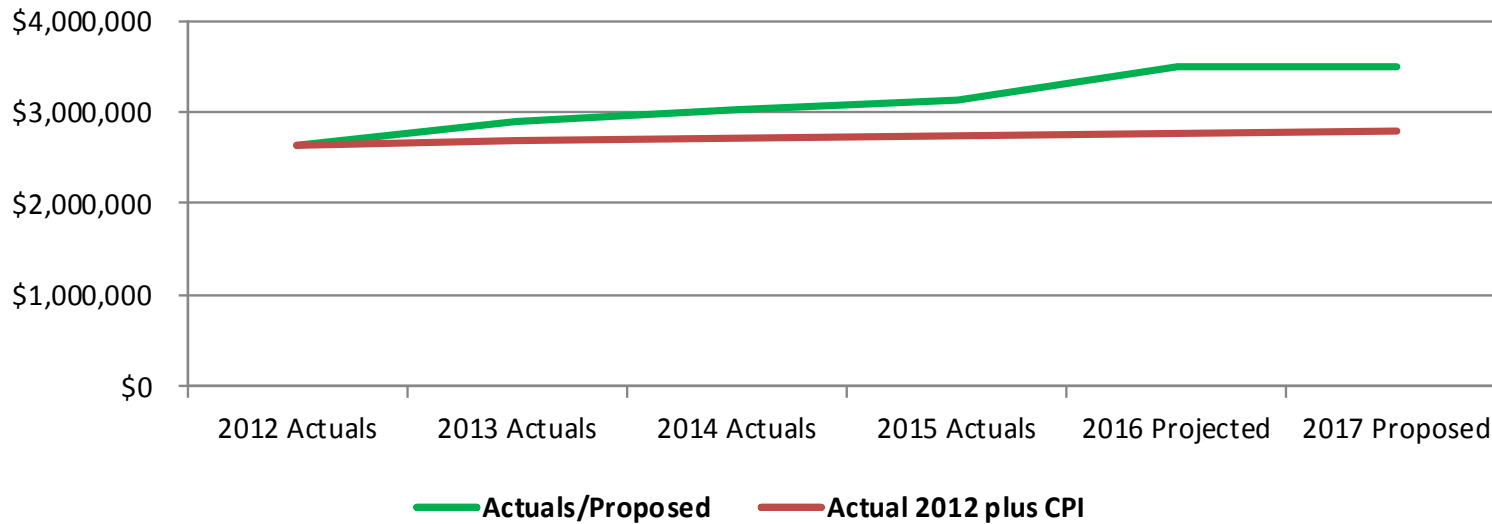
- Includes BPA conservation payments, RUS/ARRA reimbursements and FEMA payments

WAGES



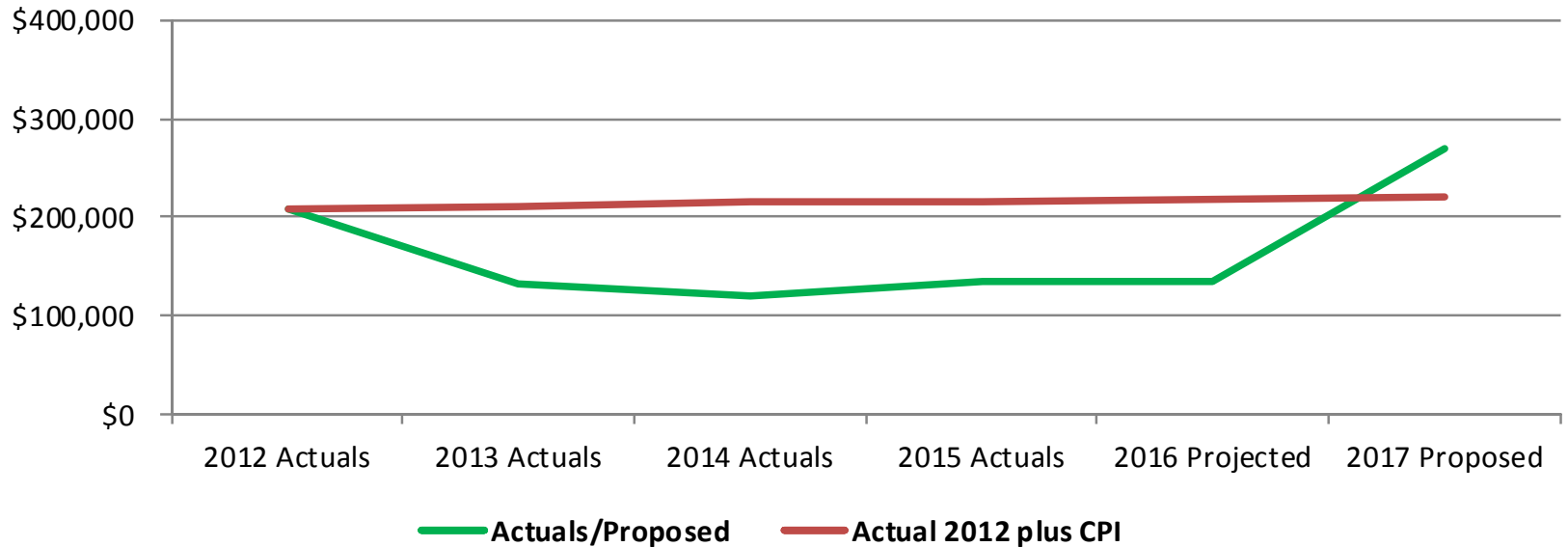
- 4% average annual increase, 2012 Actual – 2017 Proposed
- Reflects a 2% general wage increase
- Total of 101 full-time employees in Proposed Budget

BENEFITS



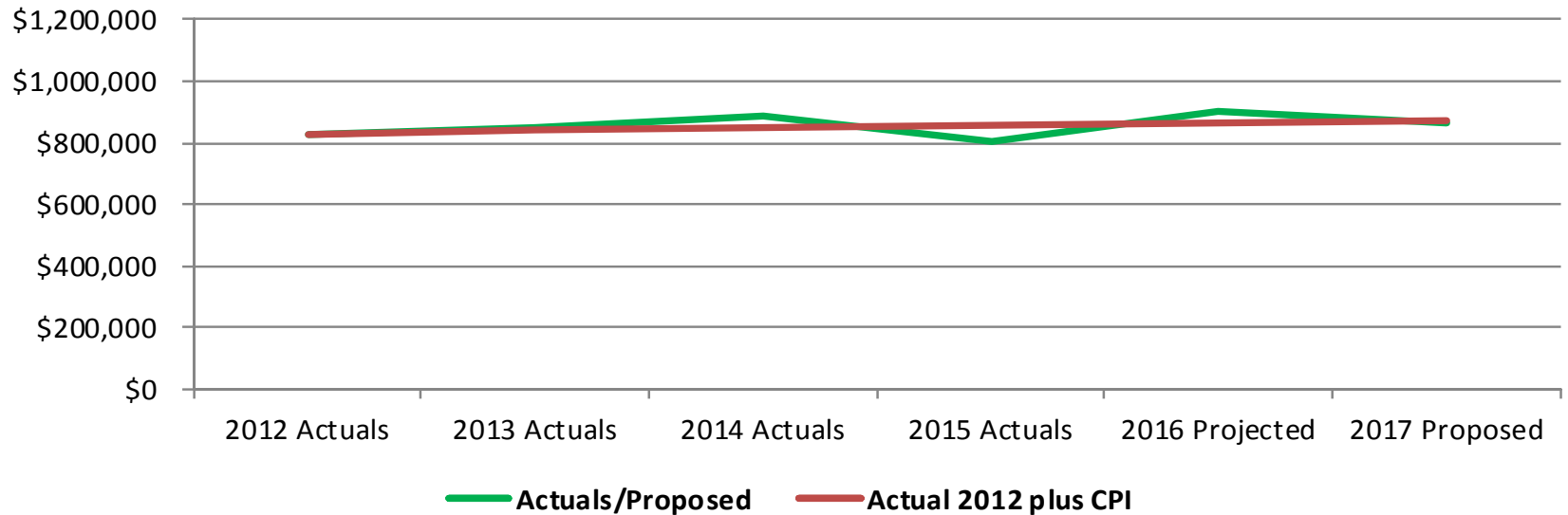
- 6% average annual increase, 2012 Actual – 2017 Proposed
- Based on previous 12 Months as a percentage of wages
- Percentage of wage costs range from 35% to 48%, with an average of 41%

TRAVEL/TRAINING, TUITION & FEES



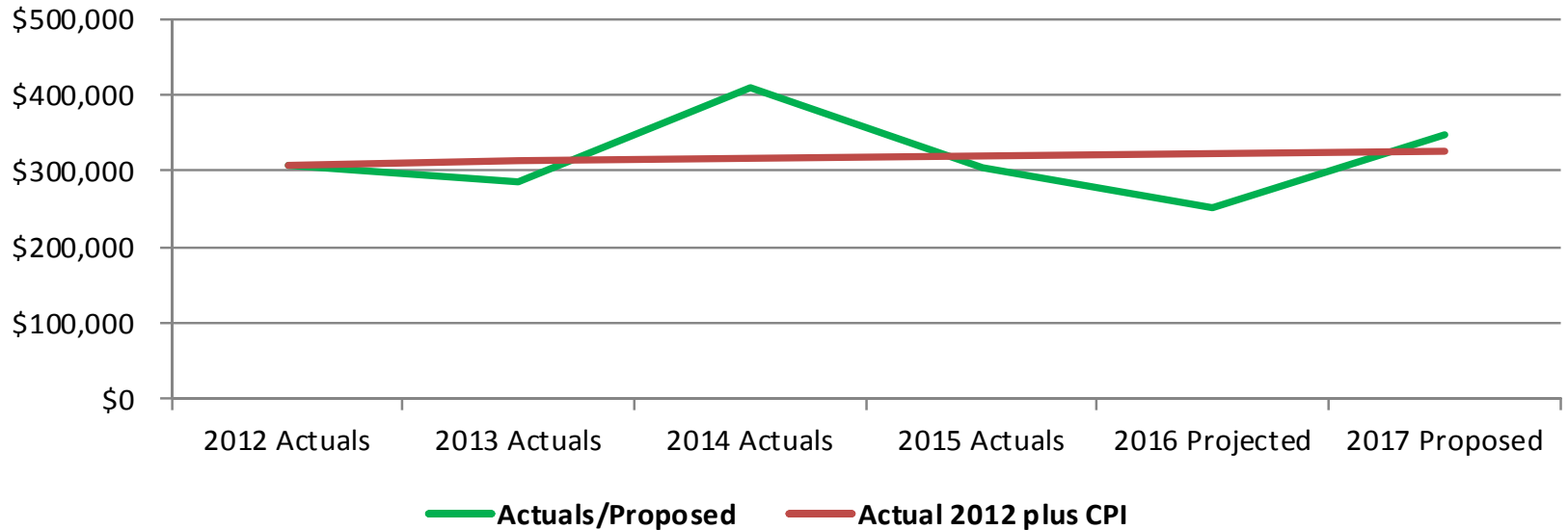
- 5% average annual increase, 2012 Actual – 2017 Proposed
- Combined budget activities
- Based on requests from department heads
- Average travel and training costs of \$2,700 per employee

TRANSPORTATION



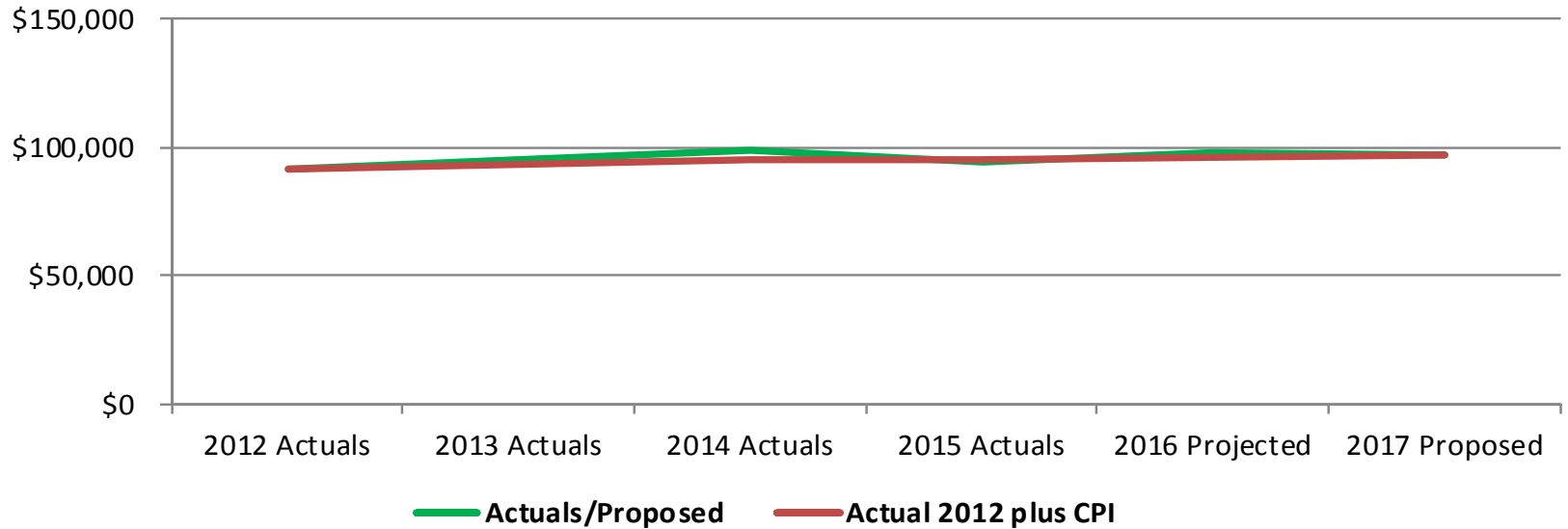
- 1% average annual increase, 2012 Actual – 2017 Proposed
- Estimated using previous twelve months with a 2% Increase

INSURANCE



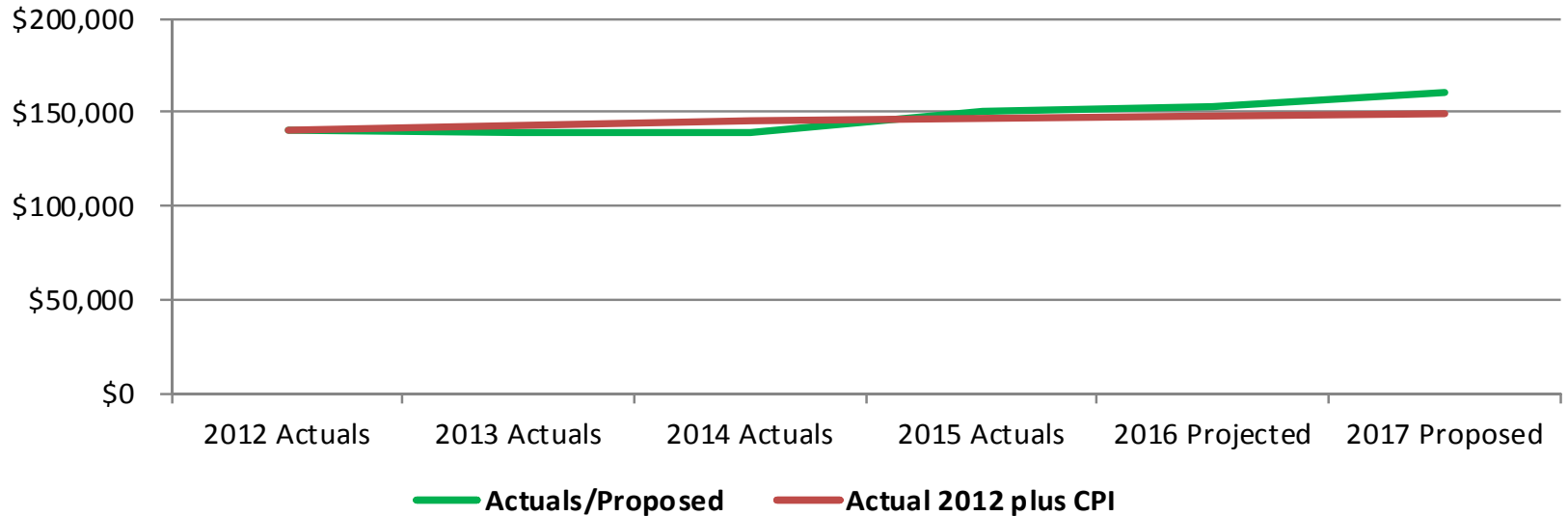
- 2% average annual increase, 2012 Actual – 2017 Proposed
- Estimated based on current renewal estimates from PURMS
- PURMS is an insurance pool that provides the District with liability, property and miscellaneous business insurance coverage

UTILITIES



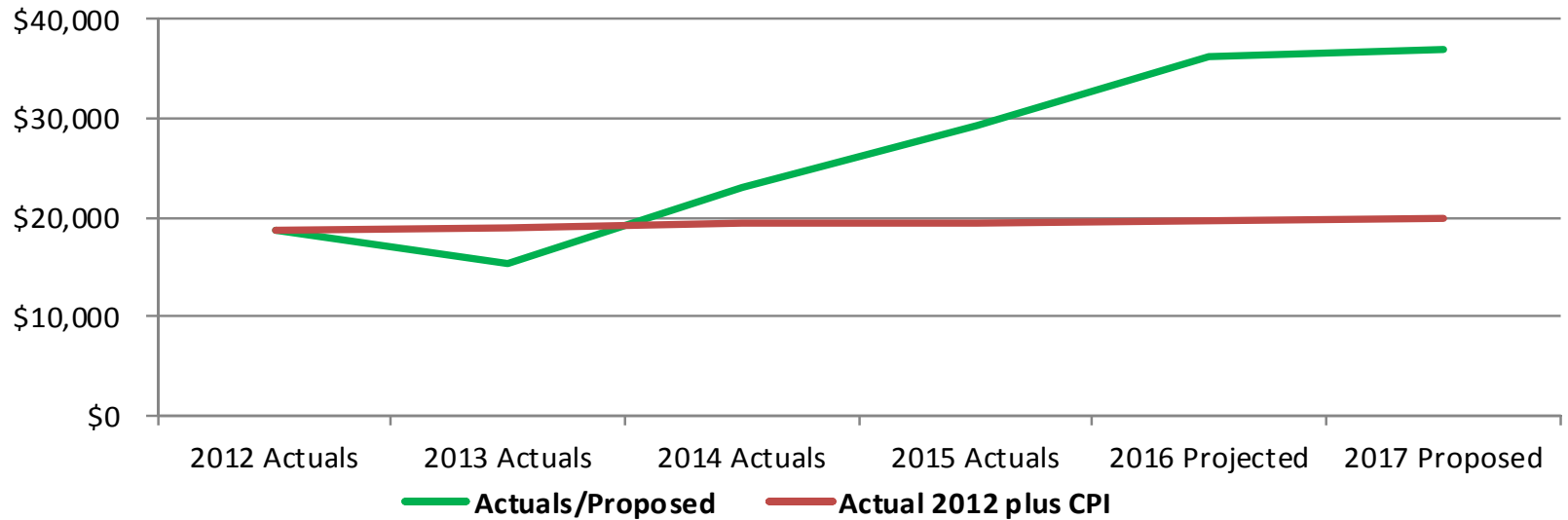
- 1% average annual increase, 2012 Actual – 2017 Proposed
- Estimated using previous twelve months with a 2% increase
- Cellphone, electric service, telephone, water, sewer and garbage

POSTAGE, PRINTING & STATIONARY



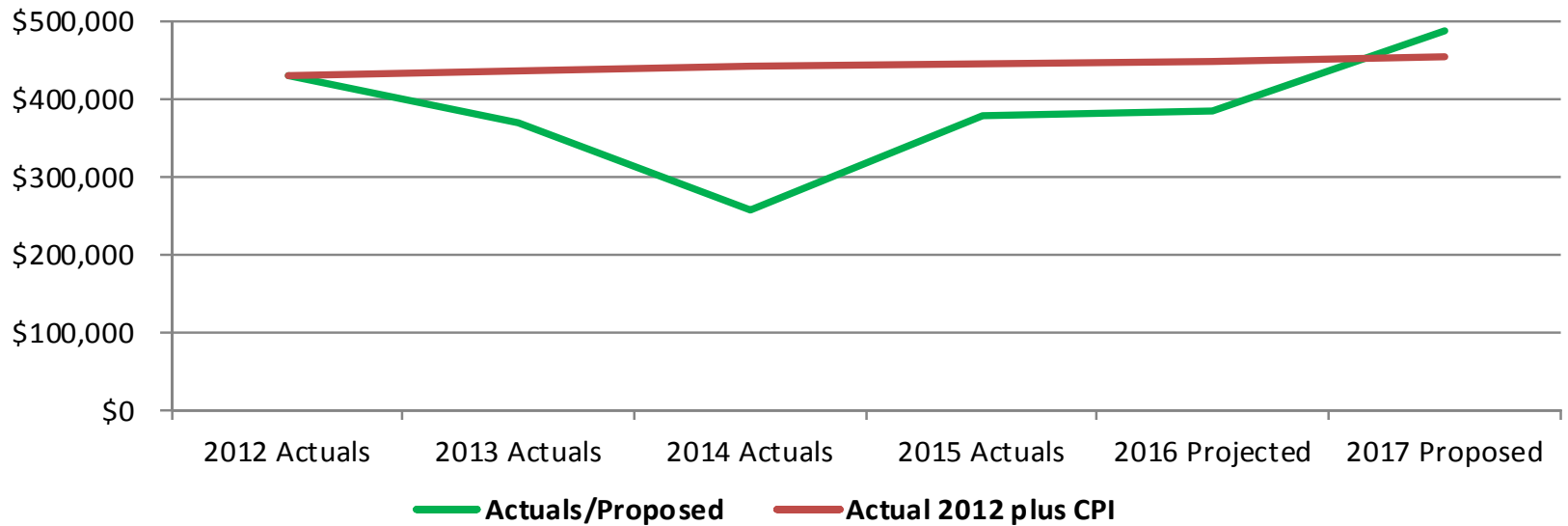
- 2% average annual increase, 2012 Actual – 2017 Proposed
- Estimated using previous twelve months with a 2% Increase

ADVERTISING



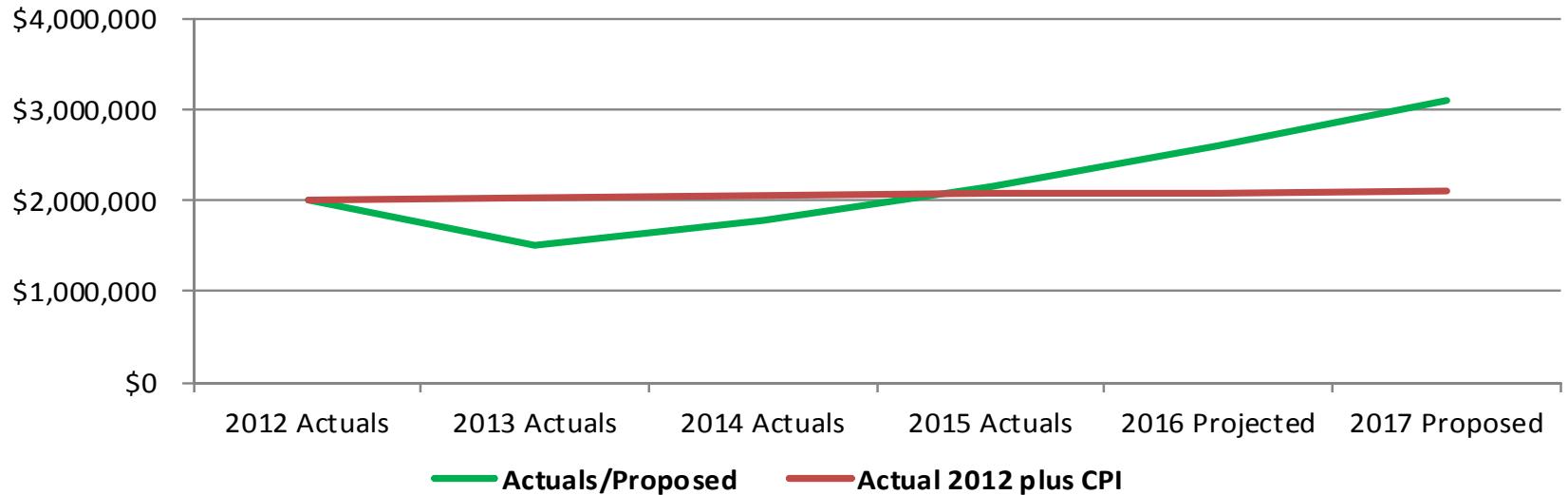
- 16% average annual increase, 2012 Actual – 2017 Proposed
- Majority as requested by the Conservation/Consumer Information Department

CONSERVATION EXPENDITURES



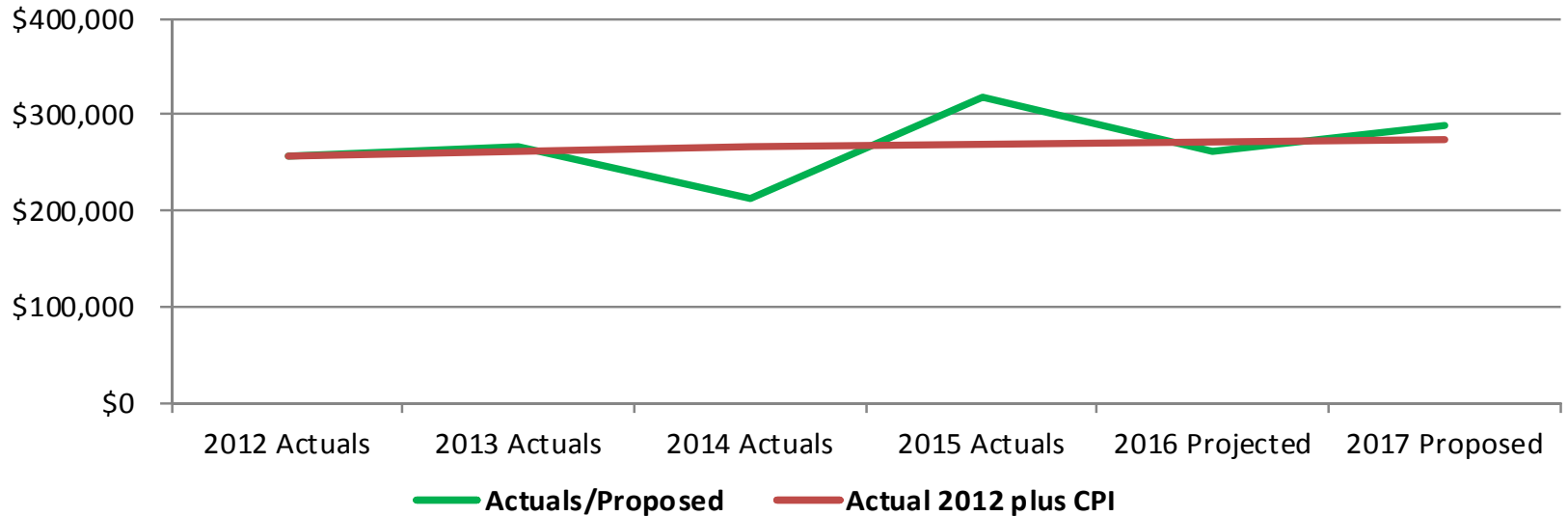
- 2% average annual increase, 2012 Actual – 2017 Proposed
- Based on year two of a two year BPA program

MISC. CONTRACTUAL SERVICES



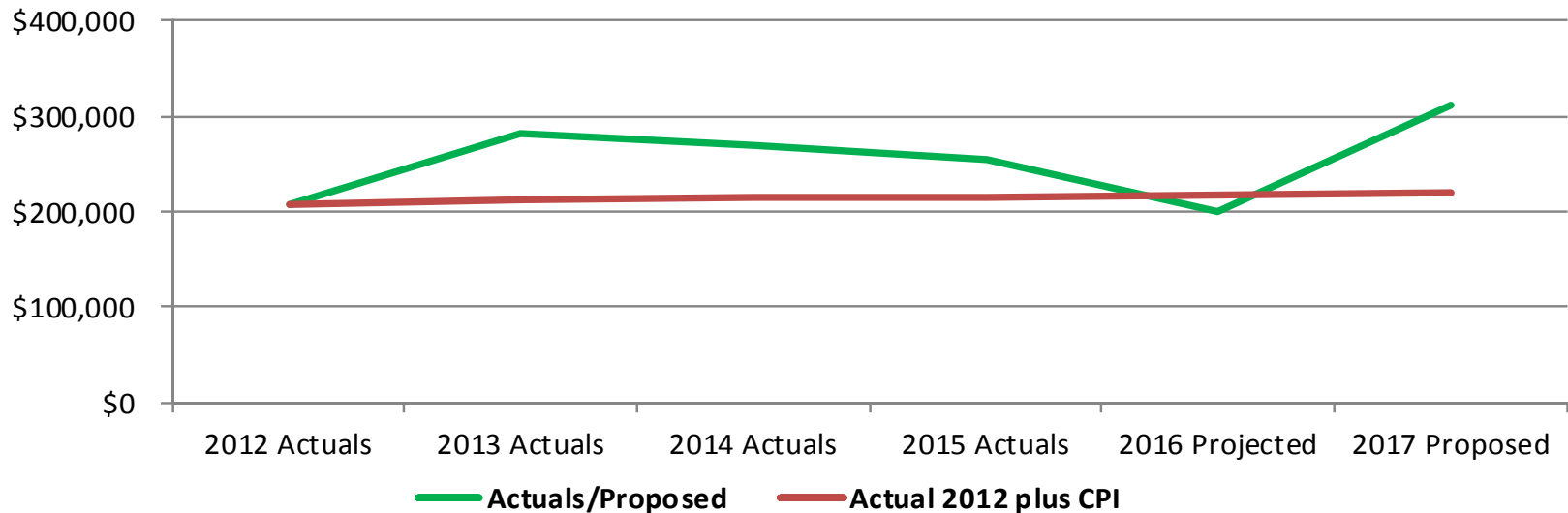
- 9% average annual increase, 2012 Actual – 2017 Proposed

LEGAL SERVICES



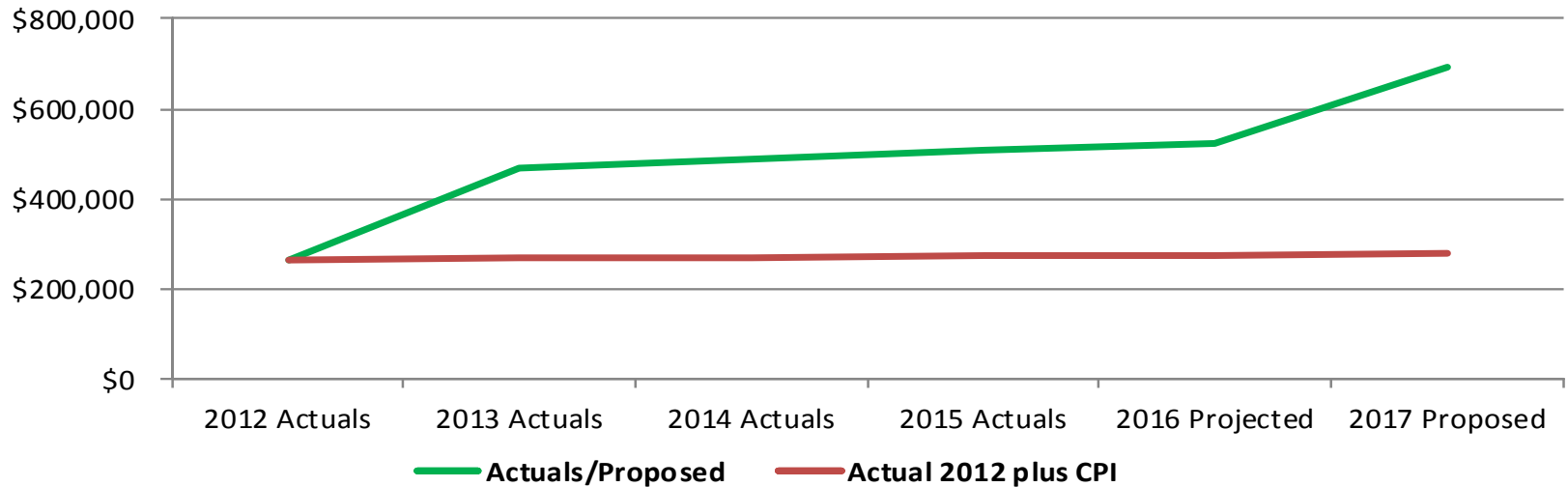
- 2% average annual increase, 2012 Actual – 2017 Proposed
- General counsel \$203,900
- \$75,000 other non-capital legal costs as they arise (deferred compensation plans, compensation, power contracts, etc.)

MAINTENANCE CONTRACTS



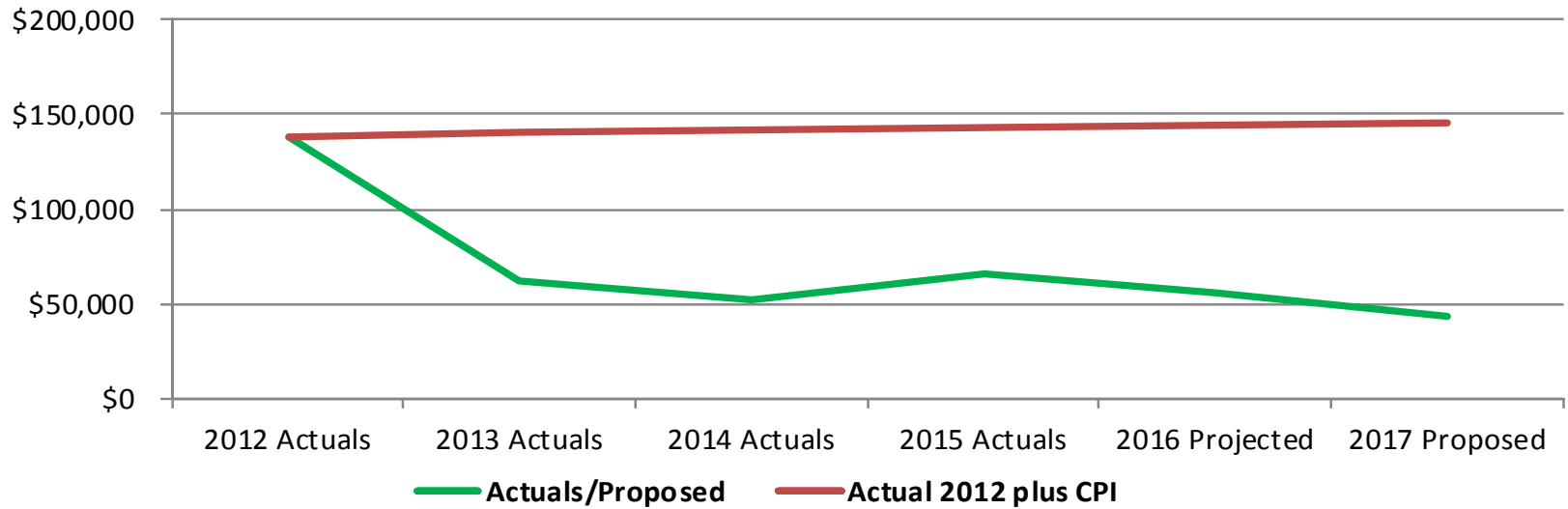
- 8% average annual increase, 2012 Actual – 2017 Proposed
- Larger items: General HQ maintenance \$60k, HVAC \$46k, NetApp SAN \$17k, snow plowing & sweeping \$15k, photocopiers \$14k, Omak UPS \$11k, landscape \$10k, broadband CPE/Cisco/ADVA \$111k & UHF Radio Equipment \$20k

SOFTWARE LICENSES & SUPPORT



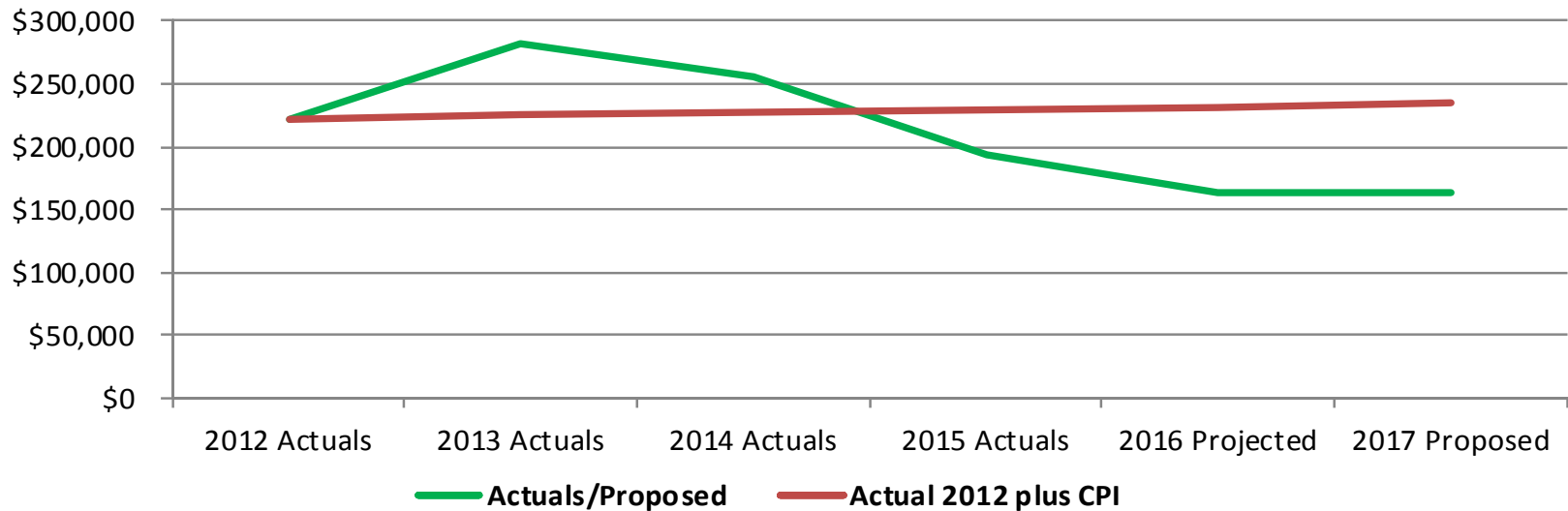
- 35% average annual increase, 2012 Actual – 2017 Proposed
- Larger items include: Slice software \$196k, NISC \$135k, Microsoft \$39k, Futura \$38k, Itron \$37k, Ciena \$30k, SIEM \$30k, OSI \$23k, Aclara \$16k, Shortel \$13k, Solar Winds \$16k and Zonar \$12k

PERMITS & FEES



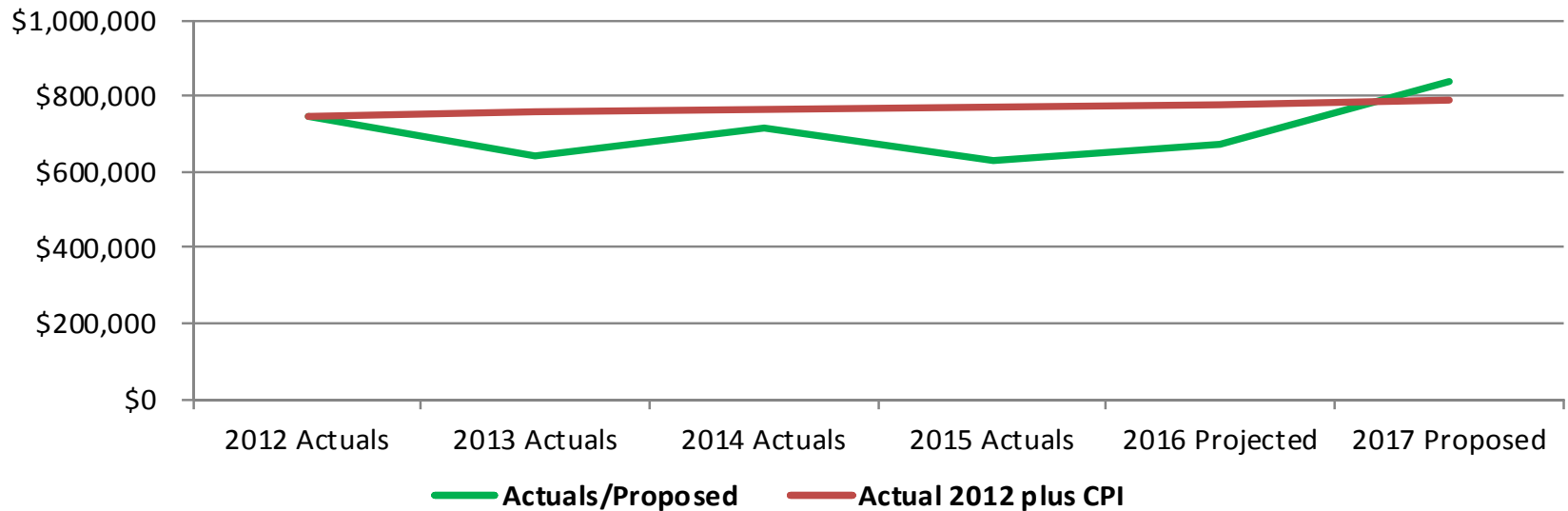
- 11% average annual decrease, 2012 Actual – 2017 Proposed
- Majority is for bandwidth \$24k
- 2012 had some dark fiber leases charged to Permits and Fees, now being charged to Rents and Leases

RENTS & LEASES



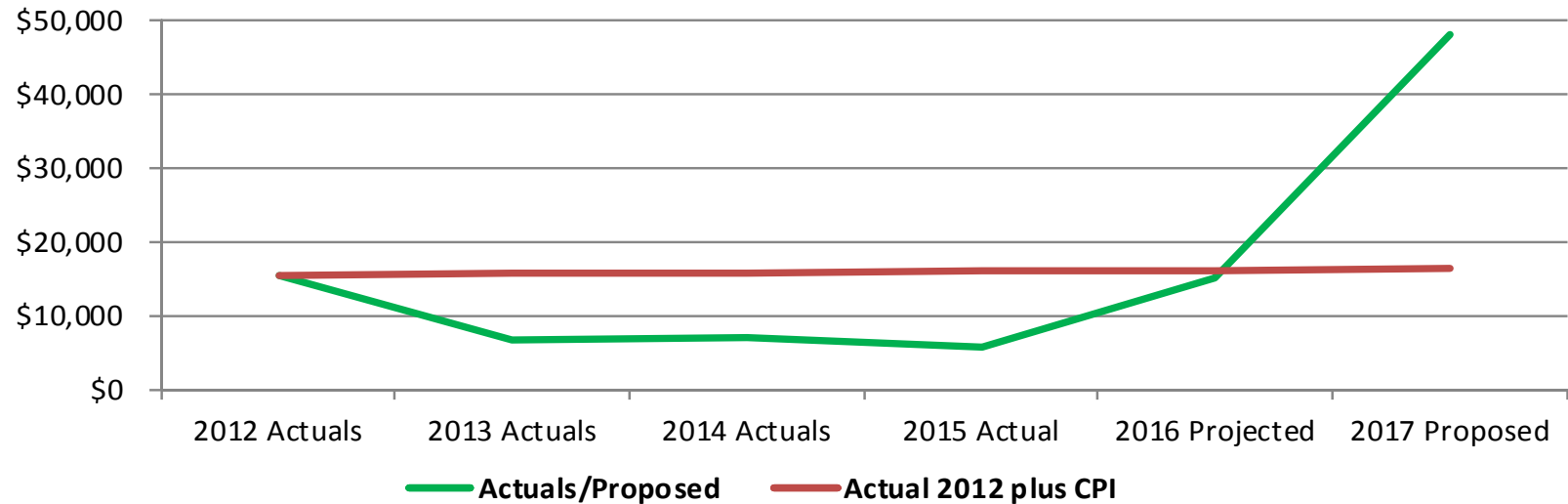
- 4% average annual decrease, 2012 Actual – 2017 Proposed
- 2012 shift from Permits and Fees
- Ophir site lease - \$10k
- Information Systems - mailing equipment and printer leases \$35k
- Broadband – dark fiber, co-location fees and wireless sites \$73k
- Internal Communications - UHF sites \$14k and dark fiber \$23k

MATERIALS & SUPPLIES



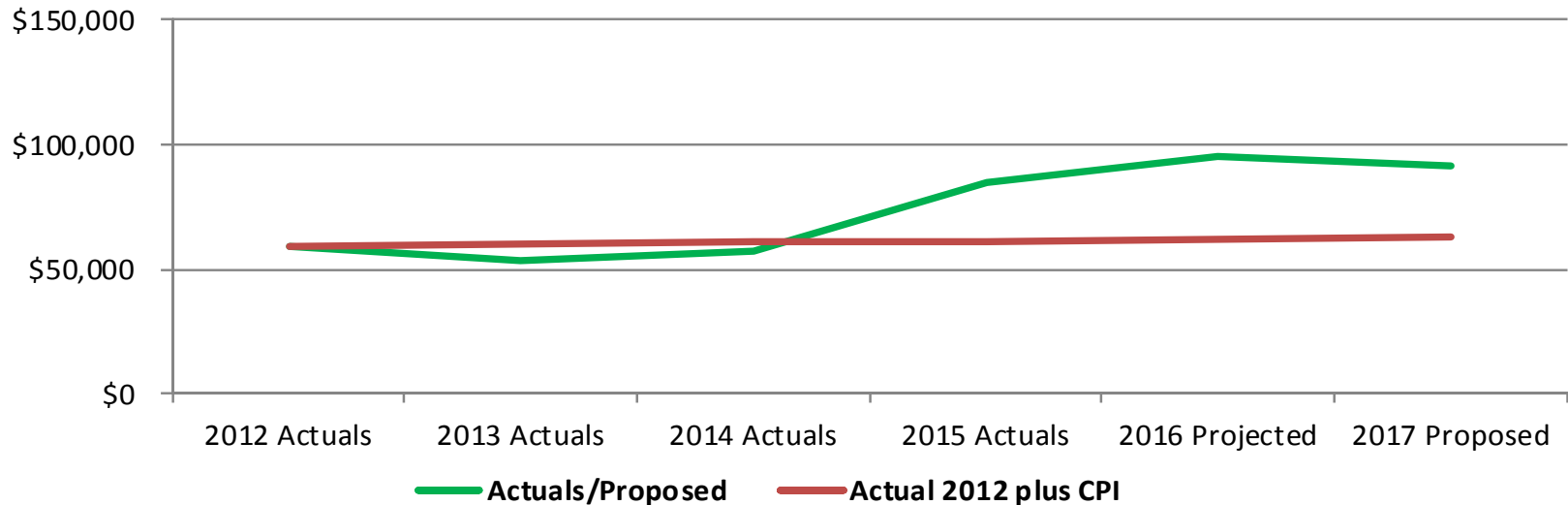
- 2% average annual increase, 2012 Actual – 2017 Proposed
- Non-capital materials and supplies
- Building maintenance, office supplies, engineering supplies, first aid supplies, fire resistant clothing, hearing tests, laundry services, crew supplies, electric shop supplies, mailing supplies, oil testing, paint booth supplies, rubber good testing/supplies, specialty gases, tree replacement program, PCB disposal, misc. office furniture, etc.
- TWACS Pucks \$35k

SMALL TOOLS



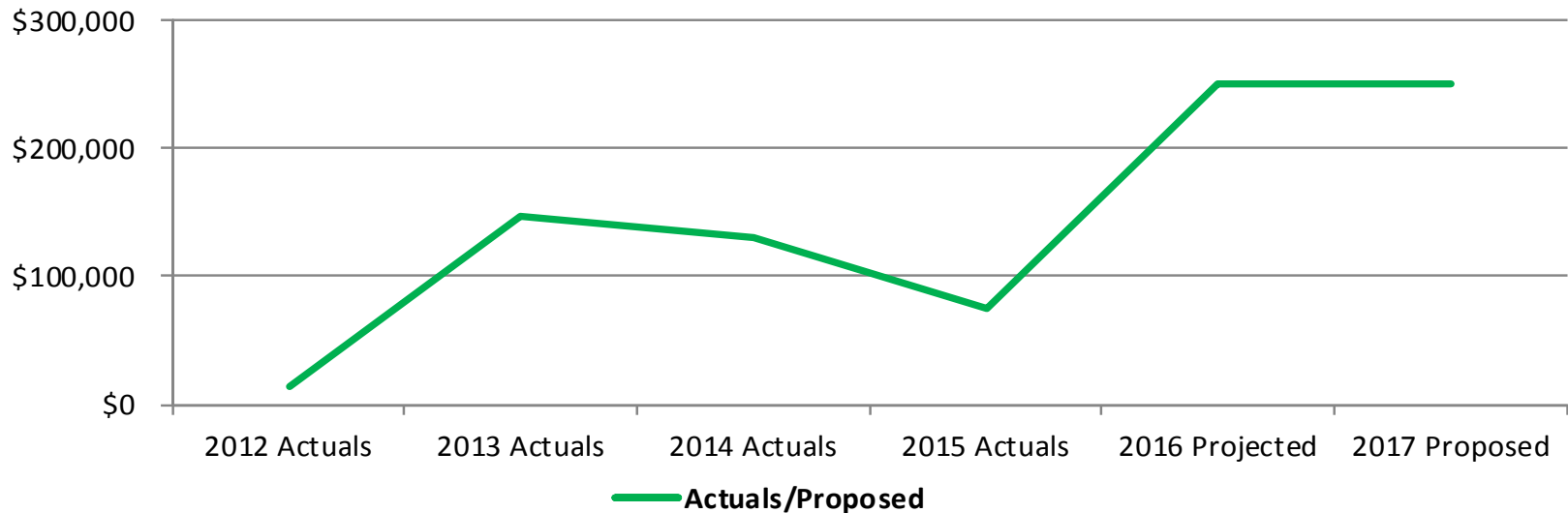
- 35% average annual increase, 2012 Actual – 2017 Proposed
- Tools under \$1,000 such as; cameras, cable cutters, small printers, phone replacements, iPads, GPS units, fault indicators, etc.
- 2017 includes \$19k for in iPads

MISCELLANEOUS



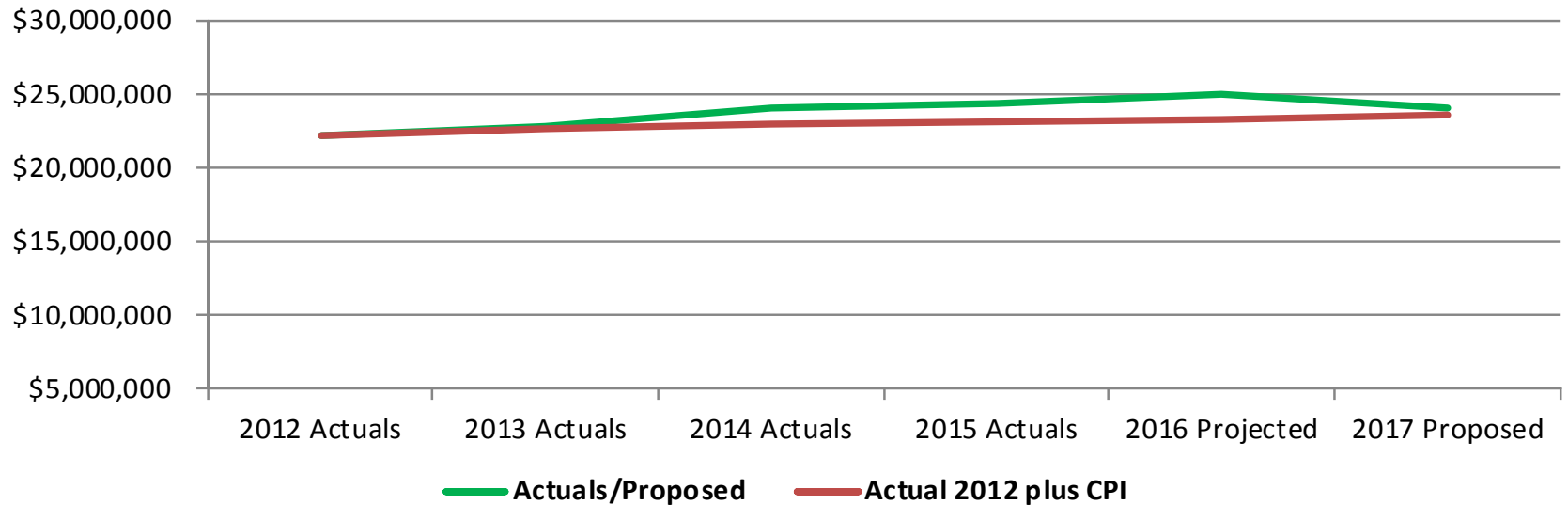
- 9% average annual increase, 2012 Actual – 2017 Proposed
- Larger items include: employee expenses \$20k (employee day, interviews, moving, service awards and wellness programs), account write-offs \$54k and damage claims/deductibles \$4k

OPERATING CONTINGENCY



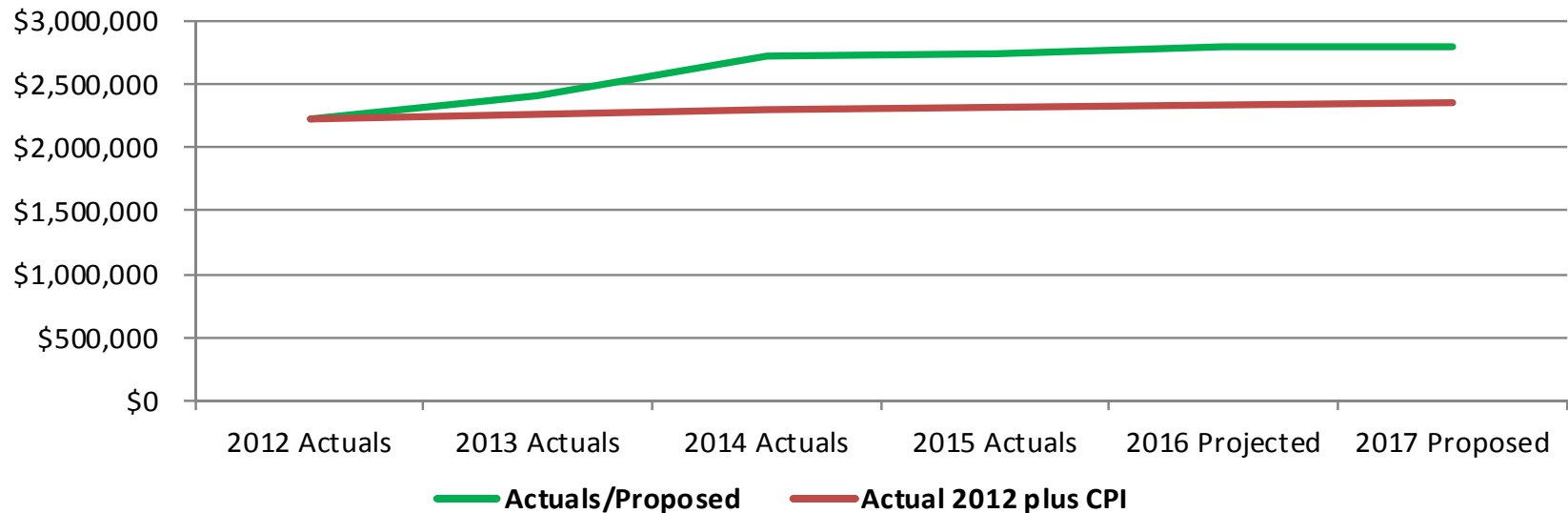
- New budget activity in 2012
- 2013 was higher due to a pass through payment
- 2014 costs were driven by the Carlton Complex fires

PURCHASED POWER



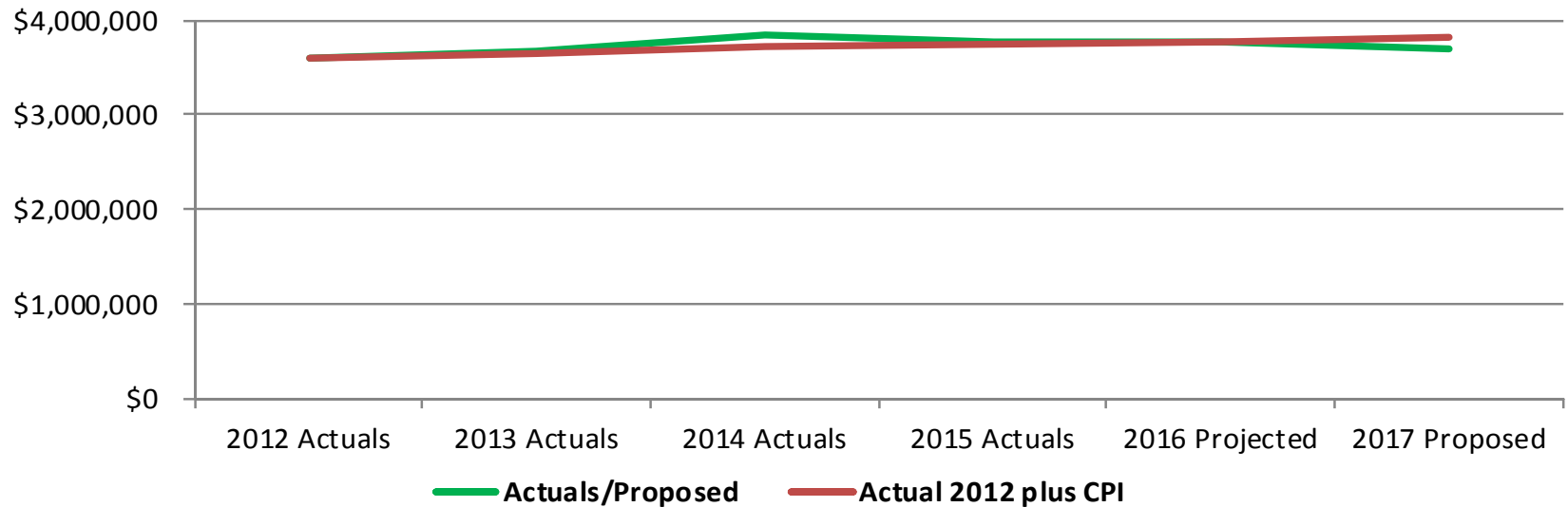
- 1% average annual increase, 2012 Actual – 2017 Proposed
- Largest expense item in the District's budget
- BPA based on current rates effective October 1, 2016
- Wells Project based on current rates effective September 1, 2016
- Nine Canyon Wind based on current rates effective July 1, 2016

TAXES



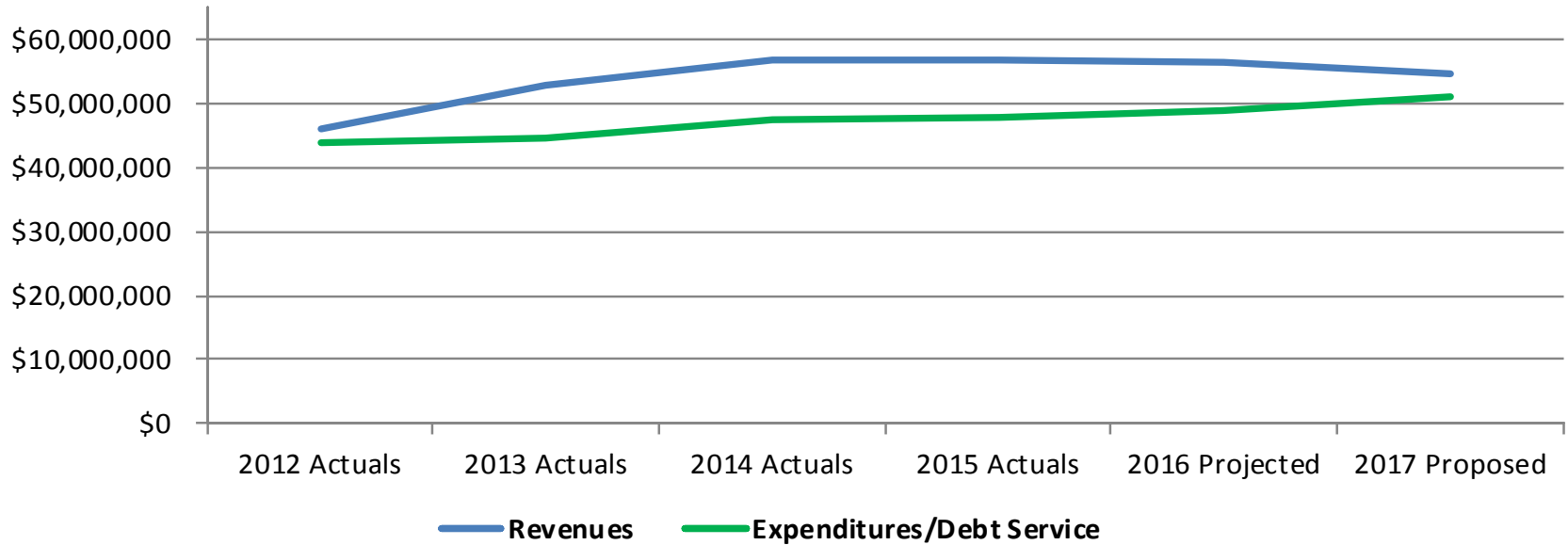
- 4% average annual increase, 2012 Actual – 2017 Proposed
- Tied to increased retail sales
- Public Utility Tax of \$1.8m (3.8734% of gross revenues)
- Privilege Tax of \$979k (2.14% of gross revenues)
- Misc. taxes \$32k, such as Leasehold and B&O taxes

DEBT SERVICE



- 1% average annual increase, 2012 Actual – 2017 Proposed
- Principal \$1,966,100
- Interest \$1,740,400
- Broadband interest 5%, loan and operating LOC from Electric

TOTALS

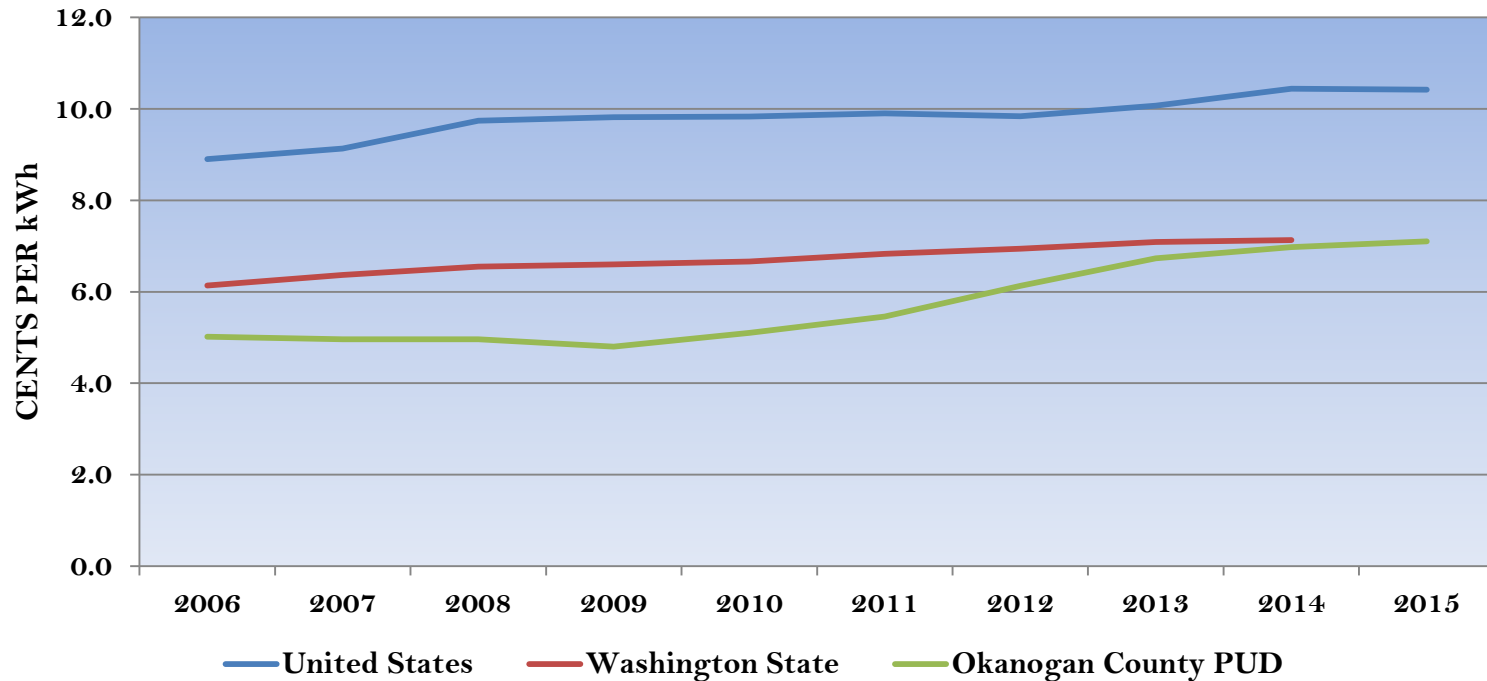


- Revenue: 3% average annual increase, 2012 Actual – 2017 Proposed
- Expenditure/Debt Service: 3% average annual increase, 2012 Actual – 2017 Proposed

PROPOSED FUNDING AVAILABLE FOR CAPITAL

2017 Proposed Revenue	\$54,556,000	
Less: 2017 Proposed Expenditures/Debt Service	<u>\$50,976,500</u>	
FUNDING PROVIDED FROM 2017 ACTIVITIES		\$3,579,500
Projected Cash and Investments 12/31/16	\$21,433,000	
Less: Restricted Funds	\$10,579,500	
Less: 60 Days Working Capital on Hand	<u>\$7,000,000</u>	
ADDITIONAL FUNDS AVAILABLE FOR CAPITAL		<u>\$3,853,500</u>
	PROPOSED FUNDING AVAILABLE FOR CAPITAL	\$7,433,000

COST PER KWH COMPARISON



- Average retail cost/kWh, all sectors
- United States average was 10.42 cents in 2015
- Washington State average was 7.13 cents in 2014
- Okanogan PUD average was 7.10 cents in 2015

QUESTIONS?

