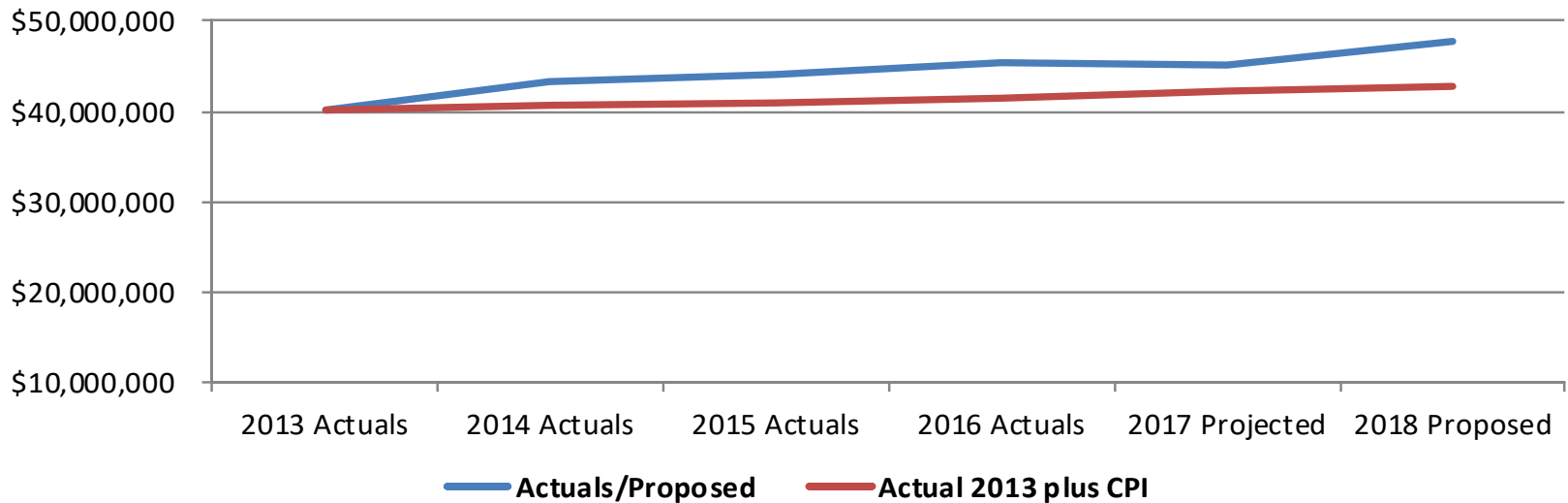


2018 BUDGET PRESENTATION GENERAL FINANCIAL DATA AND TRENDS

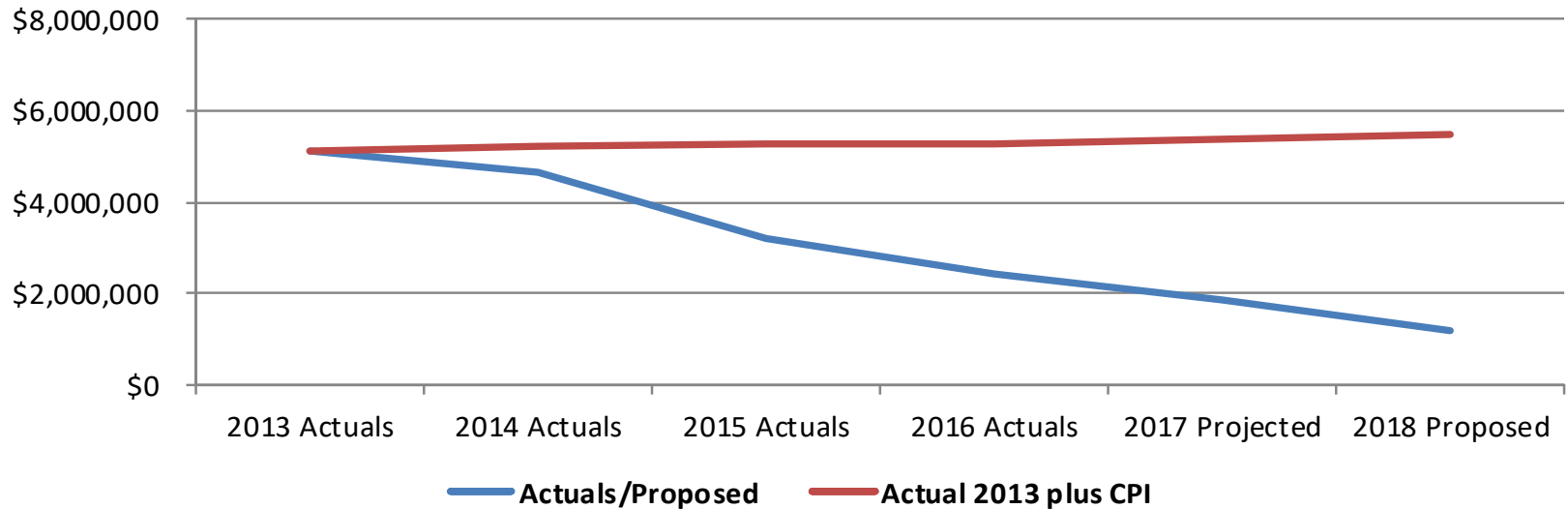
Don Coppock

RETAIL ELECTRIC SALES



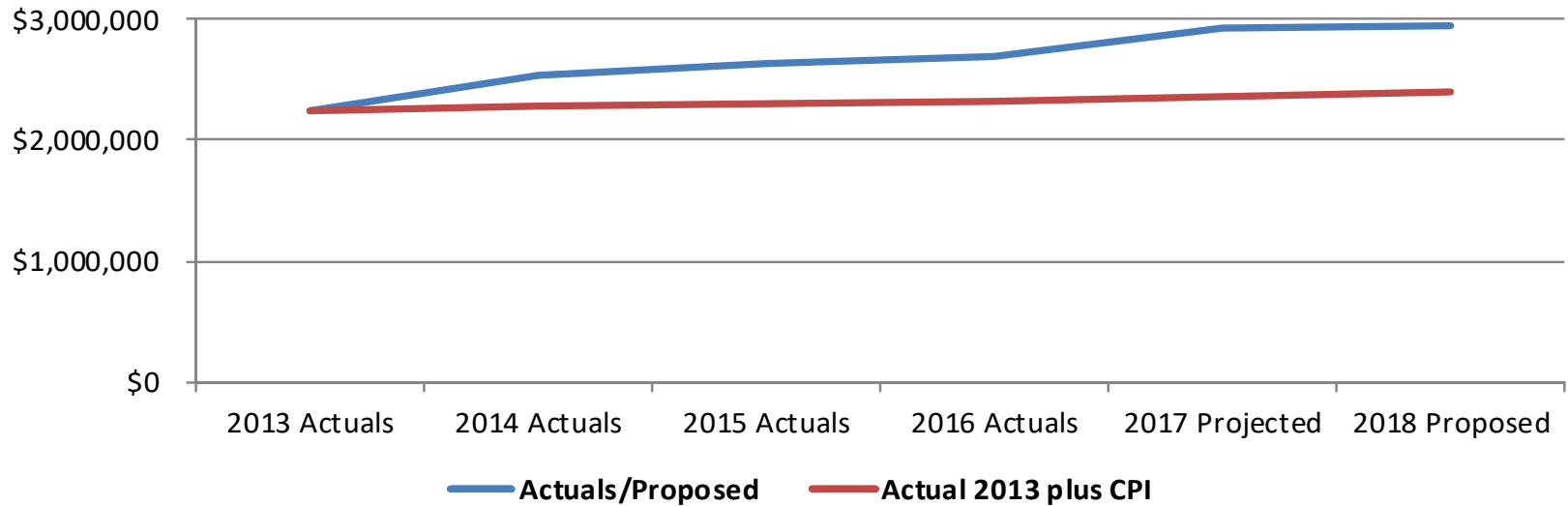
- 3% average annual increase, 2013 Actual - 2018 Proposed
- Predicting 1% load growth (actual 2012-2016 is about 1.0%)
- No adder for weather adjustment
- No anticipated new large load
- No rate increase during 2018

WHOLESALE ELECTRIC SALES



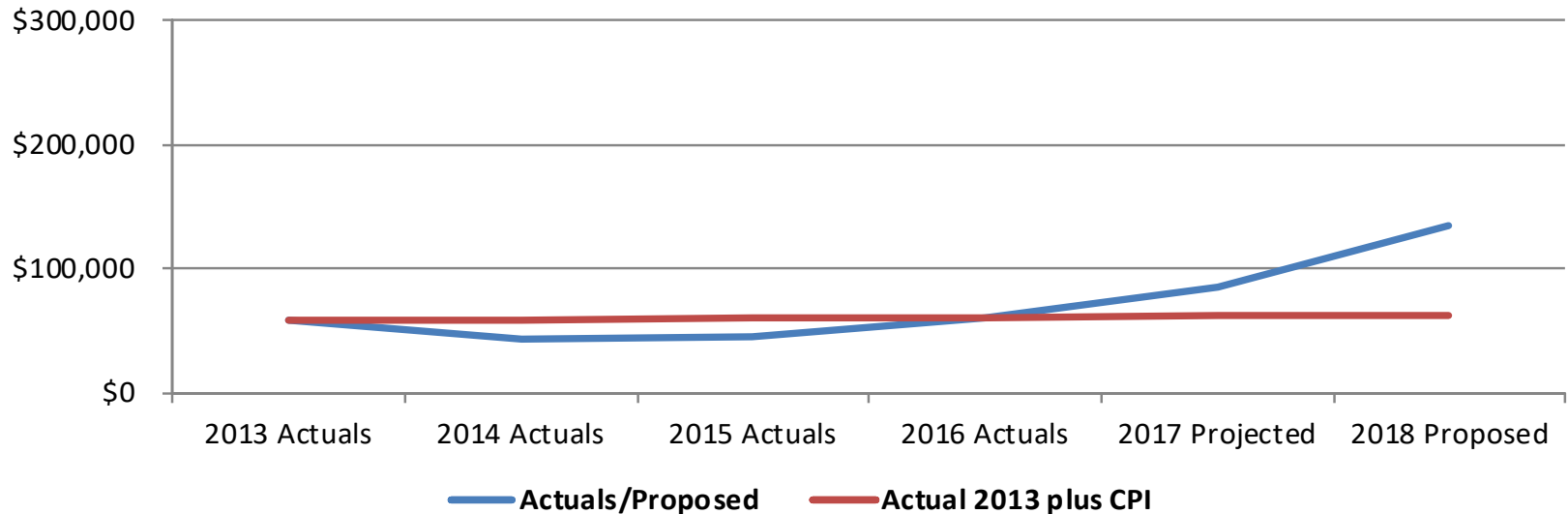
- 13% average annual decrease, 2013 Actual – 2018 Proposed
- Based on $\frac{3}{4}$ to median water year
- Ten year average wind (Nine Canyon Wind)
- Previous two years average pricing

WHOLESALE BROADBAND SALES



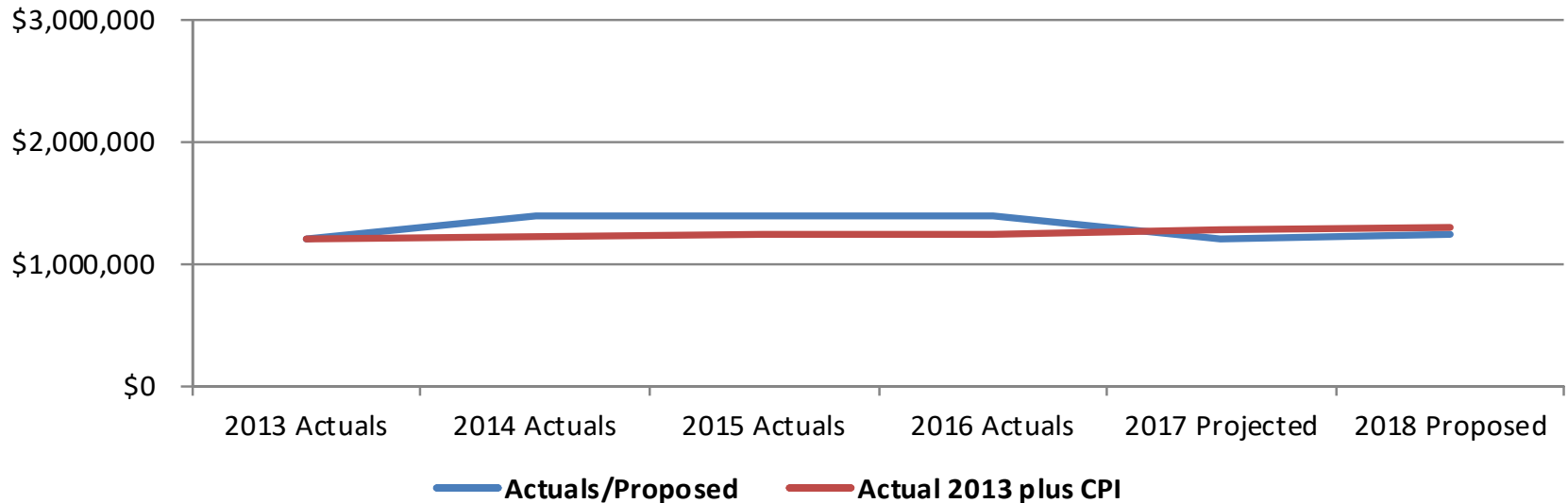
- 5% average annual increase, 2013 Actual – 2018 Proposed
- Based on current revenue levels

INTEREST INCOME



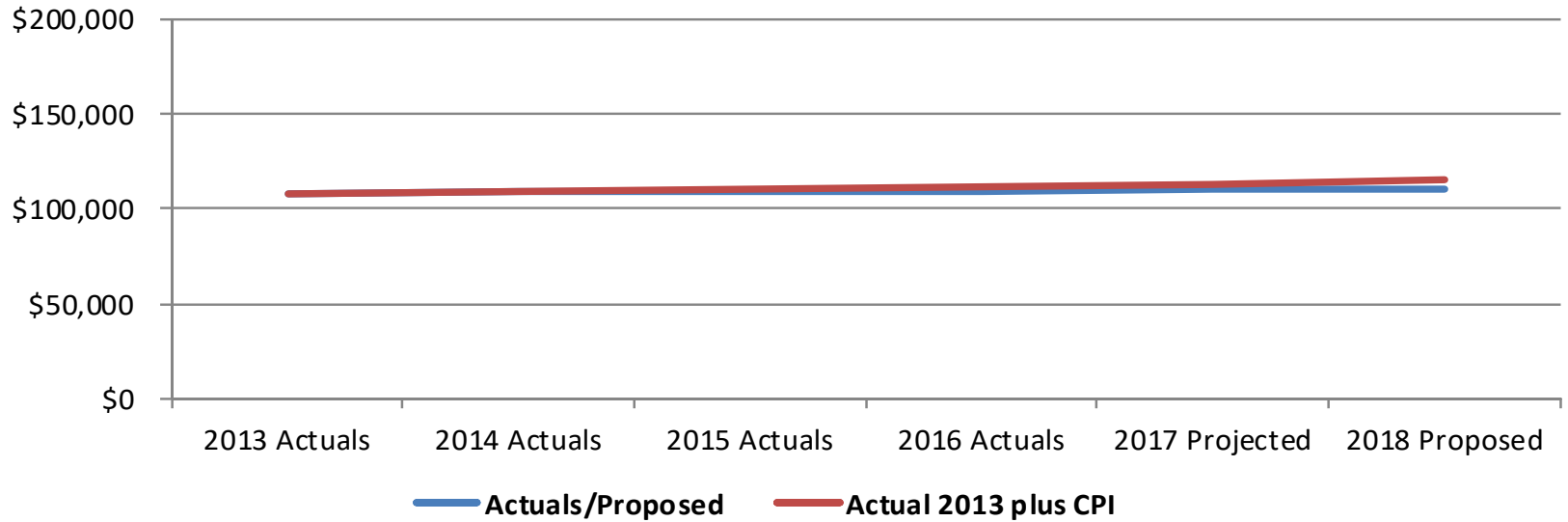
- 21% average annual increase, 2013 Actual - 2018 Proposed
- Current earnings on investments maturing in 2018
- Funds still to be invested, LGIP 1% and CDs 1%
- Conservation loan interest estimated at \$9,000

MISCELLANEOUS INCOME



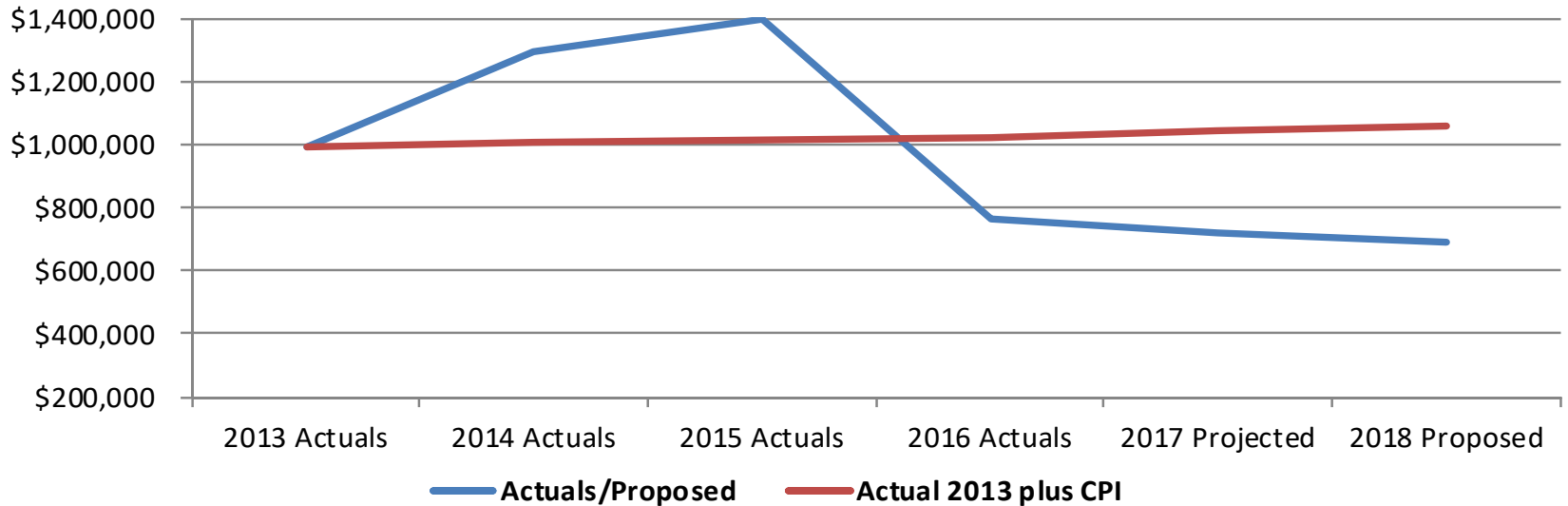
- 0.2% average annual increase, 2013 Actual - 2018 Proposed
- Previous twelve months revenue and Build America Bond (BAB) refund
- Wheeling \$667k, BAB refund \$406k and other income \$147k

RENTAL INCOME



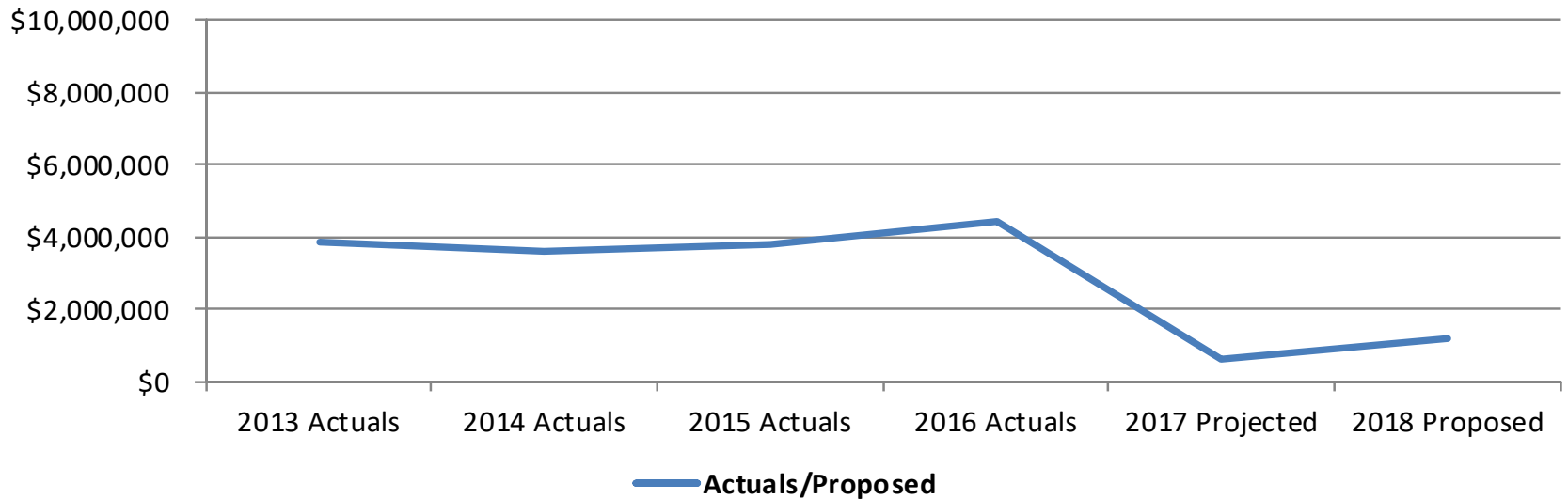
- 0.3% average annual increase, 2013 Actual - 2018 Proposed
- Pole contact rental (Charter, Centurylink and others)

CONSTRUCTION CONTRIBUTIONS



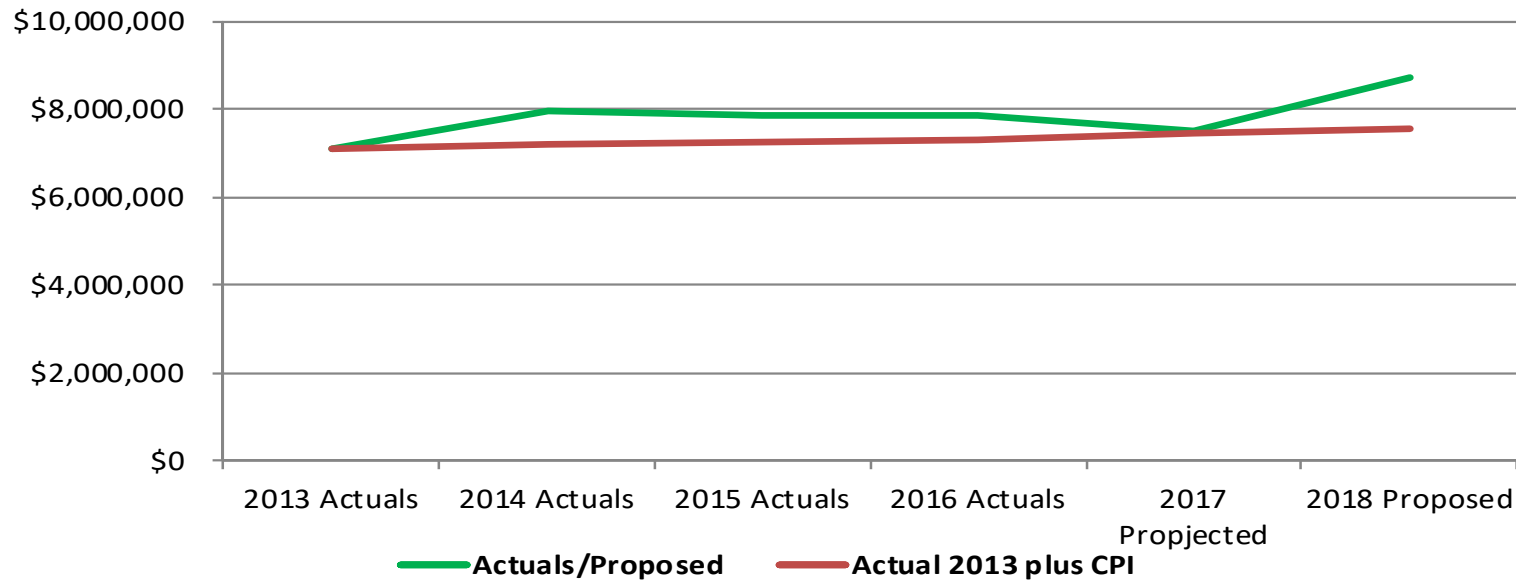
- 5% average annual decrease, 2013 Actual – 2018 Proposed
- Estimated using previous two year average
- Customer contributions for electric service/line extensions

GRANT PROCEEDS



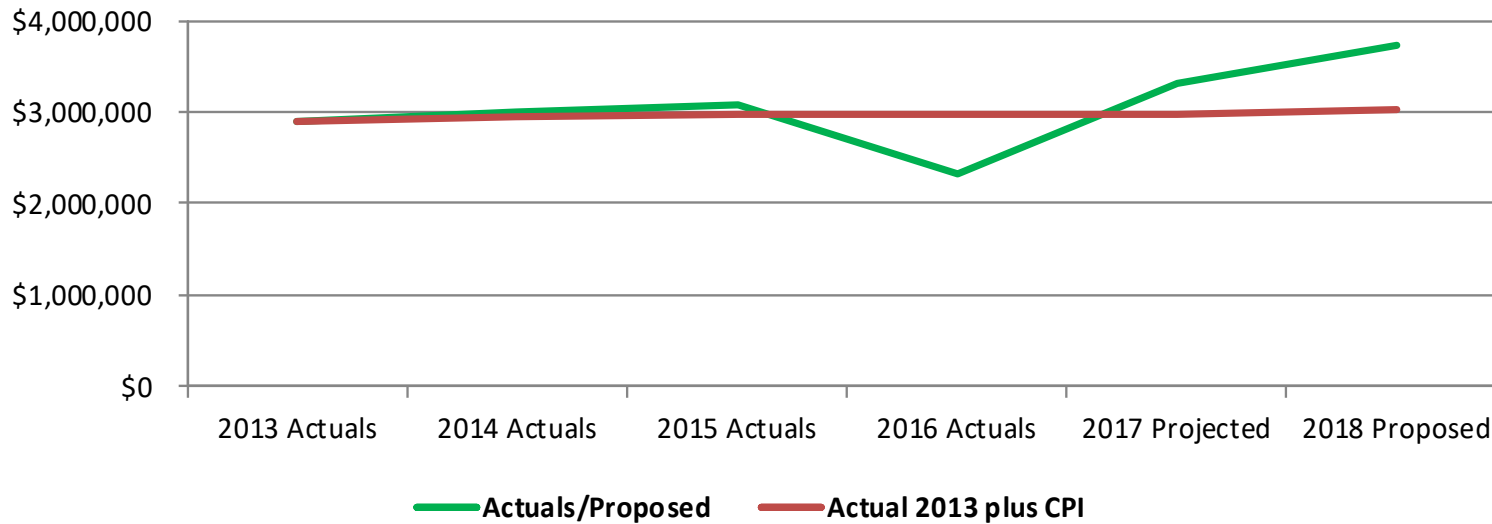
- Includes BPA conservation payments, RUS/ARRA reimbursements and FEMA payments

WAGES



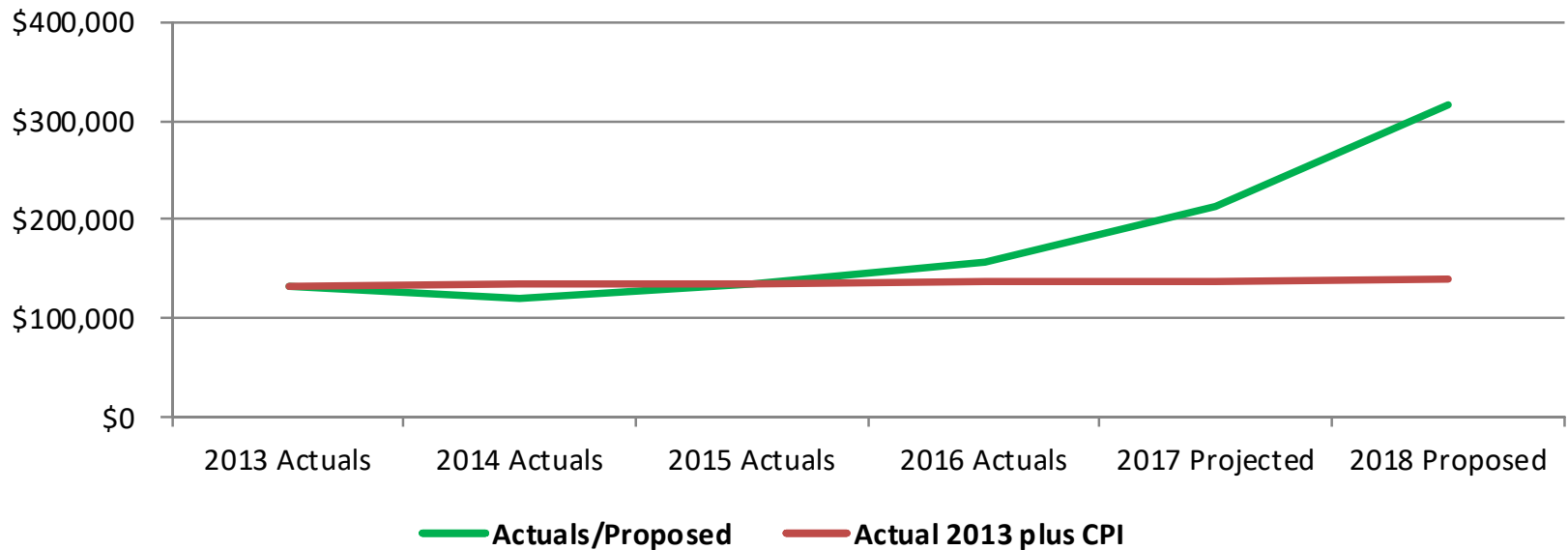
- 4% average annual increase, 2013 Actual – 2018 Proposed
- Reflects a 2% general wage increase
- Total of 98 full-time employees in Proposed Budget

BENEFITS



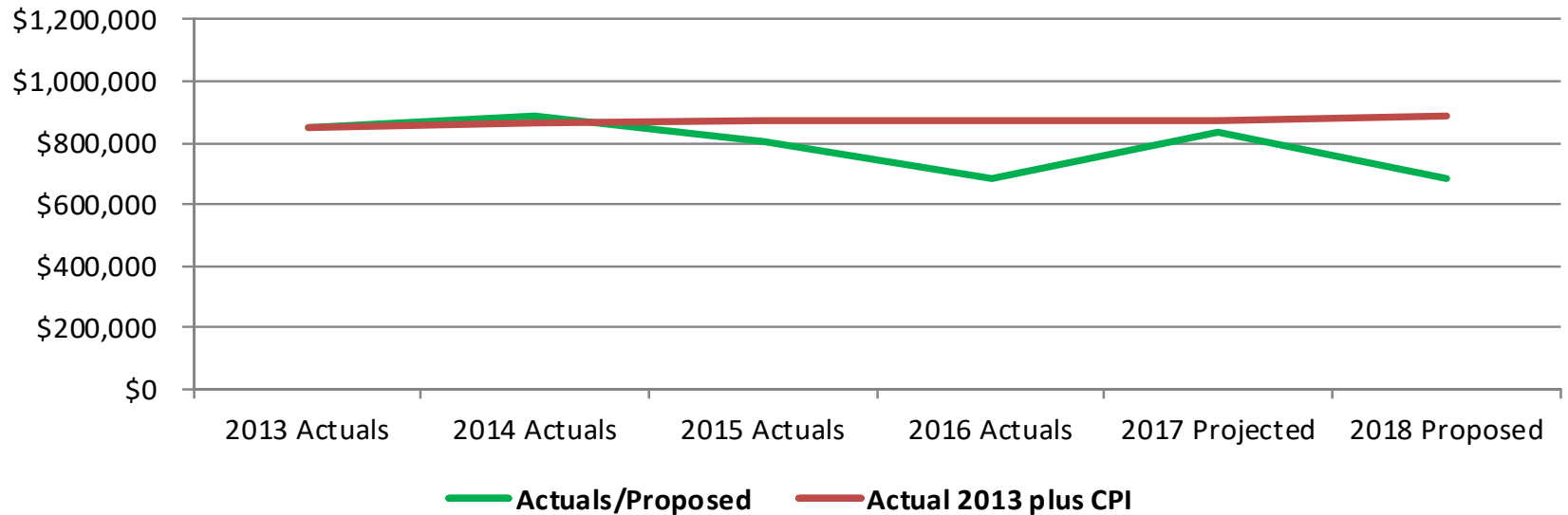
- 5% average annual increase, 2013 Actual – 2018 Proposed
- Based on previous 12 Months as a percentage of wages
- Percentage of wage costs range from 36% to 50%, with an average of 43%

TRAVEL/TRAINING, TUITION & FEES



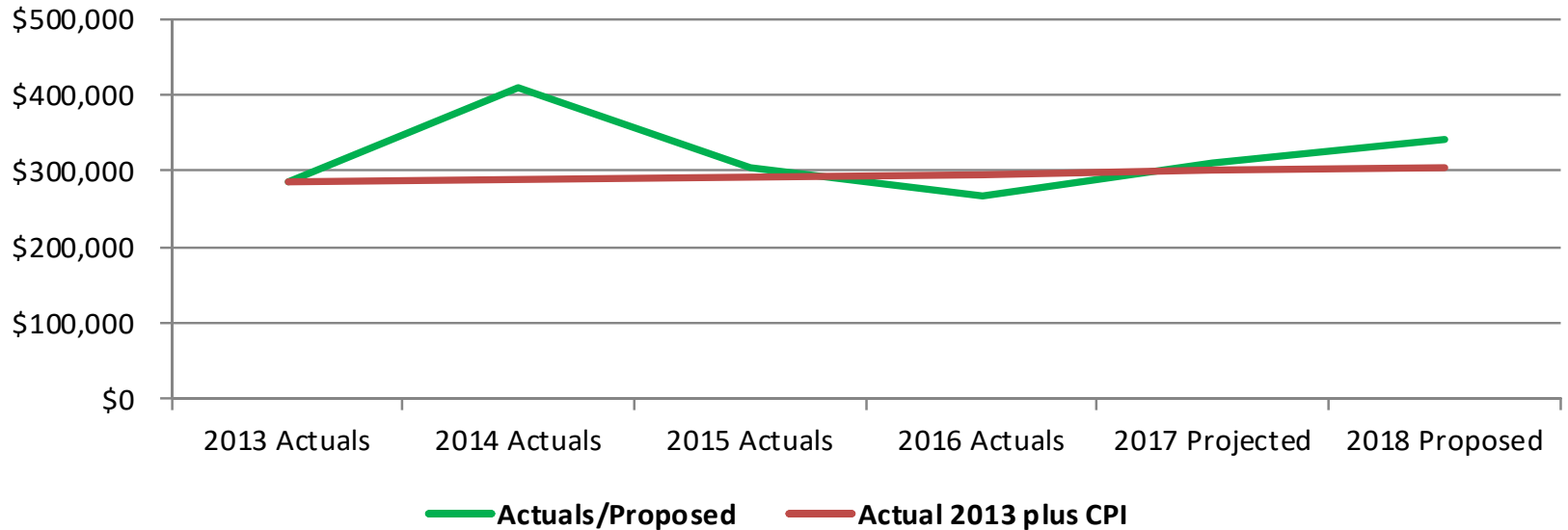
- 23% average annual increase, 2013 Actual – 2018 Proposed
- Combined budget activities
- Based on requests from department heads
- Average travel and training costs of \$3,200 per employee

TRANSPORTATION



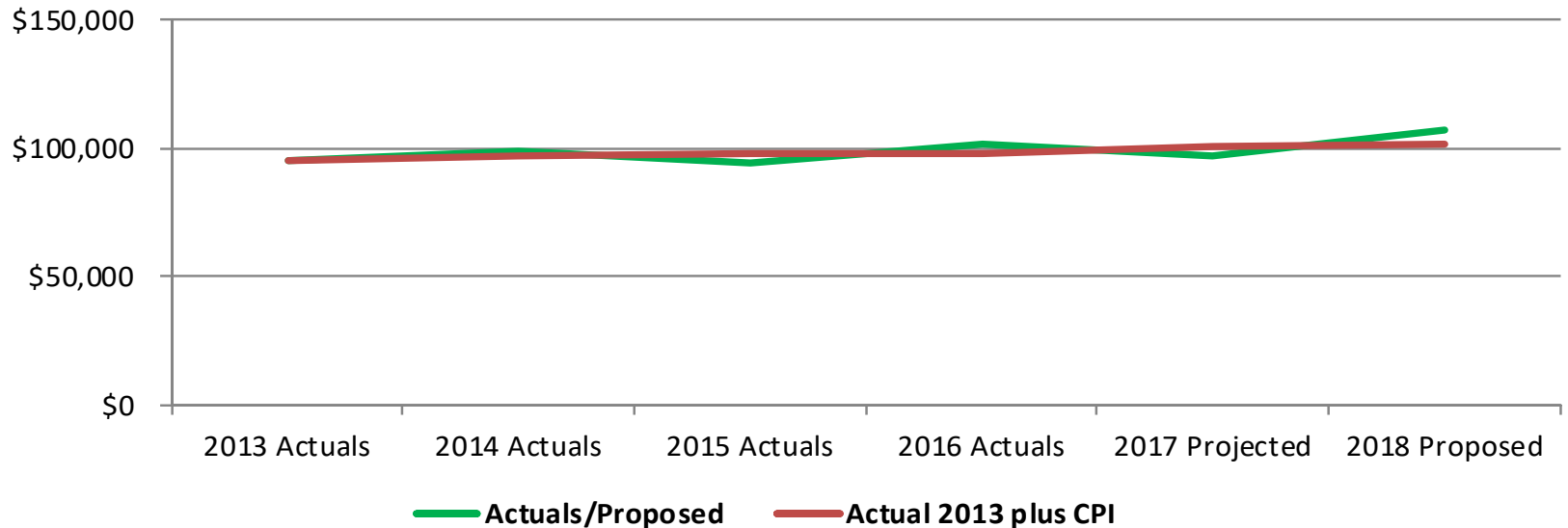
- 3% average annual decrease, 2013 Actual – 2018 Proposed
- Estimated using previous twelve months with a 2% Increase

INSURANCE



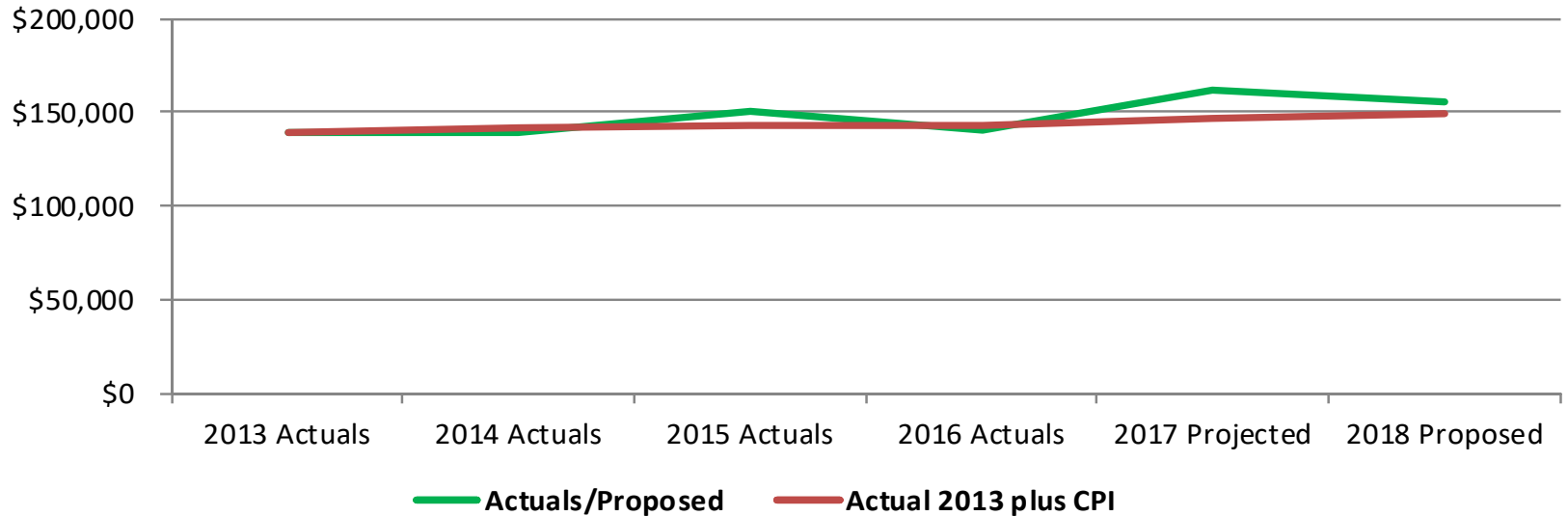
- 3% average annual increase, 2013 Actual – 2018 Proposed
- Estimated based on current renewal estimates from PURMS
- PURMS is an insurance pool that provides the District with liability, property and miscellaneous business insurance coverage

UTILITIES



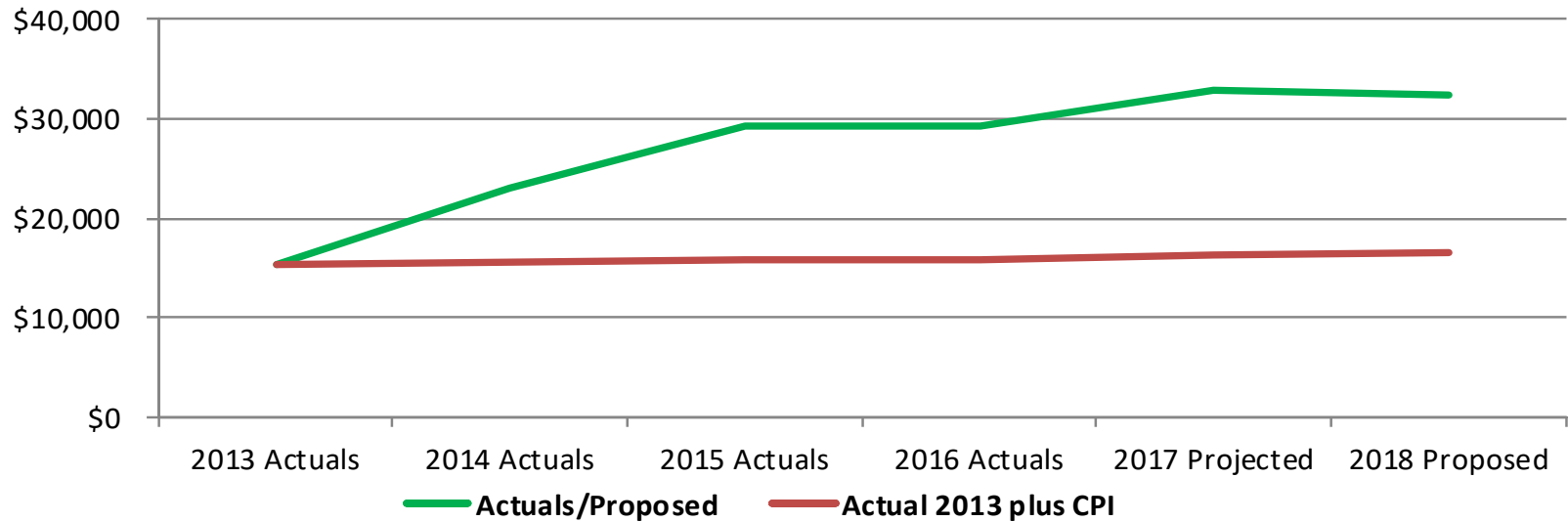
- 2% average annual increase, 2013 Actual – 2018 Proposed
- Estimated using previous twelve months with a 2% increase
- Cellphone, electric service, telephone, water, sewer and garbage

POSTAGE, PRINTING & STATIONARY



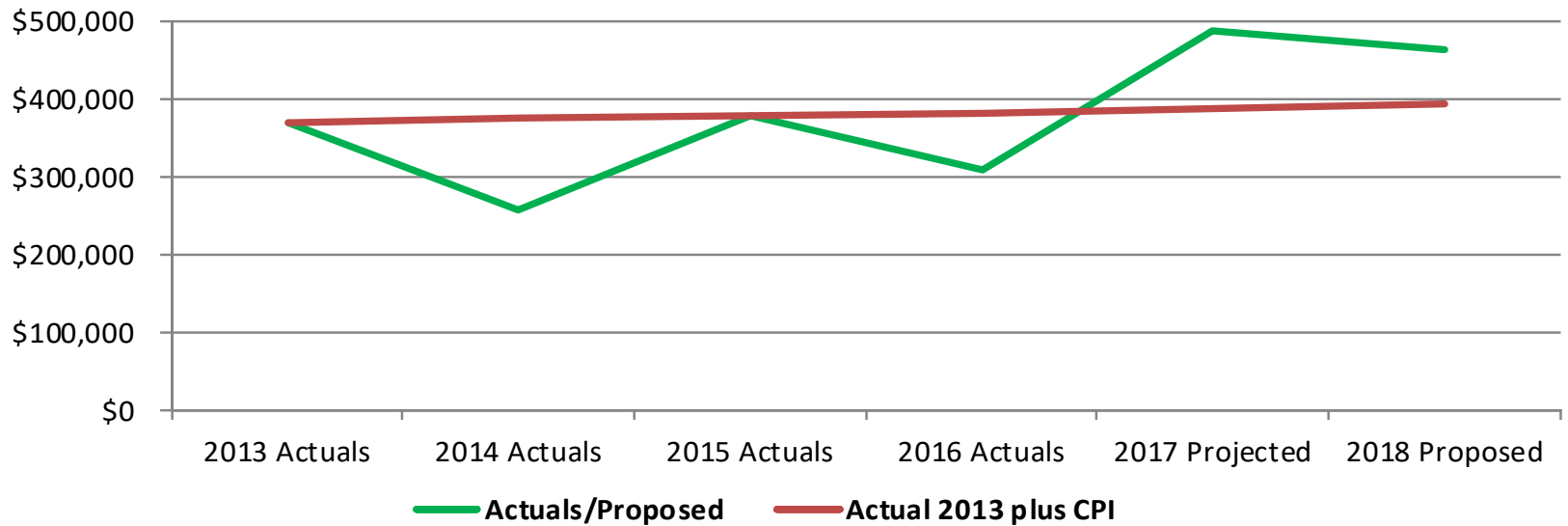
- 2% average annual increase, 2013 Actual – 2018 Proposed
- Estimated using previous twelve months with a 2% Increase

ADVERTISING



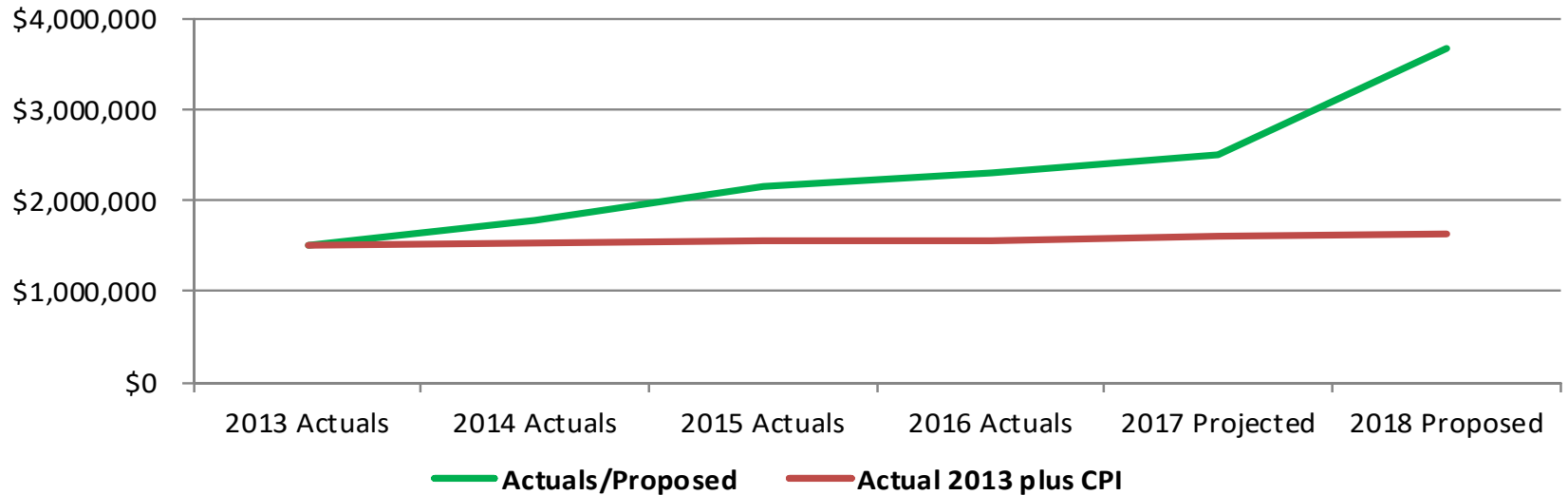
- 18% average annual increase, 2013 Actual – 2018 Proposed
- Majority as requested by the Conservation/Consumer Information Department

CONSERVATION EXPENDITURES



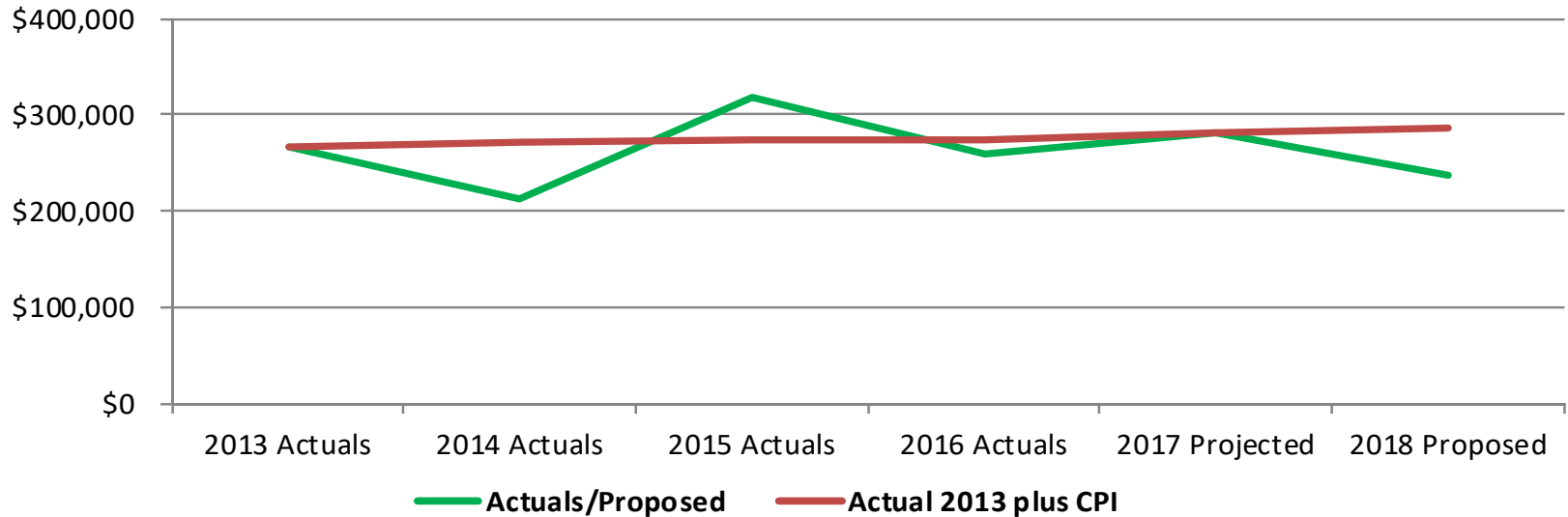
- 4% average annual increase, 2013 Actual – 2018 Proposed
- Based on year two of a two year BPA program

MISC. CONTRACTUAL SERVICES



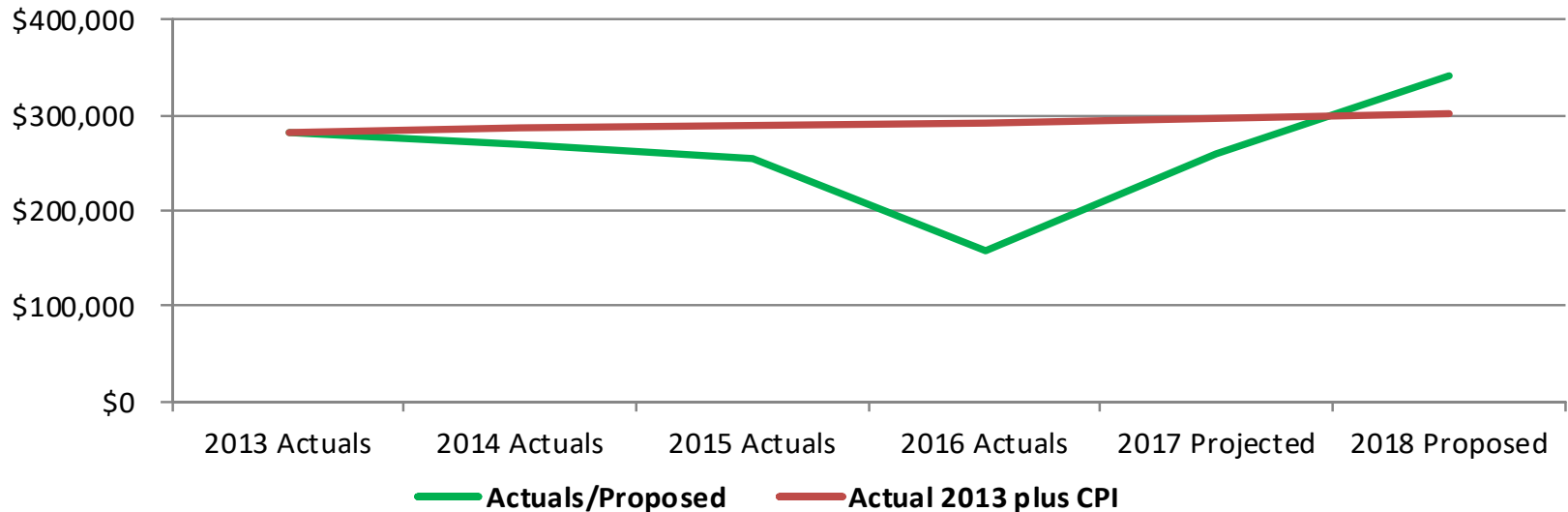
- 24% average annual increase, 2013 Actual – 2018 Proposed

LEGAL SERVICES



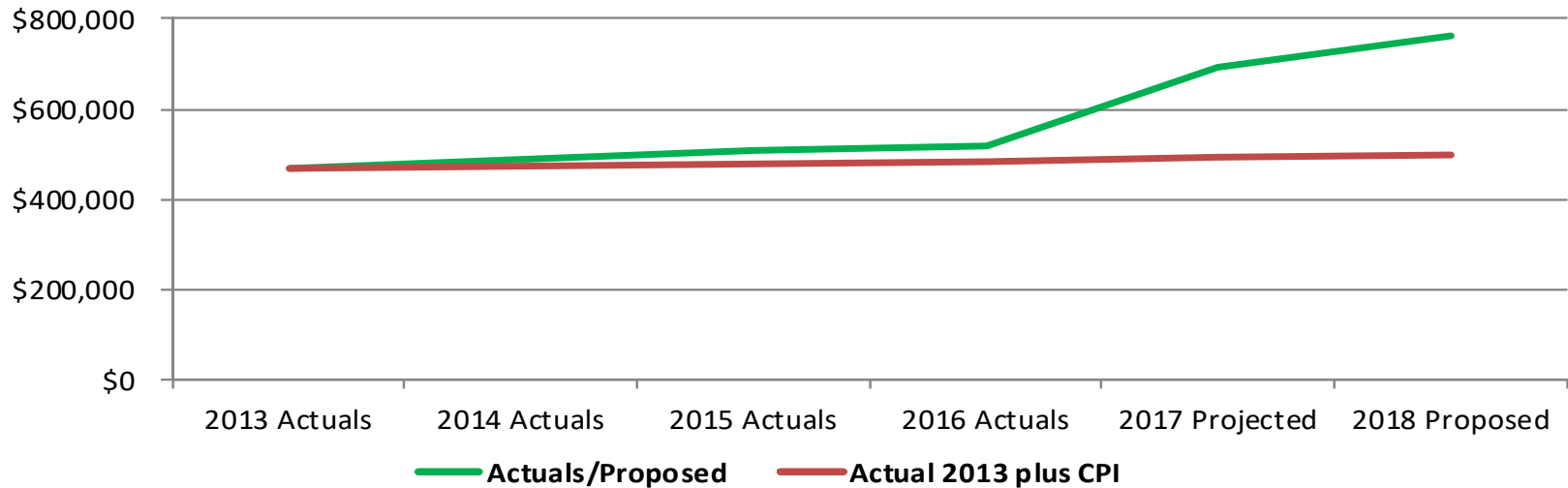
- 2% average annual decrease, 2013 Actual – 2018 Proposed
- General counsel \$213,400
- \$18,700 other non-capital legal costs as they arise (deferred compensation plans, compensation, power contracts, etc.)

MAINTENANCE CONTRACTS



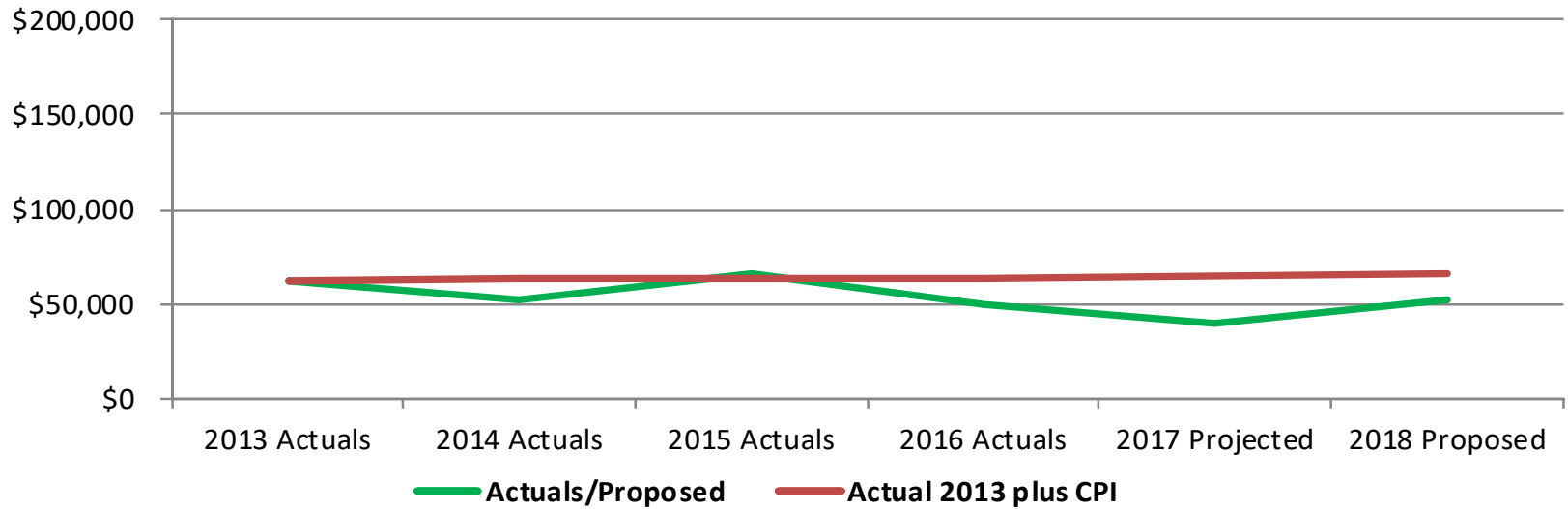
- 3% average annual increase, 2013 Actual – 2018 Proposed
- Larger items: General HQ maintenance \$60k, HVAC \$45k, Okanogan UPS \$38k, snow plowing & sweeping \$15k, photocopiers \$14k, landscape \$10k, broadband CPE/Cisco/ADVA \$114k & UHF Radio Equipment \$20k

SOFTWARE LICENSES & SUPPORT



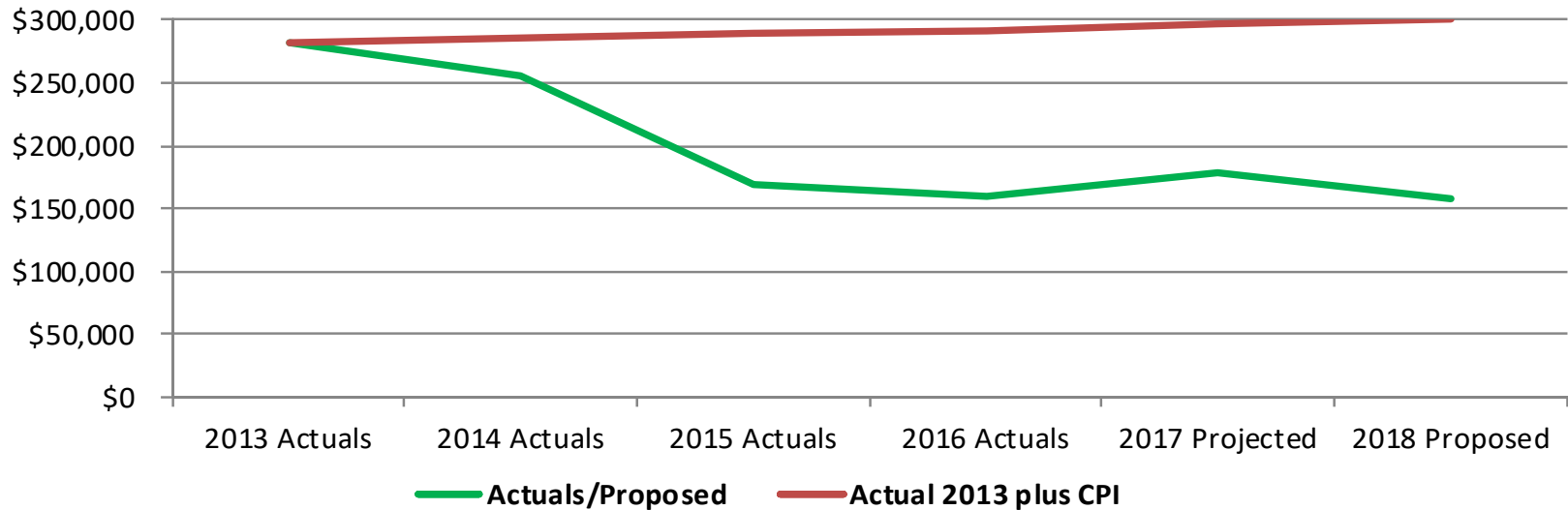
- 10% average annual increase, 2013 Actual – 2018 Proposed
- Larger items include: Slice software \$202k, NISC \$135k, Ciena \$75k, Aclara Support and Migration \$51k, Microsoft \$39k, Futura \$39k, GeoSpacial Innovations \$37k, OSI \$23k, Symantec Support \$14k, Shortel \$13k, Solar Winds \$16k and Zonar \$12k

PERMITS & FEES



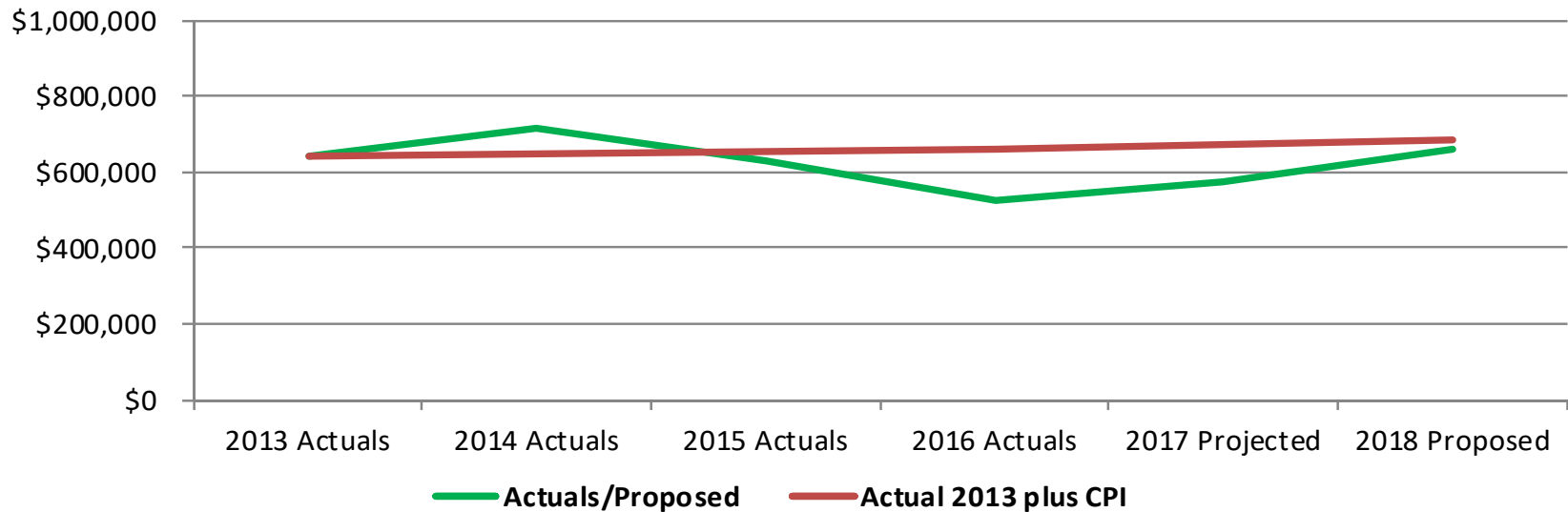
- 3% average annual decrease, 2013 Actual – 2018 Proposed
- Majority is for bandwidth \$36k

RENTS & LEASES



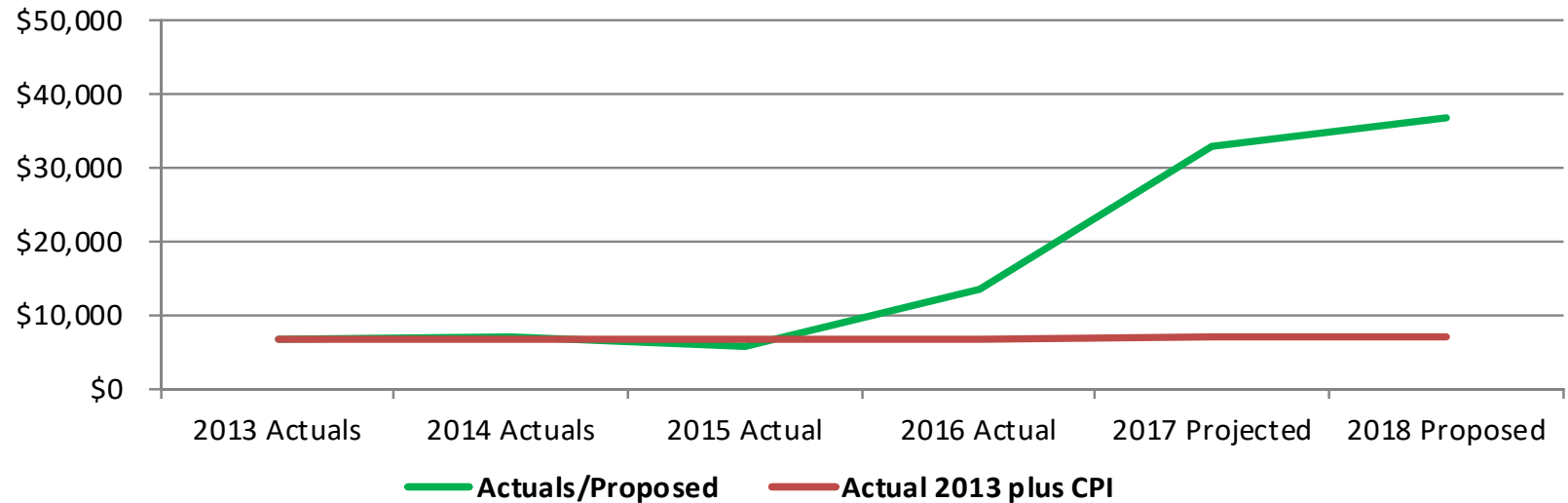
- 7% average annual decrease, 2013 Actual – 2018 Proposed
- Ophir site lease - \$10k
- Information Systems - mailing equipment and printer leases \$37k
- Broadband – dark fiber, co-location fees and wireless sites \$68k
- Internal Communications - UHF sites \$12k and dark fiber \$24k

MATERIALS & SUPPLIES



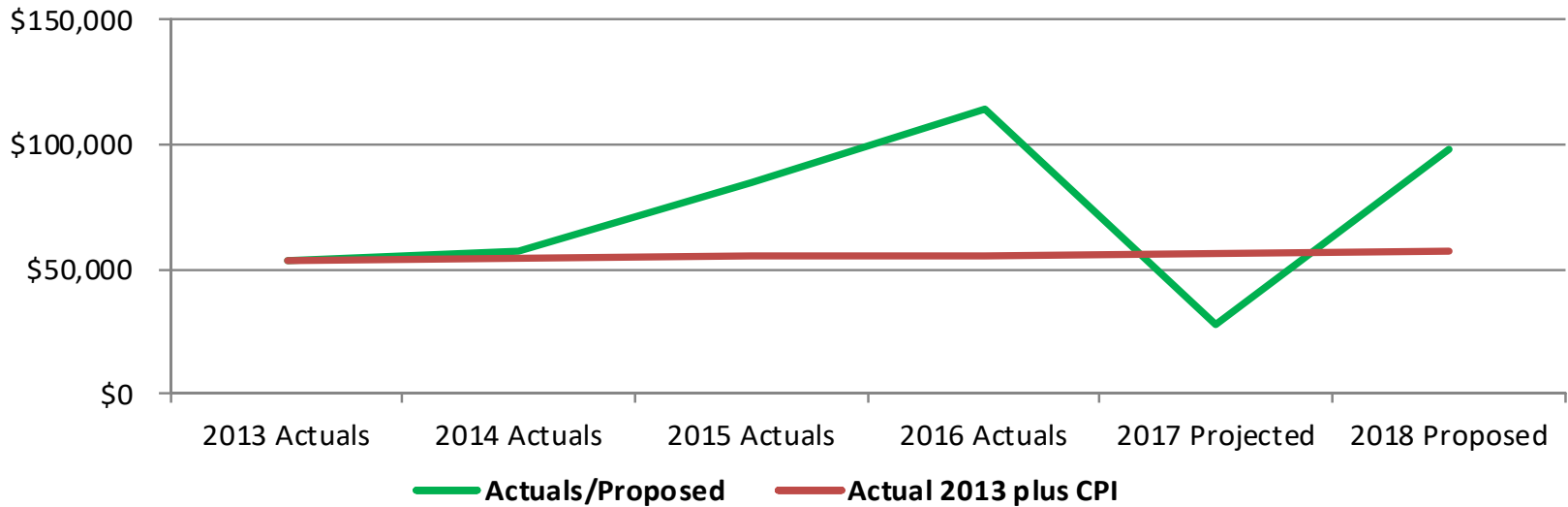
- 1% average annual increase, 2013 Actual – 2018 Proposed
- Non-capital materials and supplies
- Building maintenance, office supplies, engineering supplies, first aid supplies, fire resistant clothing, hearing tests, laundry services, crew supplies, electric shop supplies, mailing supplies, oil testing, paint booth supplies, rubber good testing/supplies, specialty gases, tree replacement program, PCB disposal, misc. office furniture, etc.

SMALL TOOLS



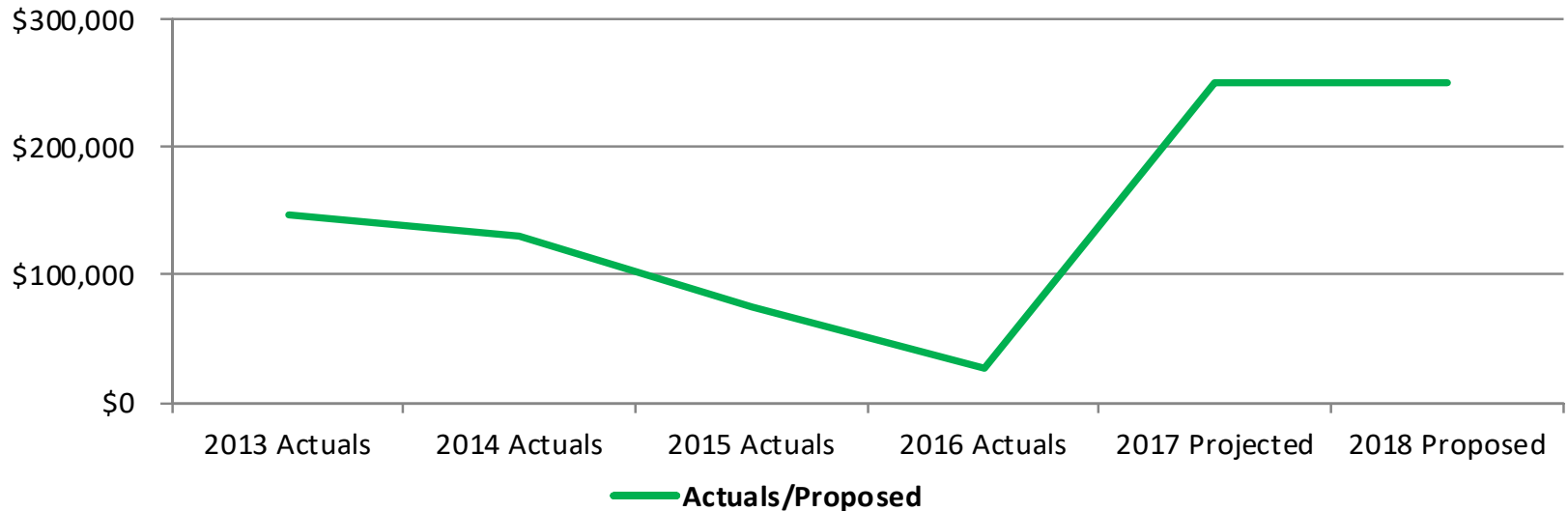
- 76% average annual increase, 2013 Actual – 2018 Proposed
- Tools under \$1,000 such as; cameras, cable cutters, small printers, phone replacements, iPads, GPS units, fault indicators, etc.
- Growth as a result of small electronic devices such as GPS units and iPads

MISCELLANEOUS



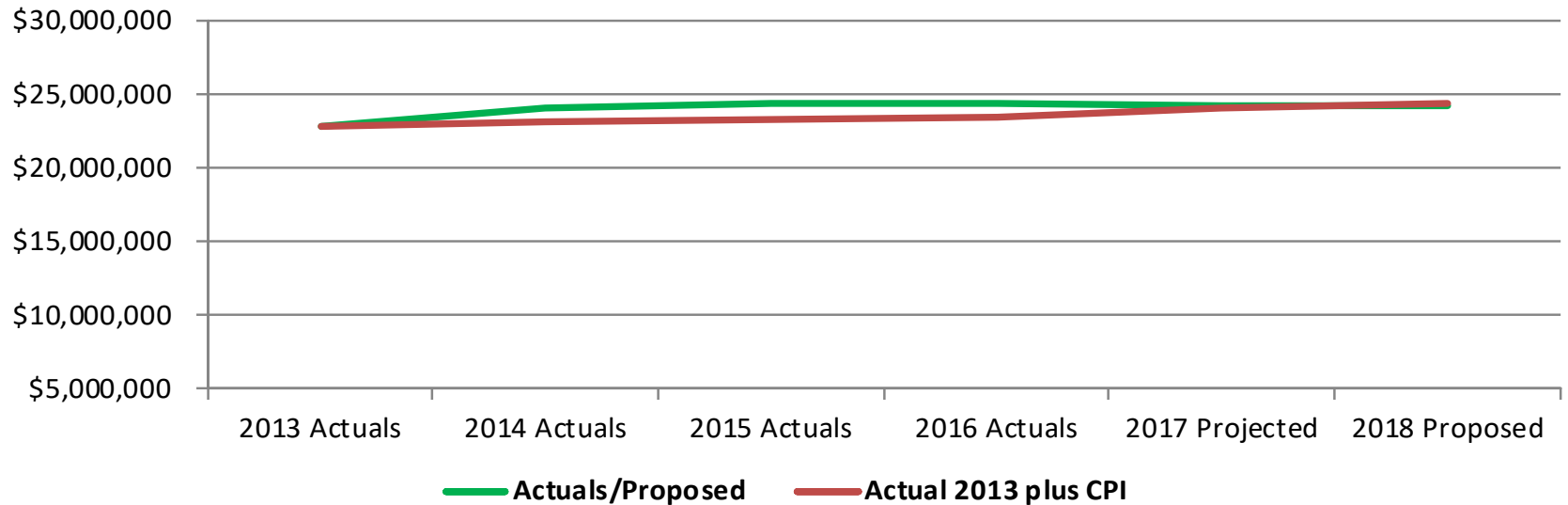
- 14% average annual increase, 2013 Actual – 2018 Proposed
- Larger items include: employee expenses \$29k (employee day, interviews, moving, service awards and wellness programs), account write-offs \$53k and damage claims/deductibles \$4k

OPERATING CONTINGENCY



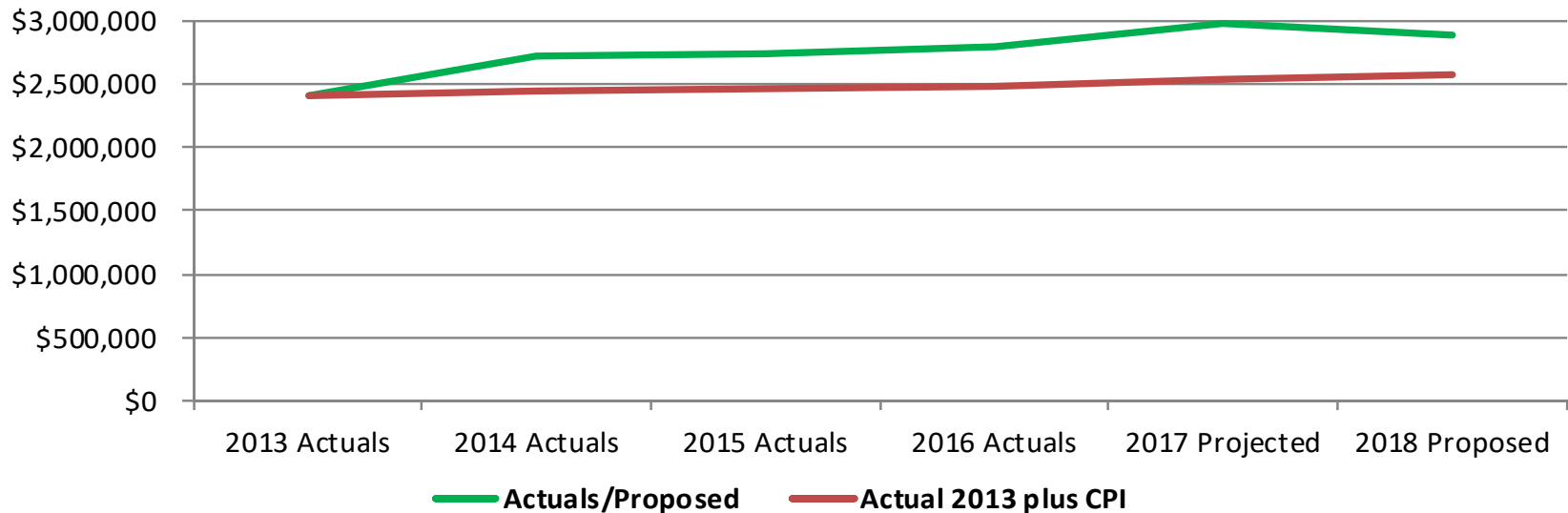
- 2013 was higher due to a pass through payment
- 2014/15 costs were driven by the wildfires fires

PURCHASED POWER



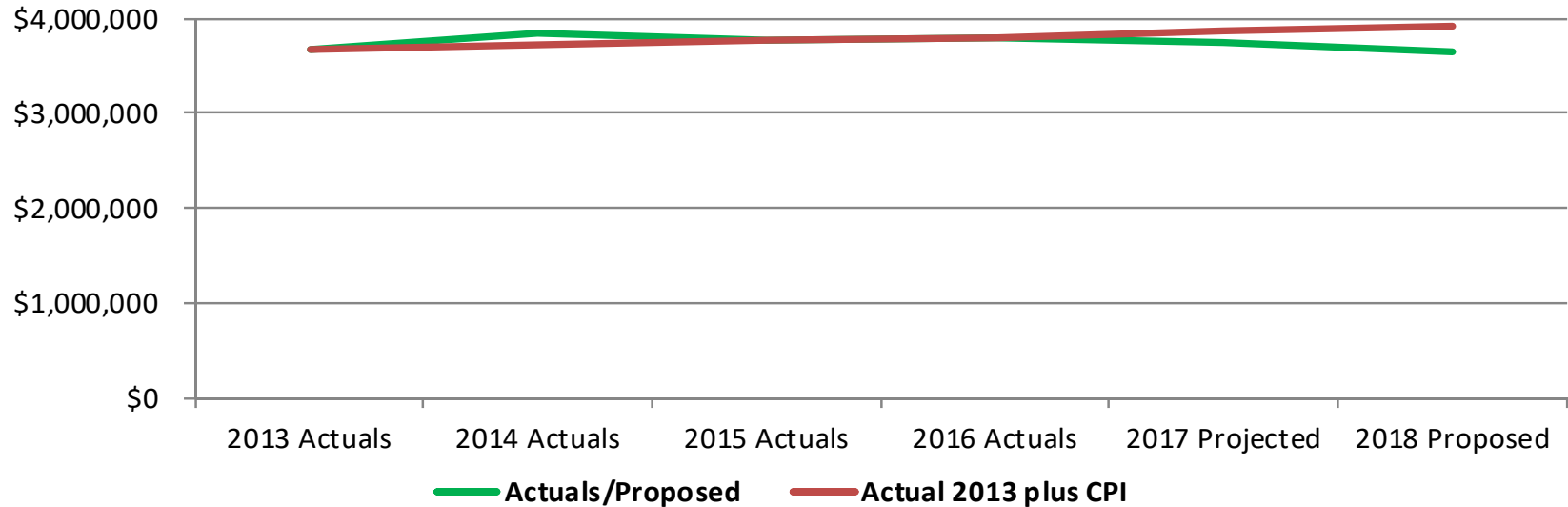
- 1% average annual increase, 2013 Actual – 2018 Proposed
- Largest expense item in the District's budget
- BPA based on current rates effective October 1, 2017
- Wells Project based on current rates effective September 1, 2017
- Nine Canyon Wind based on current rates effective July 1, 2017

TAXES



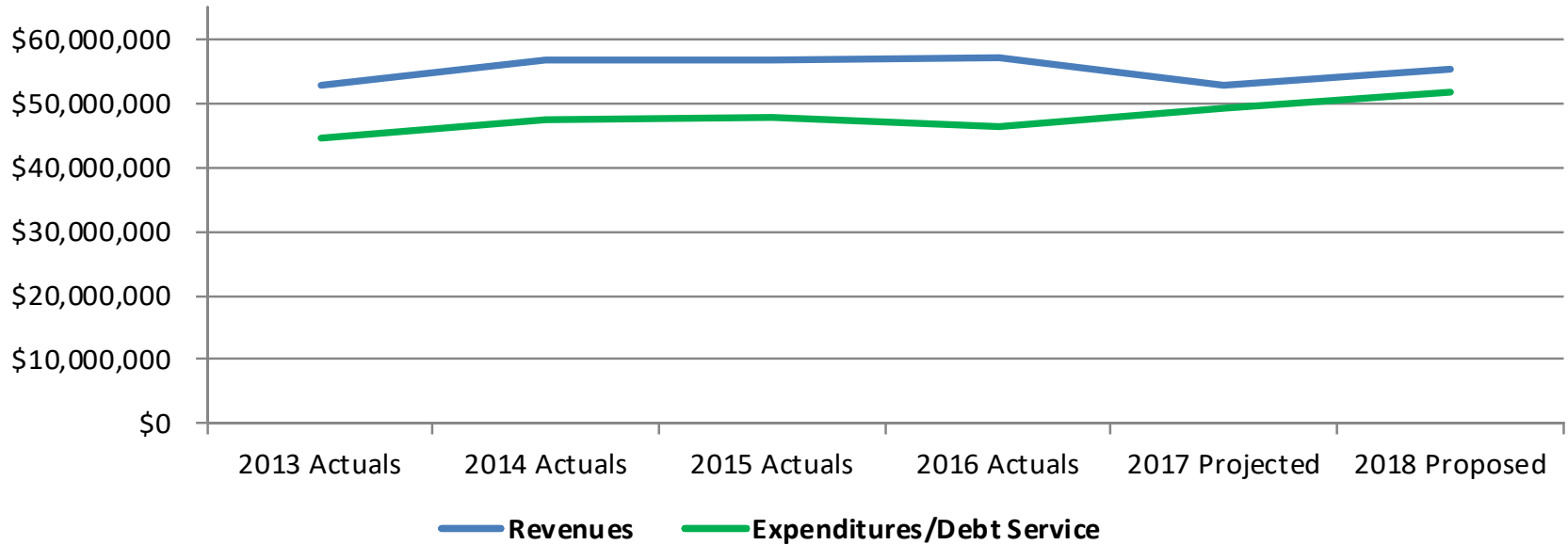
- 3% average annual increase, 2013 Actual – 2018 Proposed
- Tied to increased retail sales
- Public Utility Tax of \$1.8m (3.8734% of gross revenues)
- Privilege Tax of \$1m (2.14% of gross revenues)
- Misc. taxes \$28k, such as Leasehold and B&O taxes

DEBT SERVICE



- 0.2% average annual decrease, 2013 Actual – 2018 Proposed
- Principal \$2,059,300
- Interest \$1,574,500
- Broadband interest 5%, original loan
- Operating LOC from Electric to Broadband paid off in 2017

TOTALS

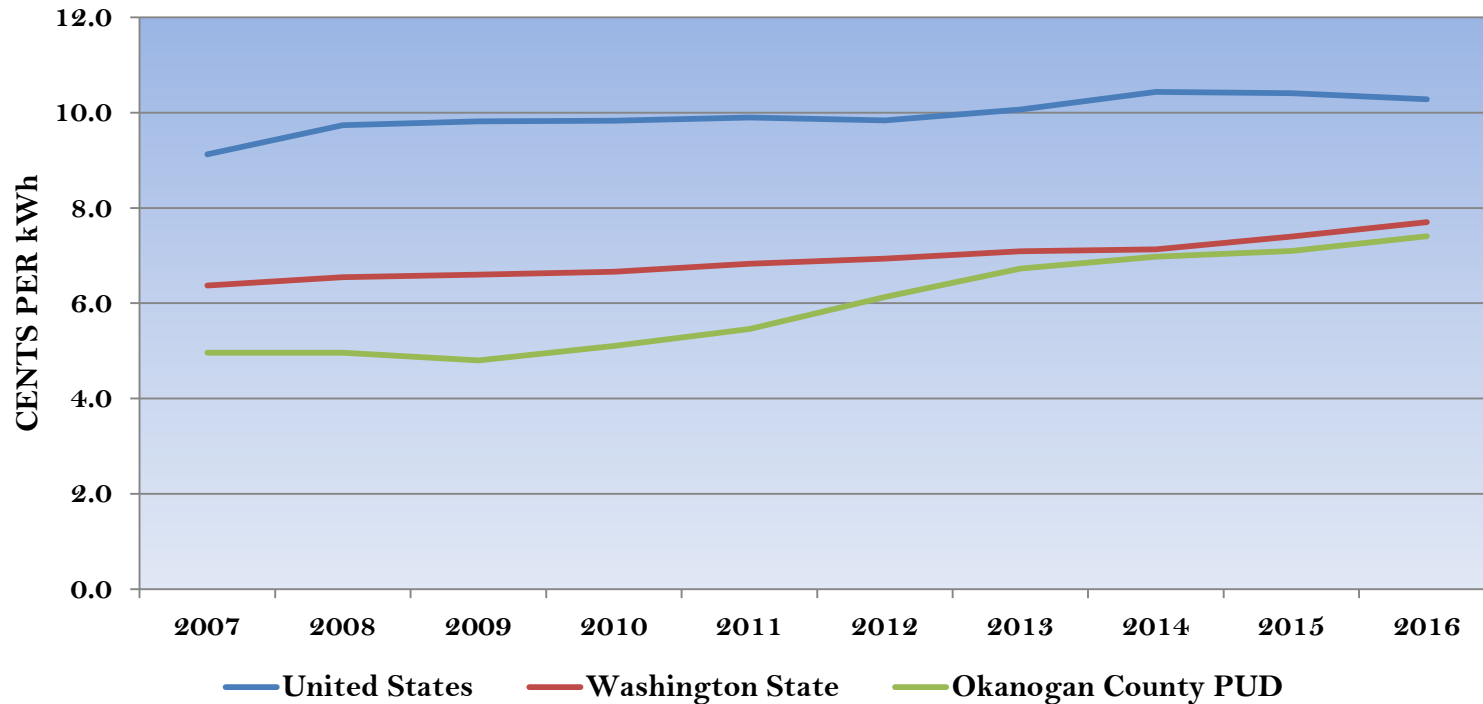


- Revenue: 1% average annual increase, 2013 Actual – 2018 Proposed
- Expenditure/Debt Service: 3% average annual increase, 2013 Actual – 2013 Proposed

PROPOSED CAPITAL FUNDING

2018 Proposed Revenue	\$55,310,300	
Less: 2018 Proposed Expenditures/Debt Service	<u>\$51,638,800</u>	
FUNDING PROVIDED FROM 2018 ACTIVITIES		\$3,671,500
Projected Cash and Investments 12/31/17	\$20,716,000	
Less: Restricted Funds	\$12,466,000	
Less: 60 Days Working Capital on Hand	<u>\$7,000,000</u>	
ADDITIONAL FUNDS AVAILABLE FOR CAPITAL		\$1,250,000
2018 Enloe Dam Capital Outlay	\$1,220,000	
Ellisforde Sub Transformer	\$357,500	
Whitestone Sub Transformer	\$357,500	
Okanogan-Ophir Transmission Design	\$300,000	
Tonasket Substation Design	<u>\$300,000</u>	
CAPITAL FUNDED BY BORROWING		\$2,535,000
PROPOSED DRAW ON RATE STABILIZATION FUND		\$1,284,800
	PROPOSED CAPITAL BUDGET	\$8,741,300

COST PER KWH COMPARISON



- Average retail cost/kWh, all sectors
- United States average was 10.28 cents in 2016
- Washington State average was 7.70 cents in 2016
- Okanogan PUD average was 7.41 cents in 2016

QUESTIONS?

