

2020 Budget Presentation Talking Points

1. Water Revenues were kept even based on the actuals over the last 12 months.
2. Electric Revenues were kept even based on the actuals over the last 12 months, however, we did adjust for the extreme cold months as per our financial policy.
3. We raised expenses by 2.5% based on a 1.7% Consumer Price Index updated on 9/12/19.
4. We raised our Fleet Expenses by 5% based on new vehicles and personnel
5. We lowered our budgeted new positions from 10 to 9 for 2020.
6. We kept our Purchased Power cost about the same but did add some for projected BPA reserves cost adjustment.
7. Purchased power for water has been increased to reflect the cost to run pumps and produce water.
8. Electric Transmission Expense is primarily Bonneville Power Administration (BPA) but also includes expenses (labor, materials, fleet) associated with maintaining transmission lines.
9. Included in Electric Distribution Expense—Maintenance is \$750,000 for tree trimming.
10. Included in the Administrative and General expenses is \$75,000 available for raises per RCW 54.16.100.
11. Interest on Long-Term Debt is based on the amortization schedules within our loan documents with RUS, USDA Rural Development, and bonds.
12. Labor, Benefits, Fleet, and Inventory Expenses are based on historical information
13. All expenses are based on actual expenses from July 2018 to June 2019
14. Each Department increased their training budgets by 15% to 20% for 2020.
15. We have included a 3% COLA increase for all employees effective on January 1st for Laborer Union represented employees, February 1st for Non-representative employees, and May 1st for IBEW Union represented employees.
16. We have kept our property tax revenues at the same level as last year but have split the revenues 80% to Electric and 20% to Water.
17. Increased Electric Contribution in Aid to Construction Revenue by 20%.
18. Electric Construction Projects are based on the previously approved 4-year work plan.
19. Reduced our Electric Construction Project budget by \$1.5 Million.
20. Water Construction Projects are based on current needs and will be included in 6-year work plan.
21. General Plant capital purchases include building remodel, warehouse improvements, information technology equipment, fleet, broadband, electric tools/personal protection equipment, communications, and engineering costs.
22. Reduced our Contracted Electric Engineering costs by \$50,000.
23. Principal payments on long-term debt are based on the amortization schedules within our loan documents with RUS, USDA Rural Development, and bonds.
24. Added depreciation back into the cash flow as our construction costs should be close to our depreciation rate. We are replenishing our assets at the same rate they are depreciating.

25. We still have some LUDs that are paying on assessments which the Treasurer's Office collects and then we pay the bond payments.
26. Added non-cash contribution in aid to construction (donated capital) back into the cash flow as the amount is representative of donated capital and no money is received.

EXHIBIT A
2020 PUD Electric and Water Utility Budgets

	<u>Electrical</u> <u>Utility</u>	<u>Water</u> <u>Utility</u>	<u>Talking</u> <u>Points</u>
Operating Revenues	\$37,359,580	\$2,615,224	1,2
Operating Expenses			3,4,5
Power Production Cost	\$0	\$764	
Cost of Purchased Power	\$15,170,988	\$130,011	6,7
Transmission Expense	1,937,315	0	8
Distribution Expense--Operation	1,848,580	1,212,613	
Distribution Expense--Maintenance	3,351,696	507,100	9
Customer Accounts Expense	1,727,673	160,765	
Customer Service and Informational Expense	71,831	2,039	
Administrative and General Expense	3,258,931	778,692	10
Depreciation & Amortization Expense	5,251,181	271,714	
Tax Expense--Other	2,200,833	129,417	
Interest on Long-Term Debt	2,690,974	186,334	11
Interest Expense--Other	1,390	0	
Other Deductions	254	0	
Total Operating Expenses	\$37,511,646	\$3,379,450	12,13,14,15
Net Operating Margins (Loss)	(\$152,065)	(\$764,226)	
Non-Operating Margins (Loss)	\$2,298,611	\$1,000,725	16,17
Net Margins (Loss)	\$2,146,546	\$236,499	
Cash Flow Budget			
Construction Projects	\$3,294,000	\$540,000	18,19,20
General Plant Purchases	5,107,000	97,000	21,22
Principal on Long Term Debt	3,404,835	554,505	23
Add Depreciation & Amortization (non-cash)	(5,251,181)	(271,714)	24
Principal & Interest Received on LUDs	0	(442,966)	25
Non-Cash Contribution in Aid to Construction	(553,326)	0	26
Total Cash Expenditures/Cash Outflow	\$6,001,328	\$476,825	
Net Cash Inflow/(Outflow)	(\$3,854,783)	(\$240,326)	
Net TIER (Minimum of 1.25)	1.80		
Net DSC (Minimum of 1.25)	1.66		

EXHIBIT A
2020 PUD Electric Utility Budgets

	<u>2018</u> <u>Audited #s</u>	<u>July 2018 to</u> <u>June 2019</u>	<u>2020</u> <u>Budget</u>
Operating Revenues	\$36,934,122	\$37,602,509	\$37,359,580
Operating Expenses			
Cost of Purchased Power	\$14,933,122	\$15,109,143	\$15,170,988
Transmission Expense	1,825,877	1,843,954	\$1,937,315
Distribution Expense--Operation	1,114,352	1,394,266	\$1,848,580
Distribution Expense--Maintenance	2,412,616	2,351,481	\$3,351,696
Customer Accounts Expense	1,320,922	1,285,475	\$1,727,673
Customer Service and Informational Expense	83,750	58,976	\$71,831
Administrative and General Expense	2,500,497	2,668,415	\$3,258,931
Depreciation & Amortization Expense	5,202,894	5,244,703	\$5,251,181
Tax Expense--Other	2,112,640	2,147,154	\$2,200,833
Interest on Long-Term Debt	2,856,256	2,819,885	\$2,690,974
Interest Expense--Other	1,352	1,357	\$1,390
Other Deductions	256	248	\$254
Total Operating Expenses	\$34,364,534	\$34,925,057	\$37,511,646
Net Operating Margins (Loss)	\$2,569,588	\$2,677,452	(\$152,065)
Non-Operating Margins (Loss)	\$2,621,555	\$2,592,320	\$2,298,611
Net Margins (Loss)	\$5,191,143	\$5,269,772	\$2,146,546
Cash Flow Budget			
Construction Projects	\$4,453,617	\$3,647,839	\$3,294,000
General Plant Purchases	1,813,864	4,330,584	5,107,000
Principal on Long Term Debt	4,064,888	4,099,595	3,404,835
Add Depreciation & Amortization (non-cash)	(5,202,894)	(5,244,703)	(5,251,181)
Principal & Interest Received on LUDs	0	0	0
Non-Cash Contribution in Aid to Construction	(672,015)	(619,695)	(553,326)
Total Cash Expenditures/Cash Outflow	\$4,457,460	\$6,213,620	\$6,001,328
Net Cash Inflow/(Outflow)	\$733,683	(\$943,848)	(\$3,854,783)
Net TIER (Minimum of 1.25)	2.82	2.87	1.80
Net DSC (Minimum of 1.25)	1.91	1.93	1.66

EXHIBIT A
2020 PUD Budget Compared to Actuals

	<u>July 2018 to</u> <u>June 2019</u>	<u>2020</u> <u>Budget</u>	<u>Change</u> <u>Variance</u>
Operating Revenues	\$37,602,509	\$37,359,580	-\$242,929
Operating Expenses			
Cost of Purchased Power	\$15,109,143	\$15,170,988	\$61,845
Transmission Expense	1,843,954	1,937,315	93,361
Distribution Expense--Operation	1,394,266	1,848,580	454,314
Distribution Expense--Maintenance	2,351,481	3,351,696	1,000,215
Customer Accounts Expense	1,285,475	1,727,673	442,198
Customer Service and Informational Expense	58,976	71,831	12,855
Administrative and General Expense	2,668,415	3,258,931	590,516
Depreciation & Amortization Expense	5,244,703	5,251,181	6,478
Tax Expense--Other	2,147,154	2,200,833	53,679
Interest on Long-Term Debt	2,819,885	2,690,974	-128,911
Interest Expense--Other	1,357	1,390	33
Other Deductions	248	254	6
Total Operating Expenses	\$34,925,057	\$37,511,392	\$2,586,589
Net Operating Margins (Loss)	\$2,677,452	(\$151,811)	(\$2,829,263)
Non-Operating Margins (Loss)	\$2,592,320	\$2,298,611	-\$293,709
Net Margins (Loss)	\$5,269,772	\$2,146,800	-\$3,122,972
Cash Flow Budget			
Construction Projects	\$3,647,839	\$3,294,000	-\$353,839
General Plant Purchases	4,330,584	5,107,000	\$776,416
Principal on Long Term Debt	4,099,595	3,404,835	-\$694,760
Add Depreciation & Amortization (non-cash)	(5,244,703)	(5,251,181)	-\$6,478
Principal & Interest Received on LUDs	0	0	\$0
Non-Cash Contribution in Aid to Construction	(619,695)	(553,326)	\$66,369
Total Cash Expenditures/Cash Outflow	\$6,213,620	\$6,001,328	-\$212,292
Net Cash Inflow/(Outflow)	(\$943,848)	(\$3,854,529)	(\$2,910,681)
Net TIER (Minimum of 1.25)	2.87	1.80	
Net DSC (Minimum of 1.25)	1.93	1.66	

EXHIBIT A
2020 PUD Water Utility Budgets

	<u>2018</u> <u>Audited #s</u>	<u>July 2018 to</u> <u>June 2019</u>	<u>2020</u> <u>Budget</u>
Operating Revenues	\$2,472,823	\$2,615,730	\$2,615,224
Operating Expenses			
Power Production Cost	\$757	\$746	\$764
Cost of Purchased Power	126,840	71,263	\$130,011
Transmission Expense	0	0	\$0
Distribution Expense--Operation	583,854	613,846	\$1,212,613
Distribution Expense--Maintenance	351,711	367,701	\$507,100
Customer Accounts Expense	146,842	123,098	\$160,765
Customer Service and Informational Expense	2,684	1,990	\$2,039
Administrative and General Expense	511,852	618,372	\$778,692
Depreciation & Amortization Expense	710,798	701,822	\$271,714
Tax Expense--Other	119,954	126,260	\$129,417
Interest on Long-Term Debt	289,115	307,290	\$186,334
Interest Expense--Other	2,500	2,500	\$0
Other Deductions	0	0	\$0
Total Operating Expenses	\$2,846,907	\$2,934,887	\$3,379,450
Net Operating Margins (Loss)	(\$374,084)	(\$319,157)	(\$764,226)
Non-Operating Margins (Loss)	\$372,474	\$746,788	\$1,000,725
Net Margins (Loss)	(\$1,610)	\$427,631	\$236,499
Cash Flow Budget			
Construction Projects	\$256,116	\$312,409	\$540,000
General Plant Purchases	219,281	495,973	97,000
Principal on Long Term Debt	829,102	1,003,060	554,505
Add Depreciation & Amortization (non-cash)	(710,798)	(701,822)	(271,714)
Principal & Interest Received on LUDs	(442,966)	(442,966)	(442,966)
Non-Cash Contribution in Aid to Construction	0	0	0
Total Cash Expenditures/Cash Outflow	\$150,735	\$666,654	\$476,825
Net Cash Inflow/(Outflow)	(\$152,345)	(\$239,023)	(\$240,326)

EXHIBIT A
2020 PUD Budget Compared to Actuals

	<u>July 2018 to</u> <u>June 2019</u>	<u>2020</u> <u>Budget</u>	<u>Change</u> <u>Variance</u>
Operating Revenues	\$2,615,730	\$2,615,224	-\$506
Operating Expenses			
Power Production Cost	\$746	\$764	\$18
Cost of Purchased Power	71,263	\$130,011	\$58,748
Transmission Expense	0	\$0	\$0
Distribution Expense--Operation	613,846	\$1,212,613	\$598,767
Distribution Expense--Maintenance	367,701	\$507,100	\$139,399
Customer Accounts Expense	123,098	\$160,765	\$37,667
Customer Service and Informational Expense	1,990	\$2,039	\$49
Administrative and General Expense	618,372	\$778,692	\$160,320
Depreciation & Amortization Expense	701,822	\$271,714	-\$430,108
Tax Expense--Other	126,260	\$129,417	\$3,157
Interest on Long-Term Debt	307,290	\$186,334	-\$120,956
Interest Expense--Other	2,500	\$0	-\$2,500
Other Deductions	0	\$0	\$0
Total Operating Expenses	\$2,934,887	\$3,379,450	\$444,563
Net Operating Margins (Loss)	(\$319,157)	(\$764,226)	(\$445,069)
Non-Operating Margins (Loss)	\$746,788	\$1,000,725	\$253,937
Net Margins (Loss)	\$427,631	\$236,499	-\$191,132
Cash Flow Budget			
Construction Projects	\$312,409	\$540,000	\$227,591
General Plant Purchases	495,973	97,000	-398,973
Principal on Long Term Debt	1,003,060	554,505	-448,555
Add Depreciation & Amortization (non-cash)	(701,822)	(271,714)	430,108
Principal & Interest Received on LUDs	(442,966)	(442,966)	0
Non-Cash Contribution in Aid to Construction	0	0	0
Total Cash Expenditures/Cash Outflow	\$666,654	\$476,825	-\$189,829
Net Cash Inflow/(Outflow)	(\$239,023)	(\$240,326)	(\$1,303)

Electric 4 Year Work Plan Capital Costs

Item #	Description	2020 Budget Amount
0	Retirement W/O Replacement	\$0
101	UG Distribution Line Extensions	\$200,000
102	OH Distribution Line Extensions	\$75,000
103	New Subdivision	\$50,000
104	Water Street Underground	\$220,000
202	Feeds Irondale Bay 2	\$100,000
203	New Feed Hastings Substation	\$125,000
203-1	New Feed Discovery	\$175,000
204	New Feeder out of PLSS-Engineering	\$0
204-1	New Feeder out of PLSS - Construction	\$0
301	Convert Single-Phase to Three-Phase	\$0
302	Convert 1-Phase OH to URD Olele Point RD	\$200,000
303	Convert OH to UG 4 Locations	\$200,000
304	Kilisut Harbor- Final	\$240,000
401	Irondale Substation Updgrade	\$85,000
401-1	Port Ludlow Bay 2 Construction	\$175,000
501		
	Replace Aging Substation 15KV Regulators, bypass switches, and Controls at Hastings	\$0
502	Irondale Sub: Replace Aging Substation 15KV Regulators, bypass switches, and Controls; Install new regulator rack.	\$0
503	Replace /install new relays	\$0
504		
	Replace Aging Substation Wet-Cell Batteries with Dry-Cell Batteries, and their chargers	\$24,000
505	SCADA System Substation Communications and Devices Upgrades	\$40,000
506		
	Spare 115kv 20MVA Substation Transformer	\$75,000
507-1	New Breaker Hastings Engineering	\$75,000
507-2	New breaker Hastings	\$0
508	New Substation Transformer	\$0
601-1	Install new pole-mount Transformers to serve new customers. 10 per year	\$30,000
601-2	Install new pad-mount Transformers to serve new customers. 15 per year	\$40,000
601-3	Transformer replacement of aging units. 60 per year	\$180,000
602-1	Install/Upgrade meters to serve new/existing customers. XX per year	\$25,000
604-1	Install four new Three-Phase distribution line reclosers	\$50,000
605-1	Install New Line Regulators	\$0

Electric 4 Year Work Plan Capital Costs

Item #	Description	2020 Budget Amount
605-2	Replacing Old Regulators	\$0
607	Pole Replacements. 20 per year	\$80,000
608	Replace Aging Conductors. XX projects - X miles per year	\$0
608-1	Install Single Phase 15kv 1/0 distribution line 3.1 miles from Coyle Road along Toandas Rd & Camp Discovery Rd	\$0
610	Wildlife Protection. X sites	\$75,000
701	Security and Street Lighting	\$20,000
703	SCADA System Distribution Line Devices Communications and Control Upgrades	\$75,000
704	SCADA Master Stations: Office Installations	\$90,000
705	Meters	\$35,000
705-1	Meter Replacement Project	\$125,000
1001	Move Transmission Poles for Easements	\$60,000
1002	Install 115kVA Switches	\$110,000
1101	Easements and Right-of-Way	\$45,000
1201	Fiber Line Extensions	\$145,000
1301	Fuel Tanks	\$0
1302	Fencing	\$50,000
Total Electric Capital Costs--4 Year Work Plan		\$3,294,000

2020 Water Capital Project Costs

Description	Budget Amount
Quimper - SCADA replacement	\$15,000
Coyle - Transmission Line Replacement	\$45,000
Bywater Bay - Shine Plat LUD - Distribution Replacement	\$60,000
Quilcene -SO2 development	\$50,000
Quilcene - reservoir	\$100,000
Gardiner Replacement Well	\$60,000
Triton Cove - Williams Addition wellhouse	\$50,000
Quimper - Kilisut Harbor Bridge	\$160,000
Total Water Capital Costs	\$540,000

2020 Broadband Capital Costs

Description	Budget Amount
Broadband	<u>\$120,000</u>
Total Broadband Capital Costs	\$120,000

2020 Building Remodel Capital Costs

Description	Budget Amount
Facilities Upgrade Construction Work	<u>\$4,250,000</u>
Total Building Remodel Capital Costs	\$4,250,000

2020 Warehouse and Yard Improvements Capital Costs

Description	Budget Amount
Warehouse Yard Improvements	\$56,000
Poleyard Heated Storage Connex	\$17,000
Fence Poleyard	\$30,000
Warehouse Signage	<u>\$1,000</u>
Total Warehouse and Yard Capital Costs	\$104,000

2020 Information Technology Capital Costs

Description	Budget Amount
Miscellaneous Equipment/New Building	\$20,000
SQL Server	\$7,000
PCs (15)	\$25,000
Total IT Capital Costs	\$52,000

2020 Electric Fleet Capital Costs

Description	Budget Amount
Small Bucket Truck (1)	\$160,000
Pickup (Foreman)	\$145,000
Electric Vehicle	\$38,000
Vehicle	<u>\$38,000</u>
Total Electric Fleet Capital Costs	\$381,000

2020 Water Fleet Capital Costs

Description	Budget Amount
Fleet - New truck	\$52,000
Vehicle	\$45,000
Total Water Fleet Capital Costs	\$97,000

2020 Electric Tools and PPE Capital Costs

Description	Budget Amount
Tools	\$75,000
Personal Protection Equipment	\$25,000
Total Electric Tools & PPE Capital Costs	\$100,000

2020 Contracted Electric Engineering Capital Costs

Description	Budget Amount
Contracted Electric Engineering	<u>\$100,000</u>
Total Contracted Electric Engineering Capital Costs	\$100,000

2020 Cash Summary

	August 2019
Cash-Operating Depository	\$ 867,463
Cash-Jeff Co Treasurer General	3,806,304
Cash-Payroll Clearing-1st Security Payroll Clearing	12
Working Funds	2,150
Cash-1996 Bond LUD #6	17,646
Cash-1996 Bond LUD #8	67,834
Temp Invest JeffCo Treasurer Gen	5,866,876
Tax Revenue Fund	2,854,421
Tax Revenue Fund Investment	1,925,000
2019 Ending Unrestricted Cash	\$ 15,407,706
Add RUS Bond Fund	\$ 2,144
Add RUS Bond Fund Investment Account	1,129,046
2020 Net Cash Outflow	(4,095,109)
2020 Ending Unrestricted Cash	\$ 12,443,787

Restricted Cash

Other Special Funds	\$ 47,475
Reserve Fund LUD #13	13
Tri Area Bond Reserve	330
Tri Area Bond Investment	178,878
LUD #11 Water Reserve	462
LUD #11 Invested Reserve	231,234
Cash-1999 Bond LUD #11	60
Cash-1997 Bond LUD #13	82
Cash-2009 Bond LUD #14	7,046
Cash-2008 Bond LUD #15	880
LUD #11 Bond Investment	32,629
LUD #13 Bond Investment	21,406
LUD #14 Bond Investment	2,469,963
LUD #15 Bond Investment	476,944
2019 Ending Restricted Cash	\$ 3,467,402