

PUD BOC 2018 Budget Planning Workshop

7 August 2017 - 2nd in Series

AGENDA

- ▶ Purpose
- ▶ BPA Discussion on new Rates
- ▶ Overview of Budget Process and PUD Policies
- ▶ General update of financial situation
- ▶ Budget Costs Development
- ▶ Capital Plan
- ▶ Revenues - Rates
- ▶ Board Guidance
- ▶ Timelines
- ▶ Conclusion

Purpose

- ▶ To continue the 2018 Budget process - update board
- ▶ To review current PUD policies - Board discussion/action
- ▶ To review current 2017 Budget
- ▶ To go over projected costs and revenue
- ▶ To go over Capital Plans to include new facility
- ▶ To discuss need for rate increase and EES recommendations
- ▶ To plan next steps and schedule

BPA Cost of power FY 2018-2019

Cost of Supply; spill surcharge; transmission charges; CARC

COMBINED BILL

Customer Name: Jefferson County PUD No. 1
 Bill ID: MAY17-PAT01-12026
 Issue Date: June 22, 2017

Bill Period: May 2017
 Period Ending: May 31, 2017

POWER

Rate Schedule	Service Description	Contract Number	Service Amount	Service Unit	Rate	Amount \$
PF-16	Composite Charge LF	12246	2,062,767	DOL @	0.61009	1,258,474
PF-16	Non Slice Charge LF	12246	(306,652)	DOL @	0.61009	(187,085)
PF-16	HLH Load Shaping	12246	(9,611,459)	KWH @	0.02210	(212,413)
PF-16	LLH Load Shaping	12246	(3,605,663)	KWH @	0.01753	(63,207)
PF-16	Demand	12246	2,744	KW @	7.95000	21,815
Sub Totals						\$817,584

TRANSMISSION

Rate Schedule	Service Description	Contract Number	Service Amount	Service Unit	Rate	Amount \$
NT-16	NT Service Charge	15372	43,543	KW @	1.73500	75,547
ACS-16	SCD NT Long Term Firm	15372	43,543	KW @	0.35000	15,240
ACS-16	GSR NT Long Term Firm	15372	43,543	KW @	0.00000	0
ACS-16	Reg & Frequency Response	15372	27,642,509	KWH @	0.00012	3,317
ACS-16	Spin Reserve Requirement	15372	845,032	KWH @	0.01140	9,633
ACS-16	Supp Reserve Requirement	15372	845,032	KWH @	0.01045	8,831
PW-16	Peak Dues Charge	15372	27,642,509	KWH @	0.00005	1,382
PW-16	WECC Dues Charge	15372	27,642,509	KWH @	0.00005	1,382
OS-16	Prior 1704 Oversupply Charge	15372	1	MO @	4,756.58000	4,757
Sub Totals						\$120,089
Total						\$937,673

BPA FY 2018-2019 -(hand-out)

BPA Power RIM - Summary tab

Jefferson County PUD #1 - Forecast Year FY2018

Rate Impact: JEFFERSON	BP-18 Final	BP-16 Final	% Rate Impact
Tier 1 Effective Rate (\$/MWh)	\$ 39.34	\$ 37.42	5.11%

TIER 1 POWER RATES (USING BP-18 LOAD FORECAST)	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	Annual
BP-18 Final (\$/MWh)	\$ 42.94	\$ 33.93	\$ 33.19	\$ 39.71	\$ 46.34	\$ 38.42	\$ 41.43	\$ 33.80	\$ 42.93	\$ 44.30	\$ 39.92	\$ 42.07	\$ 39.34
BP-16 Final (\$/MWh)	\$ 40.54	\$ 32.80	\$ 32.78	\$ 37.98	\$ 43.82	\$ 35.78	\$ 41.78	\$ 28.84	\$ 37.50	\$ 39.44	\$ 36.65	\$ 42.08	\$ 37.42
DIFFERENCE:	\$ 2.39	\$ 1.13	\$ 0.41	\$ 1.73	\$ 2.52	\$ 2.65	\$ (0.35)	\$ 4.96	\$ 5.43	\$ 4.87	\$ 3.27	\$ (0.01)	\$ 1.91

TIER 1 POWER CHARGES (USING BP-18 LOAD FORECAST)	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	Annual
BP-18 Final (\$)	\$ 1,242,558	\$ 1,254,700	\$ 1,438,377	\$ 1,667,973	\$ 1,660,114	\$ 1,409,325	\$ 1,282,599	\$ 930,025	\$ 1,019,804	\$ 1,068,598	\$ 959,829	\$ 1,020,676	\$ 14,885,086
BP-16 Final (\$)	\$ 1,173,281	\$ 1,212,933	\$ 1,420,600	\$ 1,595,319	\$ 1,569,926	\$ 1,312,292	\$ 1,293,490	\$ 793,489	\$ 890,859	\$ 951,252	\$ 881,199	\$ 1,020,835	\$ 14,161,588
DIFFERENCE:	\$ 69,277	\$ 41,767	\$ 17,777	\$ 72,654	\$ 90,188	\$ 97,033	\$ (10,891)	\$ 136,536	\$ 128,945	\$ 117,346	\$ 78,630	\$ (159)	\$ 723,498

BP-18 FINAL LOAD FORECAST DATA USED TO CALCULATE RATE IMPACTS		
	BP-18 Final	BP-16 Final
Total Retail Load (aMW)	43.198	43.198
Avg Customer System Peak (MW)	68.562	68.562
Existing Resources	0.000	0.000
Above-RHWM Load	0.000	0.000
New Resources	0.000	0.000
Tier 2	0.000	0.000
TOCA	0.630970%	0.610090%
CHWM	45.847	45.847
RHWM	44.448	44.732
RT1SC	6944.846	6983.085

	BP-18 Final	BP-16 Final
Composite Charge (% of System)	\$16,075,440	\$15,101,688
Non-Slice Charge	(\$2,261,148)	(\$2,245,020)
Net Customer Charge	\$13,814,292	\$12,856,668
Demand	\$1,038,567	\$1,030,657
Load Shaping HLH	(\$248,321)	(\$97,070)
Load Shaping LLH	\$350,040	\$325,220
Load Shaping Total	\$101,719	\$228,150
Irrigation Rate Discount	\$0	\$0
Low Density Discount	\$0	\$0
REP Refund	\$0	\$0
EPP REC Charges	\$0	\$0
Load Shaping Charge True-Up	(\$69,492)	\$46,113
GTA Delivery	\$0	\$0
PBL Provided Reg. & Freq. Response	\$0	\$0
TSSA Real Power Losses	\$0	\$0
WECC Dues	\$0	\$0
Transfer Reserves (Spinning + Supplemental)	\$0	\$0
Tier 1 Charges	\$14,885,086	\$14,161,588
Tier 1 Load (MWh)	378,413	378,413
Tier 1 Effective Rate (\$/MWh)	\$39.34	\$37.42
Tier 2 Short Term	\$0	\$0
Tier 2 Load Growth	\$0	\$0
Tier 2 Load Growth Rate Billing Adjustment	\$0	\$0
Tier 2 Vintage (VR1-2014)	\$0	\$0
Tier 2 Vintage (VR1-2016)	\$0	\$0
Resource related charges (RSS, GMS, TSS, TCMS)	\$0	\$0
Tier 2 Vintage or New Resource Remarketing	\$0	\$0
TOTAL Power Charges	\$14,885,086	\$14,161,588
Total PF Load (Tier 1 and Tier 2) (MWh)	378,413	378,413
TOTAL Effective Rate (\$/MWh)	\$39.34	\$37.42
TOTAL Transmission Charges	\$1,539,369	\$1,535,075
TOTAL Power and Transmission Charges	\$16,424,455	\$15,696,663

Notes:

- (1) This Rate Impact Model (RIM) uses load forecasts which are published in the BP-18 Rate Case Billing Determinant Model.
 - (2) BP-18 Tier 1 Charges include REP Refund, Irrigation Rate Discount, and Low Density Discount.
 - (3) BP-16 Tier 1 Charges may include EPP RECs, if included such amounts reflect customer contract amounts.
 - (4) BP-18 Total Power Charges include Tier 1 Charges, Tier 2 Charges, Resource Support Services Charges, and other resource related charges (such as Transmission Scheduling Service).
 - (5) This RIM keeps load forecasts (TRL and CSP) constant when determining BP-18 Initial and BP-16 Final Charges. However, it varies TOCAS, RT1SC, RHWM, and Above-RHWM Loads by Rate Study. Please also note that the difference in total hours between leap year and non-leap year will affect the aMW amounts shown.
 - (6) BP-18 and BP-16 Tier 1 Charges may include Transfer Charges, if applicable. Such charges were determined using load estimates from the BP-18 Initial Proposal. TSSA Real Power Losses are estimated based on a sample year, they represent a very rough estimate and not an accurate forecast.
 - (7) We have included transmission charges for budgeting purposes. See the posted Transmission rates model for more details: <https://www.bpa.gov/Finance/RateCases/BP-18/Pages/Models-and-Datasets.aspx>. The BP-18 Initial transmission charges included in this RIM are forecast annual transmission charges at BP-18 Initial Proposal rates spread evenly into each month and the BP-16 Final transmission charges are forecast annual transmission charges at BP-16 Final rates spread evenly into each month.
- Disclaimer:** Bonneville Power Administration provides this information as an estimate of the impact of power rate proposals on individual customers. BPA makes no commitment to the accuracy of this information and intends that it be used solely for illustrative purposes. This information is subject to change at any time.

BPA Power Supply and Transmission

▶ 2017 Budget for cost of power:	14,032,759	
▶ BPA estimated BP-16:	14,161,588	
▶ BPA estimate BP-18:	14,885,086	
▶ 2% spill charge:	329,000	
▶ 2017 Budget Transmission:	1,910,034*	
▶ BPA-T estimate BP-16:	1,535,075	
▶ BPA-T estimate BP-18:	1,539,369	
▶ BPA-T WUCC/Peak DUES	40,000	
▶ Total difference:	<u>569,338</u>	increase over budgeted 2017
▶ Difference from BPA	<u>1,096,792</u>	

BPA Rate Increase

- ▶ Originally Projected at 2.3 for Supply and 1% for Transmission; recently received projected Supply at 5.1% and Transmission as a decrease.
- ▶ BP-16 = \$ 15,696,663; BP-18 = \$ 16,424,455 delta - \$ 727,792
- ▶ Potential increase to comply with court order spill - 2% on conservative side or about 300,000. This would be calculated and billed monthly starting May of 2018 until October, than monthly (?)
- ▶ CRAC adjustment - not going to happen in 2018
- ▶ Year end true up of \$138,000 for excessive consumption for FY 2017.
- ▶ Staff Recommendation: Estimate 2018 budget of 16,500,000 from BPA for power and supply; add a line for spillage for approximately 300,000.

BPA Cost of Power - 2018 (hand-out)

	BPA Charges for 2018												
	18-Jan	18-Feb	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-17 Total	
Total Power Charges	1,667,973	1,660,114	1,409,325	1,282,599	930,025	1,019,804	1,068,598	959,829	1,020,676	1,242,558	1,254,700	1,438,377	14,885,086
Total PF Load (Tier 1 and Tier 2) [MWh]	42,001	35,823	36,681	30,959	27,517	23,757	24,120	24,046	24,260	28,940	36,975	43,335	378,413
Total Transmission Charges	161,254	159,398	156,746	121,089	97,612	100,387	101,436	97,846	88,885	122,309	147,488	184,918	1,539,369
Total Charges (Power + Transmission)	1,829,227	1,819,512	1,566,071	1,403,688	1,027,637	1,120,191	1,170,034	1,057,675	1,109,561	1,364,867	1,402,188	1,623,295	16,424,455
WECC/peak Dues from prior	5,000	4,000	4,000	3,100	2,700	2,400	2,400	2,500	2,400	3000	3,300	5000	39,800
Spill Charge - 40 million					85,167	67,194	59,002	65,347	59,202				338,912
Total BPA charges	\$1,834,227	\$1,823,512	\$1,570,071	\$1,406,788	\$1,115,504	\$1,189,785	\$1,231,437	\$1,125,523	\$1,171,163	\$1,367,867	\$1,405,488	\$1,628,295	\$16,869,659

2018 BUDGET OVERVIEW - GUIDANCE

Board Discussion

JPUD Budget Requirements

- ▶ RCW 84.52.020 - File Budget with County; November 30, 2017
- ▶ RCW 54.16.080 - Hearing 1st Monday in October
- ▶ RCW 54.16.080 - Budget on File 1st Monday in September
- ▶ RCW 54.24.080 - Rates fair and nondiscriminatory and adequate to provide revenues
- ▶ RUS Loan Agreements
 - ▶ TIER, OTIER, DSC, ODSC - ratio's (Form 7 - 31 March)
- ▶ PUD BOC Financial Policy

Review PUD BOC Financial Policy

- ▶ RUS Minimal Requirement
 - ▶ OTIER/ TIER 1.1/ 1.25
 - ▶ DSC/ ODSC - 1.25/ 1.1
- ▶ Reserves Accounts
 - ▶ Minimum 90 days of expenses on Planned year's Budget
 - ▶ 100%-125% of the established minimum level
 - ▶ *Water/Sewer - 90 days, plus largest critical failure, plus capital replacement*
 - ▶ *General Fund - ½ of annual amount*
- ▶ Borrowing - at least 60% from revenues
- ▶ County acts as PUD Ex-Official Treasurer
- ▶ Governmental Accrual basis of method of accounting.

Comparison of ratio's:

YE 2016	Financial Policy Requirement	PUD 2016	US TOTAL	State - WA	Customer Size	Current Power Supplier	Average, considering all ratios:
TIER	1.25	1.48	2.62	3.24	2.71	2.79	2.57
TIER (2/3)		1.48	2.79	4.27	2.85	2.87	2.85
OTIER	1.10	1.09	1.94	3.0	2.01	2.29	2.07
OTIER (2/3)		1.09	2.10	3.2	2.14	2.40	2.19
DSC	1.25	1.57	2.06	2.88	2.08	2.45	2.21
MDSC		1.38	1.94	2.70	1.96	2.30	2.06
ODSC	1.10						

Other PUD Policies – Allocation of Funds

- ▶ General Fund – Taxes – Policy is to Lower until zero when lake is paid off
 - ▶ Water/Electrical Resources – Peterson Lake
 - ▶ 2017 Budget Allocation – Telecom Start-up; Audit Expenses; Facility; Minutes
 - ▶ Currently \$500,000; could raise back to \$625,000
- ▶ Enterprise Funds Allocation –
 - ▶ Electrical (83%)
 - ▶ Telecom – excess capacity to electrical
 - ▶ Water/Sewer (17%)
- ▶ Capital Budgets
 - ▶ Electrical
 - ▶ Water/Sewer
 - ▶ General

Budget - 2017 (hand out 2017)

- ▶ Division of Funds
 - ▶ Electrical/Telecom
 - ▶ Water/Sewer
 - ▶ General Fund
- ▶ *Show Both as Cash and Accrual Method*
 - ▶ Depreciation - Interest and principal -Capital and Expense
- ▶ Budget Considerations
 - ▶ Predicted a negative cash flow of 1.6 million for Electrical; but predicted 1.6 million surplus on the accrual method
 - ▶ Water and General funds were break-even
 - ▶ TIER predicted at 1.47 - OTIER 1.129 (combined)

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General Ledger Financial And Operating Report Electric Distribution

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INCOME STATEMENT FOR JUN 2017

Item	-----Year - To - Date-----			-----Period - To - Date-----	
	Last Year	This Year	Budget	Current	Budget
1. Operating Revenue and Patronage Capital	17,474,588.12	20,293,812.31	18,854,921.00	2,296,580.86	2,255,436.00
2. Power Production Expense	0.00	0.00	0.00	0.00	0.00
3. Cost of Purchased Power	6,886,452.00	7,605,132.84	7,614,000.00	884,107.00	764,000.00
4. Transmission Expense	843,612.83	952,083.62	1,021,036.00	99,660.00	108,801.00
5. Regional Market Expense	0.00	0.00	0.00	0.00	0.00
6. Distribution Expense - Operation	418,267.31	358,698.74	491,700.00	54,257.66	93,737.00
7. Distribution Expense - Maintenance	1,123,973.22	644,342.18	1,331,967.00	103,587.73	221,427.00
8. Customer Accounts Expense	609,266.77	598,047.34	621,949.00	102,807.47	105,160.00
9. Customer Service and Informational Expense	29,553.36	41,927.81	65,925.00	7,143.85	11,261.00
10. Sales Expense	0.00	0.00	0.00	0.00	0.00
11. Administrative and General Expense	877,301.00	990,703.52	994,544.18	145,343.00	170,632.53
12. Total Operation & Maintenance Expense (2 thru 11)	10,788,426.49	11,190,936.05	12,141,121.18	1,396,906.71	1,475,018.53
13. Depreciation & Amortization Expense	2,486,953.94	2,511,332.81	2,333,448.00	421,202.36	388,908.00
14. Tax Expense - Property & Gross Receipts	0.00	0.00	0.00	0.00	0.00
15. Tax Expense - Other	1,048,011.14	1,175,769.32	1,056,303.00	135,415.50	126,948.00
16. Interest on Long-Term Debt	1,523,771.61	1,453,342.95	1,455,030.00	246,703.02	246,796.00
17. Interest Charged to Construction - Credit	0.00	0.00	0.00	0.00	0.00
18. Interest Expense - Other	0.00	0.00	0.00	0.00	0.00
19. Other Deductions	0.00	3,340.00	250,002.00	1,575.00	41,667.00
20. Total Cost of Electric Service (12 thru 19)	15,847,163.18	16,334,721.13	17,235,904.18	2,201,802.59	2,279,337.53
21. Patronage Capital & Operating Margins (1 minus 20)	1,627,424.94	3,959,091.18	1,619,016.82	94,778.27	-23,901.53
22. Non Operating Margins - Interest	15,358.48	33,116.78	12,972.00	6,749.07	2,162.00
23. Allowance for Funds Used During Construction	0.00	0.00	0.00	0.00	0.00
24. Income (Loss) from Equity Investments	0.00	0.00	0.00	0.00	0.00
25. Non Operating Margins - Other	181,810.84	632,317.39	172,650.00	188,240.05	28,775.00
26. Generation and Transmission Capital Credits	0.00	0.00	0.00	0.00	0.00
27. Other Capital Credits and Patronage Dividends	9,350.37	16,611.40	0.00	0.00	0.00
28. Extraordinary Items	0.00	0.00	0.00	0.00	0.00
29. Patronage Capital or Margins (21 thru 28)	1,833,944.63	4,641,136.75	1,804,638.82	289,767.39	7,035.47
Operating - Margin	1,627,424.94	3,959,371.18	1,619,016.82	94,778.27	-23,901.53
Non Operating - Margin	206,519.69	681,765.57	185,622.00	194,989.12	30,937.00
Times Interest Earned Ratio - Operating	2.07	3.72			
Times Interest Earned Ratio - Net	2.20	4.19			
Times Interest Earned Ratio - Modified	2.20	4.18			

2017 Financial Auditing Update

- ▶ RUS Field Accountant Audit of Original A8 Loan was approved with only one comment - which is being rectified - ***
- ▶ State Audit Scheduled September-October for 2016 financials
- ▶ Will have Utilibiz here at end of the month to assist in financials, work orders, assets, and Budget
- ▶ Using Moss-Adams for review of processes and financials
- ▶ Adding utility accountant position.

Cost Considerations 2018 Budget

Areas that effect Budget

Cost Components of Budget

- ▶ Power - Transmission and Supply - BPA
- ▶ Debt - RUS/ other
- ▶ Taxes - B&O; City of PT; Privilege
- ▶ Depreciation - water assets
- ▶ Operations and Maintenance - A & G - Customer Accounts
 - ▶ Personnel and benefits
 - ▶ Contractors/Consultants - (Expense, e.g., Tree Trimming, call service, Legal)
 - ▶ Materials
 - ▶ Vendors - L/G; NISC; PURMS; Memberships
 - ▶ Misc. - Outreach, training, safety, education, conservation
 - ▶ General Plant - Facilities, equipment & fleet
- ▶ Capital Budgets

Debt and Interest on Debt

- ▶ For Electric - around 6 million a year - ½ interest and ½ principal
- ▶ For General Fund - Peterson Lake
- ▶ For Water/Sewer - LUD's
- ▶ New Debt potential (if borrow will increase interest and depreciation; but not expense)
 - ▶ New Facilities
 - ▶ Meter Replacement program
 - ▶ Navy circuit - Substation - capital budget unplanned (MI-II)
 - ▶ Water/sewer - (Brinnon, Shine Plat, Quilcene)
 - ▶ Telecom ?

Depreciation

- ▶ 2017 Budget - \$4,666,900 current rate is \$5,104,044
- ▶ Used for accrual method of accounting not cash method
 - ▶ In calculating RUS Ratio's - capital costs (including Labor) are removed from Expenses - as are any principal payments but depreciation is treated as an expense
- ▶ Water assets are being updated and will provide accurate figures for Audit and depreciation

- ▶ RUS TIER Calculation: Interest (\$3M); TIER >1.25
 - ▶ TIER Margin = $(1.25*3)-3 = \$.75 \text{ M}$
- ▶ RUS OTIER Calculation:
 - ▶ OTIER Margin = $(1.1*3)-3 = \$.30 \text{ M}$

Taxes

- ▶ Tax are Function of Revenues

- ▶ 2016 actual \$ 1,893,390; 2017 Budget \$ 1,918,186; est. 2018 \$ 2,200,000

- ▶ Electrical

- ▶ Utility Tax - 3.873%

- ▶ Privilege Tax - 2.14%

- ▶ City of PT - 6%

- ▶ Water

- ▶ Utility Tax

- ▶ Telecom

- ▶ Utility Tax

Other Expenses -

- ▶ Personnel & Benefits
- ▶ Contractors/consultants
- ▶ Materials
- ▶ Plant - Distribution and General
- ▶ Other
 - ▶ Communications
 - ▶ Training
 - ▶ Travel
 - ▶ HR/ recruiting
 - ▶ Records management
 - ▶ Memberships
 - ▶ Safety
 - ▶ Recruiting

Other Expenses - Personnel

- ▶ 2016 Personnel Costs were \$ 4.5 million
- ▶ 2017 Personnel Budget \$ 5.5 million
- ▶ 2018 Personnel Costs projected at **\$ 6.2 million**
 - ▶ Includes 3% (3.5%) COLA (2017/2018) - PERS up 1%
 - ▶ New Personnel - not in 2016 (communications specialist, HR*, CFO*, financial accountant, Electrical PE*, Lead Foreman, telecom**, SCADA, groundman, conservation specialist, substation lineman**, water/sewer operator, staking engineer**, engineer EIT*, CSR*) apprentices. All but 3 in 2018 budget at beginning of year
 - ▶ Increased Medical and Benefits (used 5%)
 - ▶ New Benefits include deferred comp for all employees, extra holiday

Other Expenses

- ▶ Contractors/Vendors - tree trimming - professional (legal, accounting, auditing, engineering, training) - meter reading - Billing accounting system
- ▶ Materials/equipment - vehicles/computer/ O & M materials
- ▶ Other: training, memberships, communications, travel, IT, travel, recruiting

- ▶ Telecom -
 - ▶ Currently funded out General Fund, but will quickly exceed budgeted amount. Considering part of Electrical - excess capacity
 - ▶ Should take over from Noanet by next year. Revenues are unclear

Capital Costs - Work plan (hand-out)

- ▶ Capital Expenses -
- ▶ Budget (Electrical)
 - ▶ 2017 \$3,737,500
 - ▶ 2018 \$5,040,000
 - ▶ New Building (0.00) not included
 - ▶ Meters (currently \$ 1,200,000)
 - ▶ MI-II (not directly in budget)
- ▶ Water Capital Plan to be refined
- ▶ Depreciation. \$ 5,104,044 estimate but going up.

Facility Options - 2018 Budget

	Alternative 1 - Split Facilities	Alternative 2 - Consolidated Facilities
Phase 1	\$2.09 - \$2.31 million	\$1.66 - \$1.83 million
Phase 2	\$2.40 - \$2.65 million	\$1.97 - \$2.18 million
Phase 3	\$3.95 - \$4.37 million	\$3.95 - \$4.37 million
Phase 4	\$6.49 - \$7.17 million	\$6.49 - \$7.17 million
Phase 5	\$5.01 - \$5.54 million	\$5.01 - \$5.54 million
Total	\$19.94 - \$22.04 million	\$19.08 - \$21.09 million

Revenues

Rate Study -EES



Electrical Revenues

- ▶ Electrical Revenues for the past 2 years are:
 - ▶ 2015 - \$ 32,002,337; 2016 - \$ 31,586,675
 - ▶ Budget 2017 - 34,163,505 (included 2,078,195 from rate increase)
 - ▶ Actual to date, plus budgeted: \$ 35,562,251
- ▶ Budget 2018 -
 - ▶ 2017 Budget * 1.03 for growth/no rate = $34,163,505 * 1.03 = 35,188,410$
 - ▶ EES study update (next slide)
- ▶ Additional
 - ▶ Fees and charges; borrow money; raise rates

EES update of revenues based on rates

Total Revenues byt Class	Revenues at Proposed Rates	Revenues at June 2017 Rates		Increase in January and June 2018	Increase in January	2018 Increase	2019 Increase
	2017	2018	2019	2018	2019		
Rate 7 -Residential	\$21,829,869	\$22,089,286	\$22,172,880	\$22,543,086	\$22,854,681	3.3%	1.0%
Rate 24 -General Service (<50 kW)	\$4,450,367	\$4,292,143	\$4,308,517	\$4,603,881	\$4,667,658	3.4%	1.0%
Rate 25 -Small Demand	\$2,128,914	\$2,193,958	\$2,201,583	\$2,240,656	\$2,270,927	5.2%	1.0%
Rate 26 -Large Demand	\$852,322	\$887,045	\$890,411	\$895,954	\$908,347	5.1%	1.0%
Rate 31 -Large Demand Primary	\$962,520	\$993,748	\$993,748	\$1,011,775	\$1,021,892	5.1%	1.0%
Rate 29 -Irrigation	\$3,469	\$3,470	\$3,470	\$3,540	\$3,575	2.0%	1.0%
Rate 43 -Interruptible Schools	\$468,122	\$474,912	\$476,670	\$502,235	\$509,135	7.3%	1.0%
Street & Hwy Lighting	\$187,204	\$187,204	\$187,204	\$193,756	\$195,694	3.5%	1.0%
PTP	\$2,733,002	\$2,841,476	\$2,841,476	\$2,841,476	\$2,869,891	4.0%	1.0%
Total	\$33,615,789	\$33,963,243	\$34,075,959	\$34,836,359	\$35,301,802	3.6%	1.0%

Note: 2018 Increases include a customer charge increase in January and energy and demand charge increases in June.

level of rate increase would result in a Debt Service Coverage Ratio of 1.4, which is a positive move towards financial stability.

In 2018 a 6.1% rate increase is proposed based on current projections. This would allow \$3.6 million of CIP to be funded through rates and another \$70,000 to be funded from reserves. Under this proposal the utility would meet a 1.6 Debt Service Coverage Ratio.

For 2019 and 2020, it is expected that much lower rate increases will be required to meet inflationary increases, including an expected BPA rate increase in October of 2019.

A summary of the draft cash basis revenue requirement is shown in Table 1.

Table 1				
Summary of the Revenue Requirement				
CY 2017-2020				
Revenues	2017	2018	2019	2020
Present Rate Revenues	\$31,577,158	\$31,796,893	\$31,878,911	\$32,024,759
Other Income	\$734,756	\$753,125	\$771,953	\$791,252
Total Revenues	\$32,311,914	\$32,550,018	\$32,650,864	\$32,816,010
Expenses				
Generation	\$15,733,023	\$16,362,854	\$16,678,667	\$17,555,556
Transmission	\$72,224	\$74,030	\$75,880	\$77,777
Distribution	\$4,665,767	\$4,782,411	\$4,901,971	\$5,024,521
Customer Accounts and Services	\$1,330,850	\$1,364,121	\$1,398,224	\$1,433,180
Administration and General	\$1,770,049	\$1,814,300	\$1,859,658	\$1,906,149
Low Income Program	\$500,000	\$500,000	\$500,000	\$500,000
Capital Projects	\$3,737,500	\$4,447,500	\$5,046,040	\$5,046,040
Taxes	\$1,918,186	\$1,966,141	\$2,015,294	\$2,065,677
Interest and Debt Service	\$5,986,760	\$5,986,760	\$5,986,760	\$5,986,760
Total Expenses	\$35,714,359	\$37,298,117	\$38,462,495	\$39,595,659
Surplus (Deficiency) in Funds	-\$3,402,445	-\$4,748,099	-\$5,811,631	-\$6,779,649
Annual Required Increase (Decrease)	10.8%	4.2%	3.3%	2.9%
Proposed Increase (After Reserves)	6.6%	6.1%		

EES Rate recommendation

- ▶ Residential - base to 17.00 Jan 2018 (3.3%)
- ▶ General Service -
 - ▶ Schedule 24 - base to 19.00 Jan 2018 (3.4%)
 - ▶ Schedule 25 - demand to \$5.5 June 2018 and energy to 8.3/kWh (3.7%)
 - ▶ Schedule 26 - energy to 7.35/kWh June 2018 (5.1%)
 - ▶ Schedule 31 - demand to \$8.50 June 2018 and 7.25/kWh (5.1%)
 - ▶ Schedule 29 - energy 6.65 per kWh June 2018 (2.0%)
 - ▶ Schedule 43 - demand \$5.50/kW-month June 2018 (7.3%)
 - ▶ Lighting/PTP -

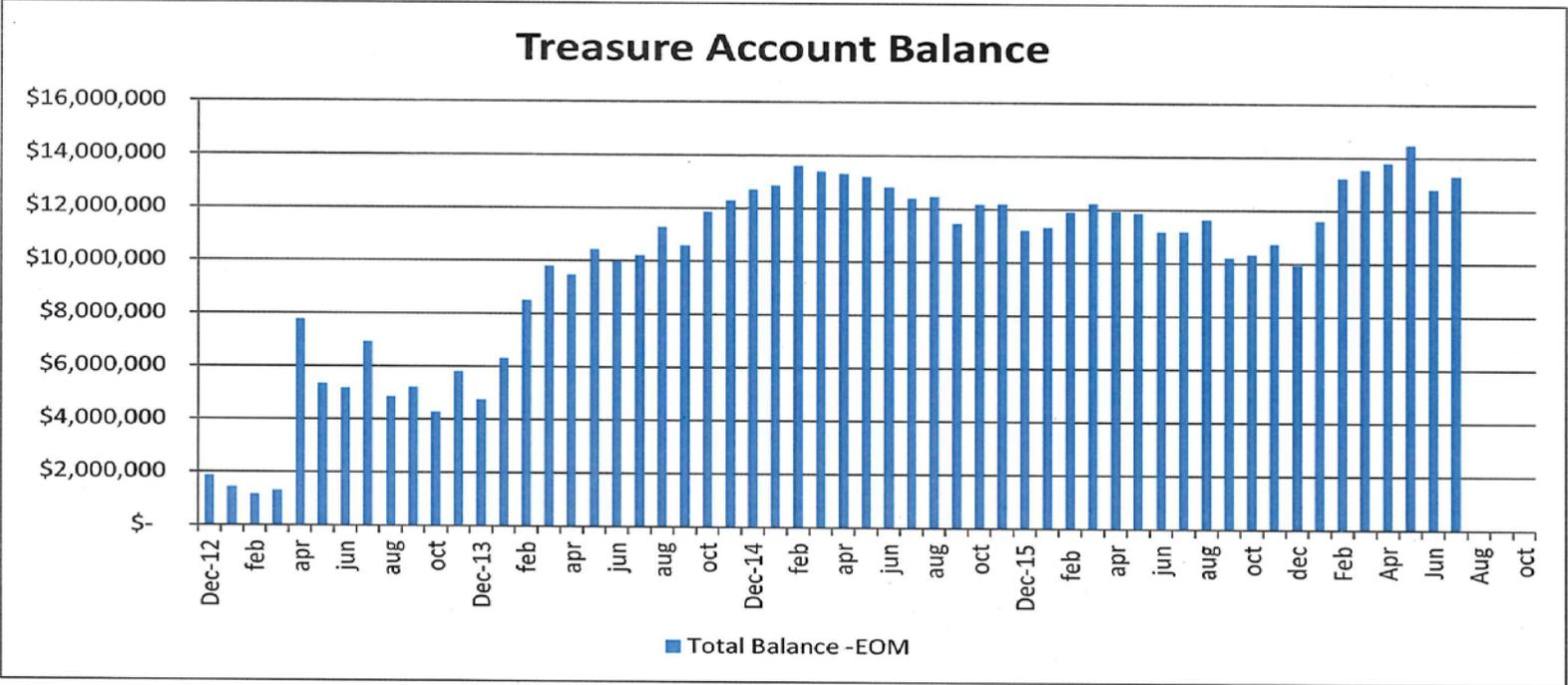
Summary of Changes

- ▶ Expenses:
 - ▶ BPA potentially 16,900,000 versus EES 16,363,000 - \$540,000 additional
 - ▶ Personnel Costs could be over million (6.2 versus 5.2) more than budgeted for 2017 - \$1 million increase
 - ▶ Capital - new building; meters; completion of substation - \$ 5,000,000
 - ▶ Normal inflation plus new projects (telecom)

Reserves

Policy 100 to 125% of 3 month's current annual budget - 9 to 11 million.

PUD Fund Balance



The background features abstract, overlapping geometric shapes in various shades of green, ranging from light lime to dark forest green. The shapes are primarily triangles and polygons, creating a dynamic, layered effect. The overall composition is clean and modern, with the text centered on a white background.

Draft 2018 Budget using current figures

Combined Draft 2018 budget

Jefferson County PUD No. 1 Income Statement

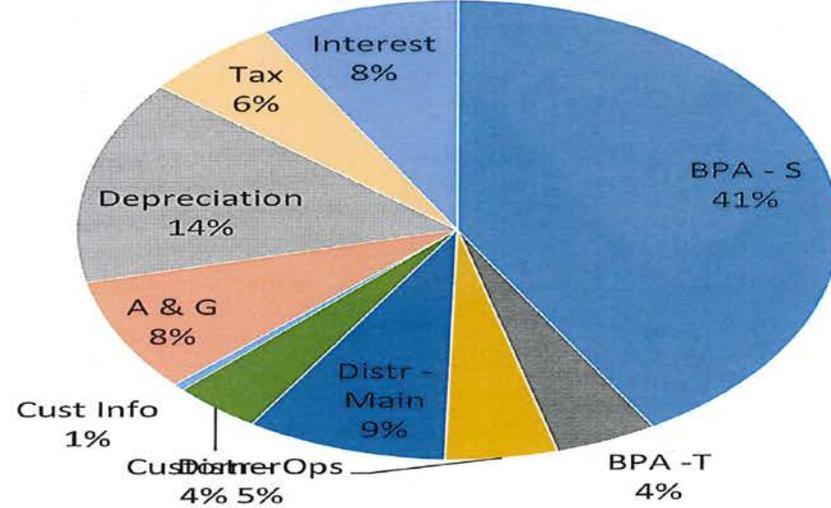
	2018 Budget
COMBINED	
1. Operating Revenue	36,453,024
3. Cost of Purchased Power/Water	15,465,551
4. Transmission Expense	1,620,009
6. Distribution Expense - Operation	1,778,921
7. Distribution Expense - Maintenance	3,192,397
8. Customer Accounts Expense	1,406,532
9. Customer Service and Informational Expense	186,508
11. Administrative and General Expense	3,023,709
13. Depreciation & Amortization Expense	5,369,276
15. Tax Expense - Other	2,175,884
16. Interest on Long-Term Debt	3,154,367
19. Other Deductions	500,000
20. Total Cost of Utility Service	37,873,154
21. Operating Margins (Loss)	(1,420,129)
25. Non-Operating Margins (Loss)	1,912,504
29. Net Margins (Loss)	492,375
Less Construction Projects	5,272,902
Less General Plant Purchases	1,052,000
Less Principal on Long Term Debt	3,929,314
Add'l Interest Paid on Long Term Debt	101,276
Principal Received on LUDs	(442,966)
Add Depreciation (non-cash)	(5,369,276)
Total Cash Expenditures/Cash Outflow	4,543,249
Borrowing	0
Net Cash Inflow/(Outflow)	(4,050,875)

Draft Electrical 2018 Budget

Jefferson County PUD No. 1 Income Statement

	2018 Budget
ELECTRIC	
1. Operating Revenue	34,222,130
Rate Adjustment to Operating Revenues	0
3. Cost of Purchased Power	15,290,490
4. Transmission Expense	1,620,009
6. Distribution Expense - Operation	1,194,612
7. Distribution Expense - Maintenance	2,905,693
8. Customer Accounts Expense	1,231,975
9. Customer Service and Informational Expense	155,542
11. Administrative and General Expense	2,170,745
13. Depreciation & Amortization Expense	4,700,657
15. Tax Expense - Other	2,057,234
16. Interest on Long-Term Debt	2,856,980
19. Other Deductions (low income program)	500,000
20. Total Cost of Electric Service	34,683,936
21. Operating Margins (Loss)	(461,806)
25. Non-Operating Margins (Loss)	755,988
29. Net Electric Margins (Loss)	294,182
Less Construction Projects	5,052,902
Less General Plant Purchases	1,052,000
Less Principal on Long Term Debt	3,157,438
Add'l Interest Paid on Long Term Debt	93,641
Add Depreciation (non-cash)	(4,700,657)
Total Cash Expenditures/Cash Outflow	4,655,324
Borrowing	0
Net Cash Inflow/(Outflow)	(4,361,142)
TIER (Goal of 1.25)	1.10
DSC (Goal of 1.25)	1.29

PUD Draft Budget 2018 Expenses



Draft Budget 2018 Water

Jefferson County PUD No. 1 Income Statement

	2018 Budget
WATER	
1. Operating Revenue	2,230,582
3. Cost of Purchased Water/Production	175,061
6. Distribution Expense - Operation	584,309
7. Distribution Expense - Maintenance	286,704
8. Customer Accounts Expense	174,558
9. Customer Service and Informational Expense	30,966
11. Administrative and General Expense	464,364
13. Depreciation & Amortization Expense	668,619
15. Tax Expense - Other	118,650
16. Interest on Long-Term Debt	233,319
20. Total Cost of Water Service	2,736,550
21. Operating Margins (Loss)	(505,968)
25. Non-Operating Margins (Loss)	637,284
29. Net Water Margins (Loss)	131,316
Less Construction Projects	220,000
Less General Plant Purchases	0
Less Principal on Long Term Debt	664,000
Add'l Interest Paid on Long Term Debt	7,635
Principal & Interest Received on LUDs	(442,966)
Add Depreciation (non-cash)	(668,619)
Total Cash Expenditures/Cash Outflow	(219,950)
Borrowing	
Net Cash Inflow/(Outflow)	351,266

Conclusions

- ▶ BPA rates are up 5.1 percent and could include another 2%
- ▶ PUD Personnel actual costs will be more than 1 million higher than 2017
- ▶ Current EES COS shows a need for increased revenues regardless of 1st two bullets - based on the then capital plan.
- ▶ Cold winter has help PUD increase reserves, but cannot count on cold weather (RUS) in the future
- ▶ Currently, new Facilities are not in 2018 Budget; approx. 1.8 million
- ▶ PUD is on path to meet RUS ratio requirements for 2017
- ▶ Draft 2018 Budget using current rates will not make TIER in 2018
- ▶ Can reduce expenses, increase revenues (rates, borrowing, fees) or both

Next Steps

- ▶ Staff completes draft budget; Assuming we will follow current policies
 - ▶ Do not change TIER target of 1.25
 - ▶ Tax Revenues are lowered by 5,000 dollars
 - ▶ Leave pro-ration of costs between water and electrical the same
- ▶ Staff changes Tax Revenues to fund only Lake and Telecom department
- ▶ Draft budget to include EES recommended rate increases
- ▶ Draft budget to Board by August 29th and on file 1st September
- ▶ Facility workshop is 30th of August - expand to discuss budget?
- ▶ Budget workshops in September, October
- ▶ 1st Monday in October is Budget hearing

Board recommendations/questions

