

Okanogan County Electric Cooperative

2020 Financial Budget

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Changes in the 2020 O&M Budget – Page 1

The following are changes in the O&M portions of the budget.

- \$20k for increase in liability insurance. For the total enterprise, liability insurance stayed at the same level. This adjusted split between electric and propane reflects market conditions.
- \$25K for GM Search (Total project is \$40k)
- One additional FTE for engineering department starting on May 1st w/ benefits. (See next page for additional information)
- Decrease of \$20 K for COSA

Changes in the 2020 Budget – Page 2

- We are proposing to hire an additional person to be on-board by May 2020 for the engineering department as an engineering staker. The ideal candidate would have line crew experience. This person will do normal engineering staking work and off load some of the pressure on the current staker. Both stakers would also work on additional projects listed below.
- A similar position previously existed in the department before we cutback in 2013.
- These projects are:
 - Fuse coordination/update Mazama load study
 - GPS underground system to update mapping
 - Develop and implement underground inspection program
 - Correct underground phasing throughout system starting @ sub
 - Develop and implement underground tagging program
 - Maintain urd/ovhd system inspections on a 3 year cycle

2020 Budget Highlights

2020 Power Sales and Use Data

➤ 2020 Purchase Power Forecast	61,214 MWH
➤ 2020 Line loss	4,585 MWH
➤ 2020 OCEC use	88 MWH
➤ 2020 Budgeted Sales	56,540 MWH
• 2020 Budgeted Op Revenues	\$5,654,347
Average Revenue per KWH sold	10.0 cents per kwh

2020 Financial Highlights

- Capital Credits for 2020 has been budgeted at \$362,000.
- Principal payment of long term dept is scheduled to be \$161,676.
- New loans are projected to be \$530k.
 - New loans
 - \$170K in November 2020 (truck purchase)
 - \$360k December 2020 (capital credit payout)
- PNGC's normalized weather forecast is used as a basis for the sales and revenue forecast.

Overall Budget View

	Budget 2019	Actual 2019	Budget 2020
Revenues	\$5,891,986	\$5,901,623	\$5,654,347
Purchased Power	\$2,831,793	\$2,905,014	\$2,734,987
Operations and Maintenance	\$1,625,180	\$1,780,128	\$1,873,768
Depreciation, Interest and Taxes	\$802,501	\$793,963	\$812,687
Operating Margins	\$632,512	\$422,517	\$232,905
Capital Projects (Less CIAC and FEMA)	\$865,930	\$1,006,029	\$957,333

Revenues

2020 Revenues are based on PNGC's load forecast which is based on normalized weather.

	Budget 2019	Actual 2019	Budget 2020
MWH Sold		61,989	56,541
Revenues from Energy Sales	\$5,891,986	\$5,901,623	\$5,654,347
Other Revenues	\$90,523	\$146,537	\$34,800

Operations and Maintenance

	Budget 2019	Actual 2019	Budget 2020
Distribution Operations	\$93,078	\$101,546	\$101,317
Distribution Maintenance	\$593,844	\$635,827	\$652,886
Customer Accounts	\$305,740	\$298,012	\$305,640
Customer Info and Sales	\$699	\$2,538	\$1,980
Administration and General Expenses	\$631,819	\$742,205	\$811,945
Total O&M	\$1,625,180	\$1,780,128	1,837,768

3/6/2020

2020 Capital Budget – Contents

- Assessment of Capital Assets
- Status of 2019 Capital Budget Projects
- Four Year Vehicle Replacement Schedule
- Mazama Feeder Project Update
- Major Differences in 2019 and 2020 Capital Budgets
- Capital Budget Summary

2020 Capital Budget – Assessment of Capital Assets – Page 1 of 2

- OCEC's distribution system is in good condition. This capital budget is focused on miscellaneous projects, pole replacements, replacement of underground systems due to the age of these facilities, and the continuation of the Mazama project.
- The OCEC office building is in good repair. There is one minor project in the 2020 Capital Budget. This project will install irrigation system in the front yard and add employee parking in the front. There is also a project to change out the current phone system, which is antiquated.
- There is a project to develop a long term plan for the campus as a whole given current factors and trends. A consultant will be used for this project. This project is budgeted for \$45,000.

2020 Capital Budget – Assessment of Capital Assets – Page 2 of 2

- Vehicles are in relatively good shape. See the next page for long term vehicle changeout schedule. Normal vehicle changeouts included in this budget are:

- ¾ Ton Service Truck (\$105,000) Replacement of Vehicle #5

- F-150 (\$65,000) Replacement of Vehicle #6

- The budget contains a provision of purchasing a used mini-excavator w/ dump trailer for use when working in developments where the large back-hoe is too big. This will limit the amount of ground in member's yards that is impacted when doing small jobs. This will be a fleet addition. The cost is \$25,000.

Four Year Vehicle Budget

Vehicle Replacements Details	Year	2019	2020	2021	2022	2023	2024
#2 3/4 Ton Service Truck	2003						100,000
#4 Freightliner	1999			200,000			
#5 3/4 Ton Service Truck	2000		105,000				
#6 F-150	2006		65,000				
#7 Bucket Truck	1996				150,000		
#9 Toyota	2002						
#10 ford F550	2009	190,000					
#11 Chevy Silverado	2012						
#12 Dodge Ram 5500	2015					200,000	
#14 Dodge Ram 5500	2018						
#16 Chip Truck	1991						
#18 Freightliner	2013						
#19 Tahoe	2015				70,000		
Chipper	2010						
Mini-Excavator			25,000				
Backhoe	2007						
Total Transportation		190,000	195,000	200,000	220,000	200,000	100,000

Status of 2020 Capital Budget Projects

Page 1 of 2

- ▶ 2019 actual capital expenditures tracked closely with budgeted amounts.
- ▶ Replace 2,500' of underground wire in Stud Horse (Part 2) – Completed
- ▶ Replace 2,500' of underground wire in Edelweiss (Part 2) – Completed
- ▶ Replace underground wire in Sky Ranch – Completed
- ▶ Facility projects – Build Back porch overhang/ Expand garage door – Completed

Status of 2020 Capital Budget Projects

Page 2 of 2

- ▶ Pole Inspections – Completed
- ▶ Did not start coordination/fault study. Held over for 2020/2021.
- ▶ Received new truck and snow track Polaris Ranger
- ▶ Fire Retardant – Completed

2020 Capital Budget – Mazama Feeder Project Update – Page 1 of 5

•Mazama Feeder Improvements Update

- In 2013, a plan was formulated to provide a long range solution to the potential problems in the Mazama area due to load growth. A consultant engaged to verify the plan would work.
- This plan called for extending the higher circuit voltage from the Weeman Bridge (where the higher voltage is now converted to OCEC's lower nominal voltage) to the Mazama junction.
- In 2018, operations developed a specific plan to have this project finished by 2021 based on the developed solution confirmed by the consultant.

2020 Capital Budget – Mazama Feeder Project Update – Page 2 of 5

•Mazama Feeder Improvements Update

- Because voltage readings recorded in January 2020 in the area did not indicate that low voltage has developed yet, we are looking at stretching out the project. Note: Extreme temperatures did not develop this winter.

- The goal is to be in a position where all the work is done except for the actual changeover. This will allow us to defer the extraordinary “cash out” items until actually needed. Between equipment and contract outside line crews, this amount is approximately \$141,000. This does not include OCEC crew time and associated overhead as this is not an extraordinary “cash-out” item.

- We will update the 2013 voltage study as part of the upcoming Coordination Study to be started this year. This will give us a update on where we stand on timing of completion of the project.

2020 Capital Budget – Mazama Feeder Project Update Page 3 of 5

•Mazama Feeder Improvements Update

- By 2021, all work should be completed except for the final cutover work. The work in 2021 includes:
 - Installation of dual voltage transformers
 - Installation of Step Down transformers
 - Finish obtaining all necessary easements

- What work and expenses left to be completed in 2022 (or later) are:
 - Purchase 3000 KVA transformer (\$80k)
 - Purchase reclosers (\$31k)
 - Actual Cutover (\$30k contract crews and \$60k OCEC crews and associated overhead)

2020 Capital Budget – Mazama Feeder Project Update – Page 4 of 5

•Mazama Feeder Improvements Update

- We want to be in a position to “push the button” and have the project completed in six months. We will be able to do this in 2022 or defer later. This will depend on voltage degradation from load growth.
- The current estimate for the total cost of the project is less than what was estimated in 2018 by 16%.
- The next page shows the original capital schedule and the revised capital schedule. As previously discussed, the 2022 work may be able to be delayed.

2020 Capital Budget – Mazama Feeder Project Update – Page 5 of 5

•Mazama Project Capital Expenditure Schedule

	2018 Project Estimate	Actual Costs or Current Projections
Wolf Creek Shift	40,000	40,000
2019 Work	48,000	55,348
2020 Work	150,000	48,462
2021 Work (Step Down Xfmrs)	280,000	91,000
2022 Work (Cut-over work)		201,000
Totals	518,000	435,810

Major Differences Between 2019 and 2020 Capital Budgets – Page 1 of 2

The 2020 is based on the actual 2019 capital expenditure which tracked very closely with the 2019 budget. The capital budget is around 10.5 % larger than 2019 (not counting the FEMA reimbursement). The major differences are:

- A) The 2019 capital budget included a \$176, 985 credit for FEMA reimbursement. This is not included in the 2020 budget.
- B) Transformer Purchases were increased by \$20,000 to \$150,000 is due to increase in actual purchases in 2019 for new members and projected changeout of transformers for the Mazama project. (Note – These transformers have already been ordered)
- C) The Facility Planning Study (\$45,000) was included in the budget.

Major Differences Between 2019 and 2020 Capital Budgets – Page 2 of 2

- D) The recent policy change regarding service drops does not add any appreciable costs to the capital budget.
- E) Overhead capital labor, Account 107.25, was increased to account for the capital portion of a new FTE on the payroll.

2020 Capital Budget Summary – Page 1 of 3

		2020 Budget
Members Requested Facilities (CIAC)		\$299,085
Replacements (Pole and Transformers)		120,114
Misc. URD/OH Projects		19,356
Replace 2,500' of URD at Edelweiss (Part 3)		108,914
Continued Replacement - Studhorse – Part 3		57,769
Replace Davis Lakes URD		39,106
Replace Liberty Woodlands URD		29,404

2020 Capital Budget Summary – Page 2 of 3

		2020 Budget
Mazama Circuit Upgrade – Phase 2		48,462
Coordination/Fault Study (Part 1 of 2) (Total Project Cost Is \$60,000)		15,000
Major Storm Damage		17,702
P&I Twelve Additional Line Monitor Sensors (Part 2 of 4)		54,711
Pole Inspections		10,000
Fire Retardant		21,711

Capital Budget Summary – Page 3 of 3

			2020 Budget
New Phone System			10,000
Irrigation System and Employee Parking			10,000
Heated Water Pressure			6,000
Tools/Misc			6,000
Facility Planning Study			45,000
Subtotal Work Order Projects			\$918,333
Less Member contribution (CIAC)			\$374,000
Total Work Order Projects less CIAC			\$544,333
Meter Purchases			50,000
Computer and Software Upgrades			18,000
Transformer Purchases			180,000
Vehicle Additions and Replacements			195,000
Total Capital Budget			\$957,333

Potential Changes in 2021 Budget

- ▶ Decrease in FTEs as retirements are taken.
- ▶ Facility Plan will be completed and potential projects for the HQ complex may be identified.

Assumptions and Risks

- We are going to use Brown & Kysar, Inc (BKI) as the consultants for the fault/line protection study and for running an updated Mazama load study. This project involves conversion of the GIS facility data and running this data through engineering programs. Once they have done the conversion work, they will be able to be helpful in the future should problems arise.
 - BKI is a engineering firm that is focused on providing engineering services to small electric utilities.
 - By establishing this relationship, OCEC will have a reputable engineering firm available to use when needed.
 - I have not used them before but I am familiar with them from conferences. The previous consultant we used in 2013 has had multiple personnel changes and I am no longer familiar with them
 - Because we want to establish a long term relationship with this particular firm, we will sole-source this contract.

Assumptions and Risks

- No line contractors are expected to be used except for local ditching contractors and local tree crews that will chip/clean-up tree debris when our line crew is trimming.
- Customer advances for Construction (CIAC) is variable and depends on area construction. For the capital budget, CIAC is estimated at 25% over what is spent on CIAC project. Part of this difference is due to transformers which are capitalized when we receive them. 2020 CIAC is based on 2019 data. According to area contractors, a strong residential construction year is expected in 2020.