

Okanogan County Electric Cooperative

2021 Financial Budget

Contents

- Changes in the 2021 Budget
- 2021 Budget Highlights
- Overall Budget View
- Revenues
- Operations and Maintenance
- Increase in Budgeted G&A
- Capital Budget
- Potential Increases for 2022 Budget
- Assumptions and Risks

Changes in the 2021 O&M Budget (Page 1 of 2)

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

- Two less employees on payroll due to retirements.
- \$75k for GM Search
- New GM Start date of July 1st

Changes in the 2021 O&M Budget (Page 2 of 2)

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

- Current GM scheduled through September
- Lower rent income from house on property so as to have the house open for possible use during new GM transition.
- Added \$20,000 for consultants for EV studies.

2021 Budget Highlights

2021 Power Sales and Use Data

| | |
|--------------------------------|--------------------|
| ➤ 2021 Purchase Power Forecast | 63,204 MWH |
| ➤ 2021 Line loss | 5,208 MWH |
| ➤ 2021 OCEC use | 98 MWH |
| ➤ 2021 Budgeted Sales | 57,897 MWH |
| • 2021 Budgeted Op Revenues | \$5,798,131 |
| Average Revenue per KWH sold | 10.0 cents per kwh |

2021 Financial Highlights

- Capital Credits for 2021 has been budgeted at \$335,000.
- Principal payment of long term dept is scheduled to be \$192,908.
- New Loan for originally scheduled for 2020 for \$360k has been delayed until January 2021. This is the only loan budgeted for 2021.

Overall Budget View

| | Budget 2020 | Projected 2020 | Budget 2021 |
|----------------------------------|-------------|----------------|-------------|
| Revenues | \$5,654,347 | \$5,923,081 | \$5,798,131 |
| Purchased Power | \$2,734,987 | \$2,931,180 | \$2,831,204 |
| Operations and Maintenance | \$1,873,768 | \$1,811,531 | \$1,845,952 |
| Depreciation, Interest and Taxes | \$812,687 | \$803,121 | \$801,960 |
| | | | |
| Operating Margins | \$232,905 | \$377,249 | \$319,014 |
| | | | |
| Capital Projects (Less CIAC) | \$957,333 | \$456,823 | \$963,053 |

Revenues

2021 Revenues are based on PNGC's load forecast which is based on normalized weather.

| | Budget 2020 | Projected 2020 | Budget 2021 |
|----------------------------|-------------|----------------|-------------|
| MWH Sold | | 59,024 | 57,897 |
| Revenues from Energy Sales | \$5,654,347 | \$5,923,081 | \$5,798,131 |
| Other Revenues | \$105,061 | \$99,204 | \$64,350 |

Operations and Maintenance

| | Budget 2020 | Projected 2020 | Budget 2021 |
|-------------------------------------|------------------|--------------------|------------------|
| Distribution Operations | \$101,317 | \$96,227 | \$102,610 |
| Distribution Maintenance | \$652,886 | \$612,568 | \$581,683 |
| Customer Accounts | \$305,640 | \$314,938 | \$242,008 |
| Customer Info and Sales | \$1,980 | \$8,629 | \$1,980 |
| Administration and General Expenses | \$811,945 | \$779,169 | \$917,671 |
| Total O&M | 1,837,768 | \$1,811,531 | 1,845,952 |

Increase in Budgeted G&A

Administrative and General Expenses (A&G) increases about \$106,000 from the 2020 Budget to the 2021 Budget. The increases comes from:

- Use of consultants for EV studies (\$20K)
 - GM Search (\$75k)
 - Overlap cost of GM position (\$60k)
-
- Decreases come from having two fewer employees. (\$40k)

2021 Capital Budget – Contents

- Assessment of Capital Assets
- Status of 2020 Capital Budget Projects
- Ten Year Vehicle Replacement Schedule
- Ramifications of the Large 2021 CIAC Level on the Capital Budget
- Major Differences in 2020 and 2021 Capital Budgets
- Mazama Feeder Project
- Future Facility Construction Plans
- Capital Budget Summary

2021 Capital Budget – Assessment of Capital Assets – Page 1 of 2

- OCEC’s distribution system is in good condition. This capital budget is focused on new member construction, 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 condition other than a shortage of space. There was one minor project in the 2020 Capital Budget to add employee parking in the front. This project was approved in the 2020 budget but at a lower funding level. This revised request incorporates the amount from the bid received.
- There is a project to start implementing the long-term facility plan. This is dependent on the Board approval of the long-term facility plan.

2021 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:

- Replace 1999 Freightliner for \$150,000.
- The vehicle ordered in 2020 is ordered but has an early 2021 delivery. Portions of this expense (\$90k) has been carried over to 2021.

Ten Year Vehicle Budget

| Vehicle Replacements Details | Year | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|------------------------------|------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| #2 3/4 Ton Service Truck | 2003 | | | | | 150,000 | | | | | |
| #4 Freightliner | 1999 | 150,000 | | | | | | | | | |
| #5 3/4 Ton Service Truck | 2000 | | | | | | | 150,000 | | | |
| #6 F-150 | 2006 | | | | | | | 50,000 | | | |
| #7 Bucket Truck | 1996 | | 150,000 | | | | | | | | 150,000 |
| #9 Toyota | 2002 | | | | | | | | 20,000 | | |
| #10 ford F550 | 2009 | | | | | | | | | 50,000 | |
| #11 Chevy Silverado | 2012 | | | | 30,000 | | | | | | 40,000 |
| #12 Dodge Ram 5500 | 2015 | | | 200,000 | | | | | | | |
| #14 Dodge Ram 5500 | 2018 | | | | | | | | | 150,000 | |
| #16 Chip Truck | 1991 | | | | 100,000 | | | | | | |
| #18 Freightliner | 2013 | | | | | | 275,000 | | | | |
| #19 Tahoe | 2015 | | 70,000 | | | | | | 80,000 | | |
| Chipper | 2010 | | | | | | | | 30,000 | | |
| Mini-Excavator | | | | | | | | | | | |
| Backhoe | 2007 | | | | | | | | 40,000 | | |
| Total Transportation | | 150,000 | 220,000 | 200,000 | 130,000 | 150,000 | 275,000 | 200,000 | 170,000 | 200,000 | 190,000 |

Disclaimer - Vehicles in outlier years are "Rough Estimates" at this time.

Status of 2020 Capital Budget Projects

Page 1 of 2

- ▶ CIAC (New Member Construction) in 2020 was much more than planned. We believe this was due to an influx of people leaving large cities for rural areas because of COVID-19. We do not expect this trend to continue but we discuss options later in the document if it does continue.
- ▶ Because of the focus on CIAC (New Member Construction), a few replacement projects and the next phase of the Mazama project were delayed until 2021. These were carried over to this budget.
- ▶ Replace 2,500' of underground wire in Stud Horse (Part 2) – Carryover
- ▶ Replace 2,500' of underground wire in Edelweiss (Part 2) – Completed
- ▶ Install (12) line monitors. Project approval was delayed. Line monitors are on order. Project will be completed in winter after construction season is over.

Status of 2020 Capital Budget Projects

Page 2 of 2

- ▶ Pole Inspections – Completed
- ▶ We plan to start coordination/fault study after construction season because of engineering personnel availability . Held over for 2021. The agreement with the consultant has been executed.
- ▶ Truck is ordered but has a scheduled deliver in early 2021. The snow track Polaris Ranger has been delivered.
- ▶ Fire Retardant – Completed
- ▶ Front Employee parking – Project is being resubmitted with revised bid in this budget.

Ramifications of the Large 2020 CIAC Level on the Capital Budget

- ▶ Because of a surge in CIAC projects in 2020, we delayed some of the underground replacement projects and Part 2 of the Mazama project to focus on new customer construction.
- ▶ The underground replacement projects are being done pro-actively and can be delayed a few years without any adverse effects. If CIAC is close to the same levels in 2021 as 2020, we plan to delay these again.
- ▶ The delay in the Mazama project should not be a problem. In 2020 we balanced some load on the phases in the area and this will raise voltages for the more heavily loaded phases. We have not encountered any low voltages during peak loads. The consultant will run a load flow model for Mazama in early 2021 and we will look at the results of this study to help determine timing to complete the project before any problems occur.
- ▶ Staff does not think that bringing in outside construction contractors to do work on the delayed projects is necessary at this time. This would cause a major increase in marginal costs and, as of this time, is not warranted.

Major Differences Between 2020 and 2021 Capital Budgets

The 2021 capital budget is around the same level as 2020. The major changes are:

- A) Scheduled personnel reduction on the line crew due to a retirement is offset by the addition of a staking tech to the 2021 capital budget.
- B) Transformer Purchases were decreased by \$70,000 to \$80,000. This is because some of the transformers purchased in 2020 are for the Mazama project.

2021 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 2022 based on the developed solution confirmed by the consultant.

2021 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 completed in Spring of 2021. This will give us a update on where we stand on timing of completion of the project.

2021 Capital Budget – Mazama Feeder Project Update Page 3 of 5

•Mazama Feeder Improvements Update

- By 2022, all work should be completed except for the final cutover work. The work in 2022 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 2023 (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 2023 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 2023 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 |
| 2022 Work (Step Down Xfmrs) | 280,000 | 91,000 |
| 2023 Work (Cut-over work) | | 201,000 |
| Totals | 518,000 | 435,810 |

Future Facility Construction Plans

- OCEC currently has consultants assisting in the long-term design of facility modifications. The goal is to identify the facility needs over the next twenty years and design a facility lay-out that meets current needs and is expandable to allow for future needs.
- The reasons for needing to develop a long-term plan of facility modifications are:
 - Severe overcrowding of certain offices
 - Need for a separate office for propane manager
 - End of useful life for the old pole barn that is currently used as truck storage
 - Recently acquired use of additional raw land adjacent to the current complex
 - Recently acquired possession of a house next to current complex
 - Additional room needed for IT Tech and file storage
 - Need for a conference room big enough for staff.
- The consultants will make a presentation to the Board on November 17th.
- Included in the 2021 capital budget is money to begin design work on what the Board ultimately approves for the first phase.
- Staff contemplates returning to the Board in 2021 to get approval to bid out and award the first phase for construction in 2022.
- Per the OCEC 10-year Financial Plan, the building expansion will be funded through additional borrowing.

2021 Capital Budget Summary – Page 1 of 3

| | | 2021 Budget |
|---|--|-------------|
| Members Requested Facilities (CIAC) | | \$333,966 |
| Replacements (Pole and Transformers) | | 116,130 |
| Misc. URD/OH Projects | | 42,258 |
| Replace 2,500' of URD at Edelweiss (Part 3) | | 90,680 |
| Continued Replacement - Studhorse – Part 3 | | 56,267 |
| Replace Davis Lakes URD | | 37,720 |
| Install 60 current limiting fuses | | 28,018 |
| | | |
| | | |

2021 Capital Budget Summary – Page 2 of 3

| | | 2021 Budget |
|--------------------------------------|--|-------------|
| Mazama Circuit Upgrade – Phase 2 | | 46,729 |
| Coordination/Fault Study | | 70,000 |
| Major Storm Damage | | 28,249 |
| P&I Twenty-Five Line Monitor Sensors | | 54,018 |
| Pole Inspections | | 10,000 |
| Fire Retardant | | 21,018 |
| | | |
| | | |

Capital Budget Summary – Page 3 of 3

| | | | 2021 Budget |
|--|--|--|--------------------|
| | | | |
| Employee Parking | | | 17,000 |
| Heated Water Pressure | | | 6,000 |
| Tools/Misc | | | 6,000 |
| Facility Design | | | 45,000 |
| Subtotal Work Order Projects | | | \$1,009,053 |
| Less Member contribution (CIAC) | | | \$374,000 |
| Total Work Order Projects less CIAC | | | \$635,053 |
| Meter Purchases | | | 80,000 |
| Computer and Software Upgrades | | | 18,000 |
| Transformer Purchases | | | 80,000 |
| Vehicle Additions and Replacements | | | 150,000 |
| Total Capital Budget | | | \$963,053 |

Potential Increases in 2022 Budget

- ▶ As we plan to start implementing the facility modifications in 2022, a large increase in capital expenditures will occur. We do not have this amount currently.

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. If voltage readings in January and/or the load flow study conducted by the consultants for the Mazama area shows we need to accelerate the scheduled buildout, we may need to bring in line contractors.
- 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 2021.
- PNGC's normalized weather forecast is used as a basis for the sales and revenue forecast.