

Wholesale, Expense, and Revenue Budget 2023

NOVEMBER 28TH, 2022



Agenda

Review Wholesale Power & Transmission Budget

Review Forecast Revenues

Review Expense Budget

Review Compass Model 10-Year Projections

**NOTE – no borrowings are built into the draft balance sheet or cash flows statements to illustrate forecasted needs



Wholesale Power & Transmission Budget

This component of OCEC's expenses make up ~45% (as compared to 60% last budget year) of the total and is a result of energy sales from PNGC to OCEC at their Part A (Tier 1) or Part B (Tier 2) rates, transmission charges pass thru PNGC from BPA, and overhead and equity charges from PNGC

Rates from PNGC, and BPA, have been set for the period of October 2021 thru September 2023 for the vast majority of OCEC's purchases from PNGC for power and transmission providing rate certainty

BPA has put forth a rate settlement for the period of October 2023 thru September 2025 and we anticipate the settlement rates to be finalized in December 2022

Part of the BPA settlement is a one-time Revenue Distribution Clause (RDC) amount of ~\$350k which will show up as a credit on our power bills

OCEC Utilizes a PNGC-created model to forecast the power and transmission expenses for calendar year 2022

- This year OCEC utilized a CFC BudgetPro forecast of purchases rather than the PNGC forecast

2023 Wholesale Budget Highlights

Retail Sales Forecast	66,560,364 kWhs
+ Distribution Losses & Own Use	+ 5,426,091 kWhs
= Total Retail Load (purchased power)	= 71,986,455 kWhs

Forecast Cost of Power	\$2,595,838 (79% including RDC credit)
+ Forecast Cost of Transmission	+ \$500,634 (18%)
+ Forecast Cost of PNGC Overhead	+ \$102,260 (3%)
- RDC Credit	- \$354,248
= Total All-In Cost	= \$2,844,483

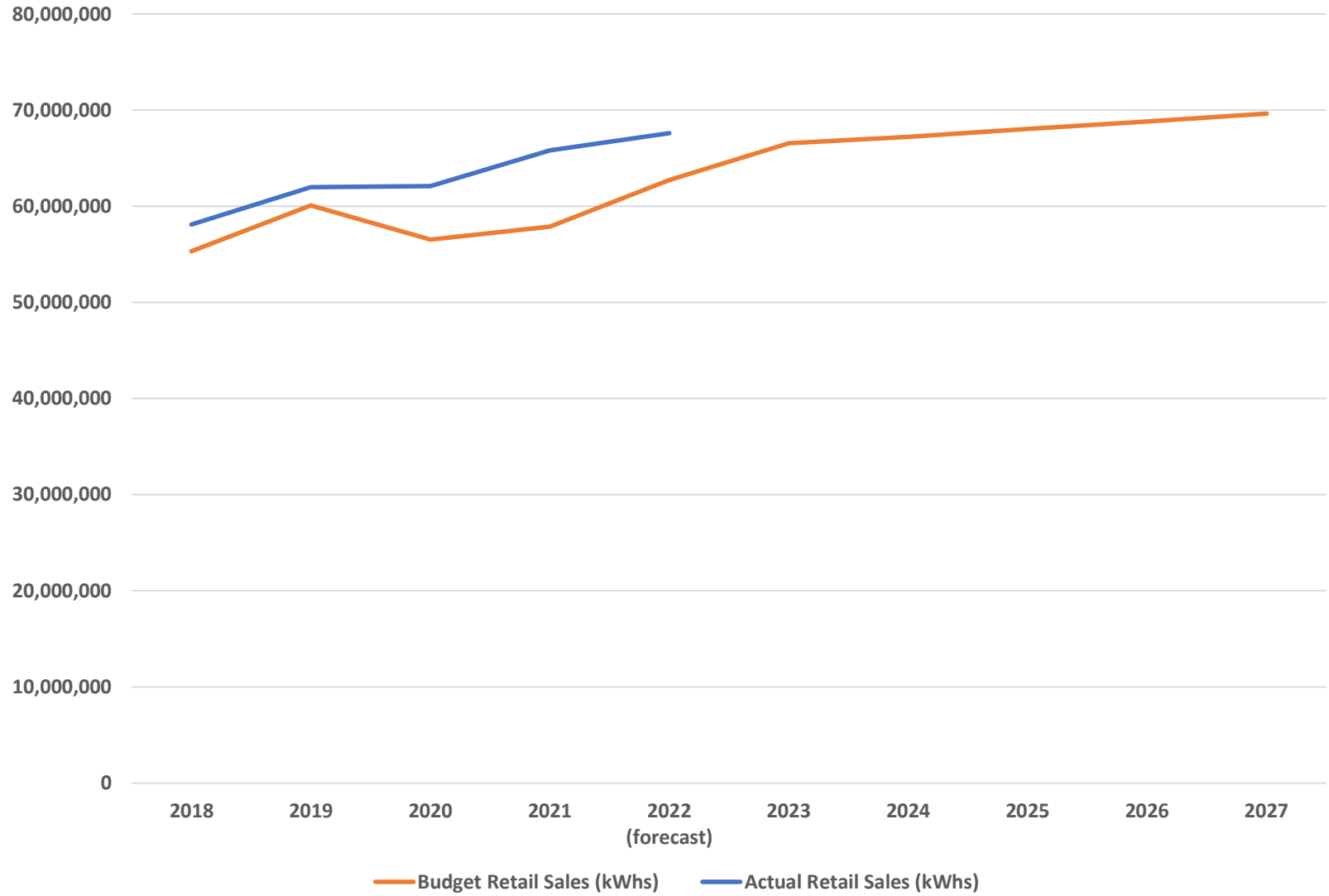


Wholesale Budget Comparison Table

Budget	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Budget Retail Sales (kWhs)	55,317,000	60,087,000	56,540,000	57,897,000	62,734,814	66,560,364	67,237,720	68,039,080	68,846,080	69,658,720
Budget Purchased Power (kWhs)	59,617,000	64,947,000	61,214,000	63,204,000	67,410,057	71,986,455	73,065,683	73,935,403	74,811,244	75,693,206
Budget Purchased Power (\$)	\$2,710,582	\$2,831,793	\$2,734,987	\$2,831,204	\$3,023,720	\$2,844,483	\$3,396,153	\$3,429,292	\$3,600,757	\$3,636,764
Actual	2018	2019	2020	2021	2022 (forecast)	2023	2024	2025	2026	2027
Actual Retail Sales (kWhs)	58,120,088	61,988,913	62,083,740	65,828,280	67,604,984	#N/A	#N/A	#N/A	#N/A	#N/A
Actual Purchased Power (kWhs)	62,704,330	66,977,682	67,412,765	70,998,281	69,427,931	#N/A	#N/A	#N/A	#N/A	#N/A
Actual Purchased Power (\$)	\$2,707,600	\$2,905,014	\$2,940,546	\$3,026,755	\$3,025,609	#N/A	#N/A	#N/A	#N/A	#N/A
Delta (Actual less Budget)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Retail Sales (kWhs)	2,803,088	1,901,913	5,543,740	7,931,280	4,870,170	#N/A	#N/A	#N/A	#N/A	#N/A
Purchased Power (kWhs)	3,087,330	2,030,682	6,198,765	7,794,281	2,017,874	#N/A	#N/A	#N/A	#N/A	#N/A
Purchased Power (\$)	(\$2,982)	\$73,221	\$205,559	\$195,551	\$1,889	#N/A	#N/A	#N/A	#N/A	#N/A

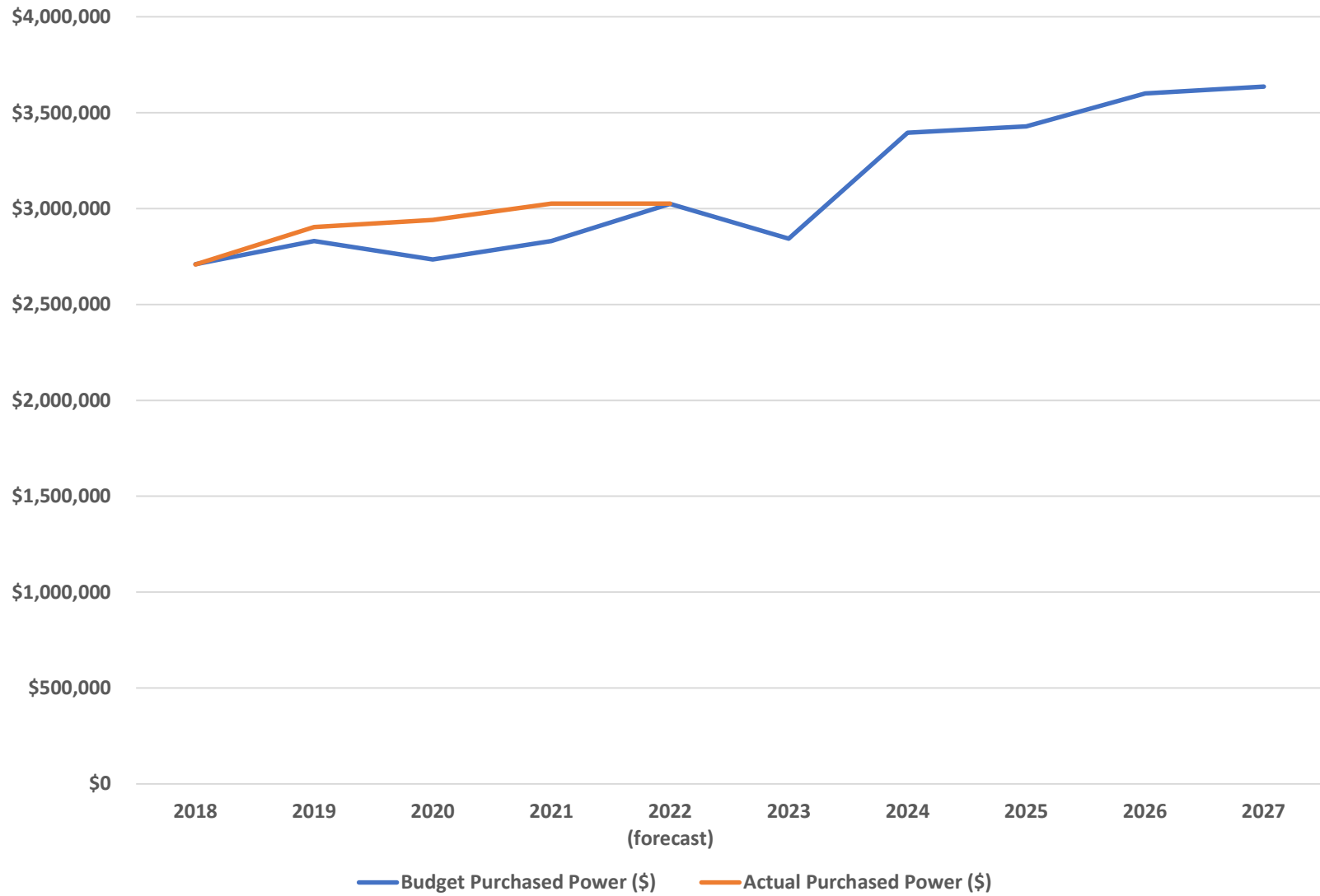


Budget vs Actual - Retail Sales in kWhs





Budget vs Actual - Purchased Power Cost in \$





Expense Budget Highlights

This component of OCEC's expenses make up ~65% of the total and is comprised primarily of labor and benefits, minor materials, office expenses, association dues, consulting support, and other administration-related costs

We took time this year to revisit allocations in the expense budget for labor and benefits and transportation which move dollars around the various categories as well as from expense to capital

Changes compared to 2022 expense budget that are material include:

- One-time expenses totaling \$305,000 (NISC platform switch (\$160k), IT consulting support (\$40k), Union contract support (\$35k), Broadband grant application (\$70k))
- Labor and benefit cost increases (executive session item)
- Increase of 1 FTE



Strategic Objectives & Expense Items

SO-1: Enhanced Capital Planning

- Cost of “shared engineer” with Lincoln Electric (3-5 year commitment)
- NISC platform switch
- Engineering Clerk position

SO-2: Develop Broadband Strategy

- NRTC support of a potential grant application

SO-3: Elevate Cooperative Profile in Community

- New FTEs to allow for expanded roles in energy efficiency and communications

ES-1: Apply Cost-Effective Technology

- NISC platform switch
- IT consulting support (best practices for critical hardware, develop remote work capabilities)

ES-2: Strengthen Workforce Capabilities

- New FTEs to bring in specialized skills to address current resource needs (accounting, admin support for engineering)

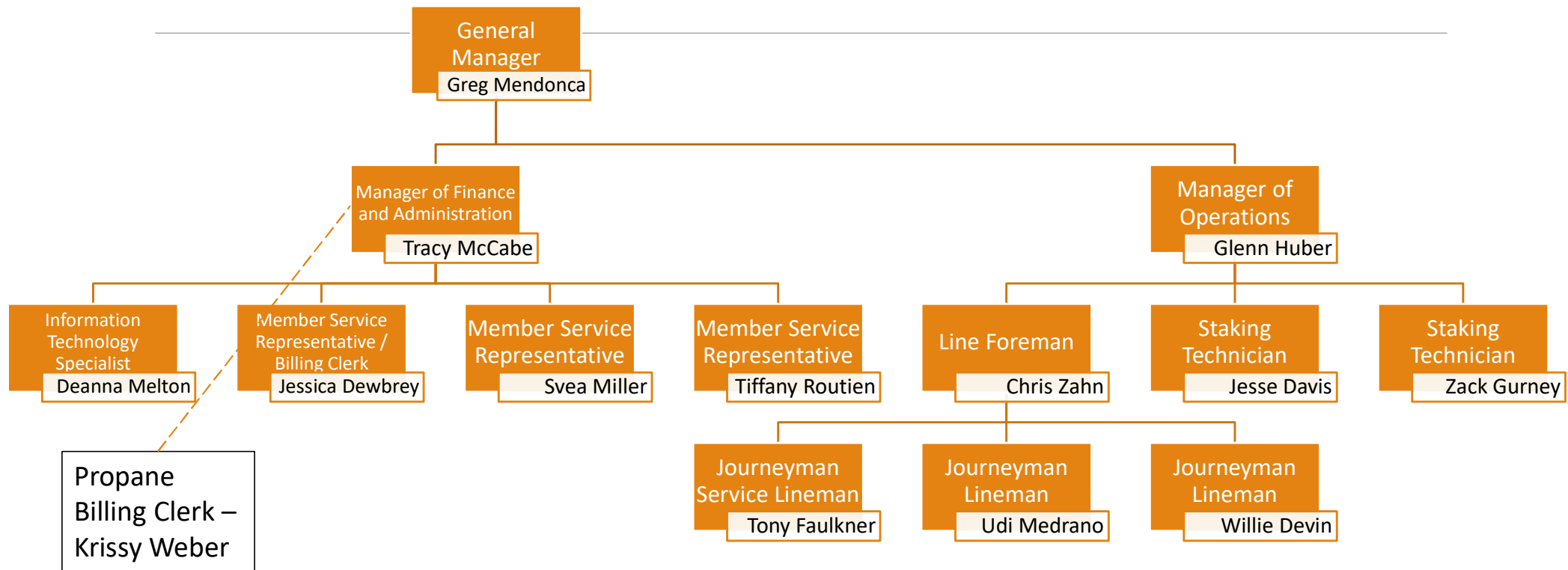


NISC ENTERPRISE SOLUTIONS

FINANCIALS	SERVICE	OPERATIONS	MARKETING
General Accounting Plant Accounting Purchasing Material Management Human Resources & Payroll	Customer Care & Billing Payments Delinquent & Collections Services Management Key Account Management Capital Credits SmartHub	Work Management Asset Management Ticket Management	Lead Management Sales Opportunities Campaign Management Program Management
OPTIONAL ADD-ONS			
	SmartHub Order Management Meter Data Management User Services System	Operations Analytics Provisioning Mapping & Staking Outage Management	Market Segmentation SmartHub Crowdsourcing
ENTERPRISE PLATFORMS INCLUDED IN ALL PACKAGES			
CalltoOrder Document Management IVUE AppSuite Business Intelligence & Reporting Multi-Channel Messenger			

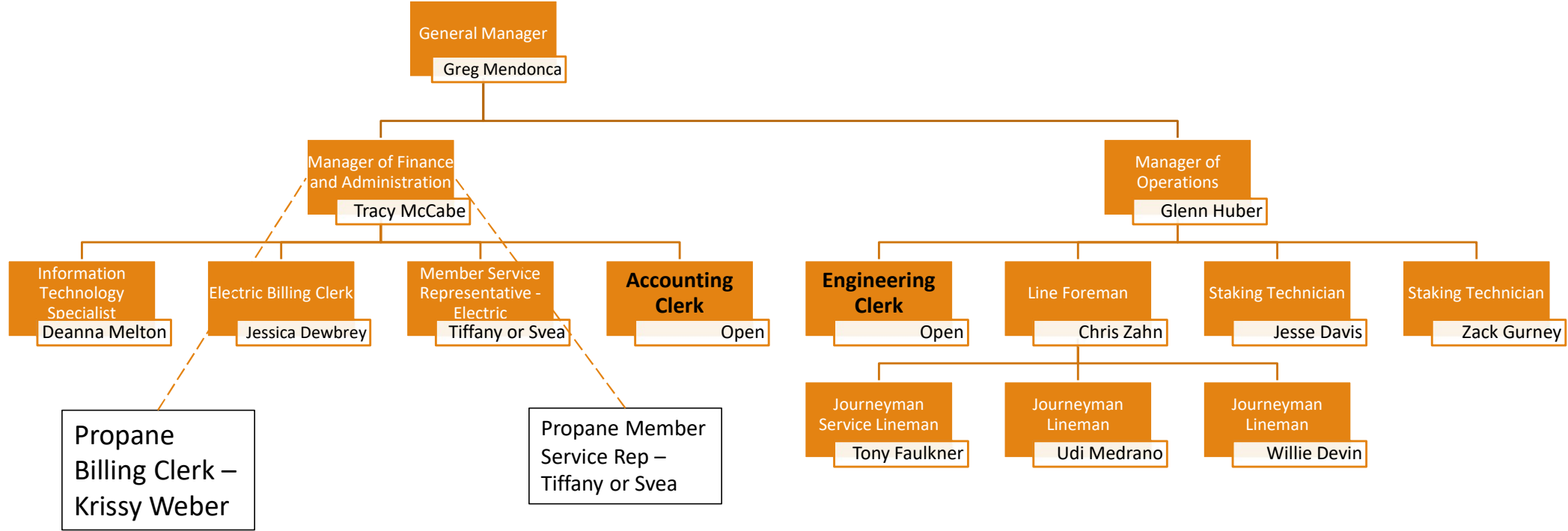


Electric Organizational Chart (Current)





Electric Organizational Chart (Proposed)



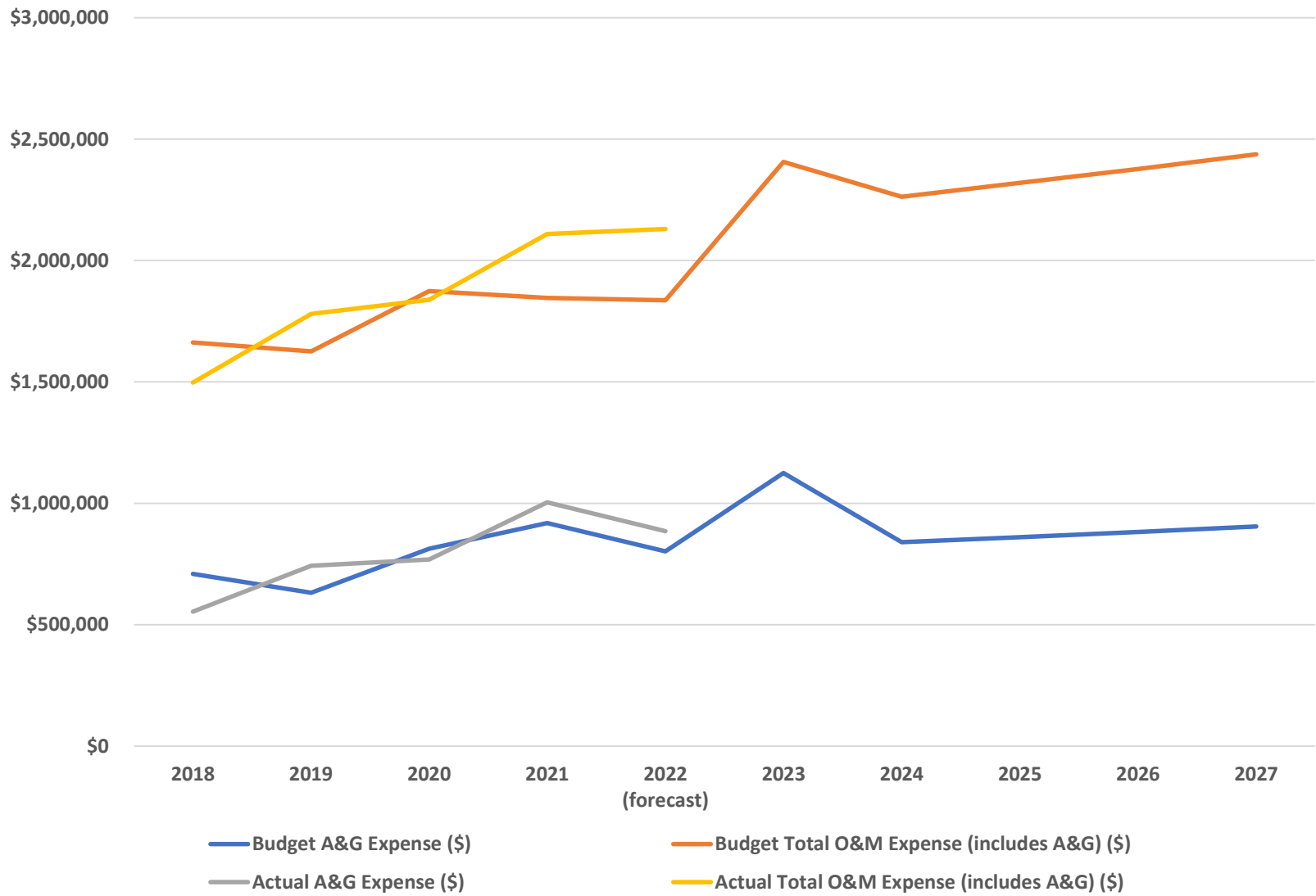


Expense Budget Comparison Table

Budget	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Budget A&G Expense (\$)	\$709,145	\$631,819	\$811,945	\$917,671	\$801,822	\$1,124,353	\$839,837	\$860,833	\$882,354	\$904,412
Budget Total O&M Expense (includes A&G) (\$)	\$1,662,625	\$1,625,180	\$1,873,768	\$1,845,952	\$1,836,490	\$2,406,209	\$2,262,594	\$2,319,159	\$2,377,138	\$2,436,567
Actual	2018	2019	2020	2021	2022 (forecast)	2023	2024	2025	2026	2027
Actual A&G Expense (\$)	\$554,082	\$742,205	\$768,742	\$1,002,973	\$885,162	#N/A	#N/A	#N/A	#N/A	#N/A
Actual Total O&M Expense (includes A&G) (\$)	\$1,497,913	\$1,780,128	\$1,838,041	\$2,109,297	\$2,129,575	#N/A	#N/A	#N/A	#N/A	#N/A
Delta (Actual less Budget)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
A&G Expense (\$)	(\$155,063)	\$110,386	(\$43,203)	\$85,302	\$83,340	#N/A	#N/A	#N/A	#N/A	#N/A
Total O&M Expense (includes A&G) (\$)	(\$164,712)	\$154,948	(\$35,727)	\$263,345	\$293,085	#N/A	#N/A	#N/A	#N/A	#N/A



Budget vs Actual - A&G and Total Expense (\$)



Revenue Forecast Highlights

Retail Sales Forecast (in kWhs)	66,560,364 kWhs
2022 Revenue Forecast from Sales	\$6,573,212
+ 2022 Other Revenue	+ \$16,800
= 2022 Total Revenue Forecast	= \$6,590,012
Average Revenue per kWh	\$0.099/kWh

Revenues are calculated by weighted avg by class and rate class, then forecasting member growth by class

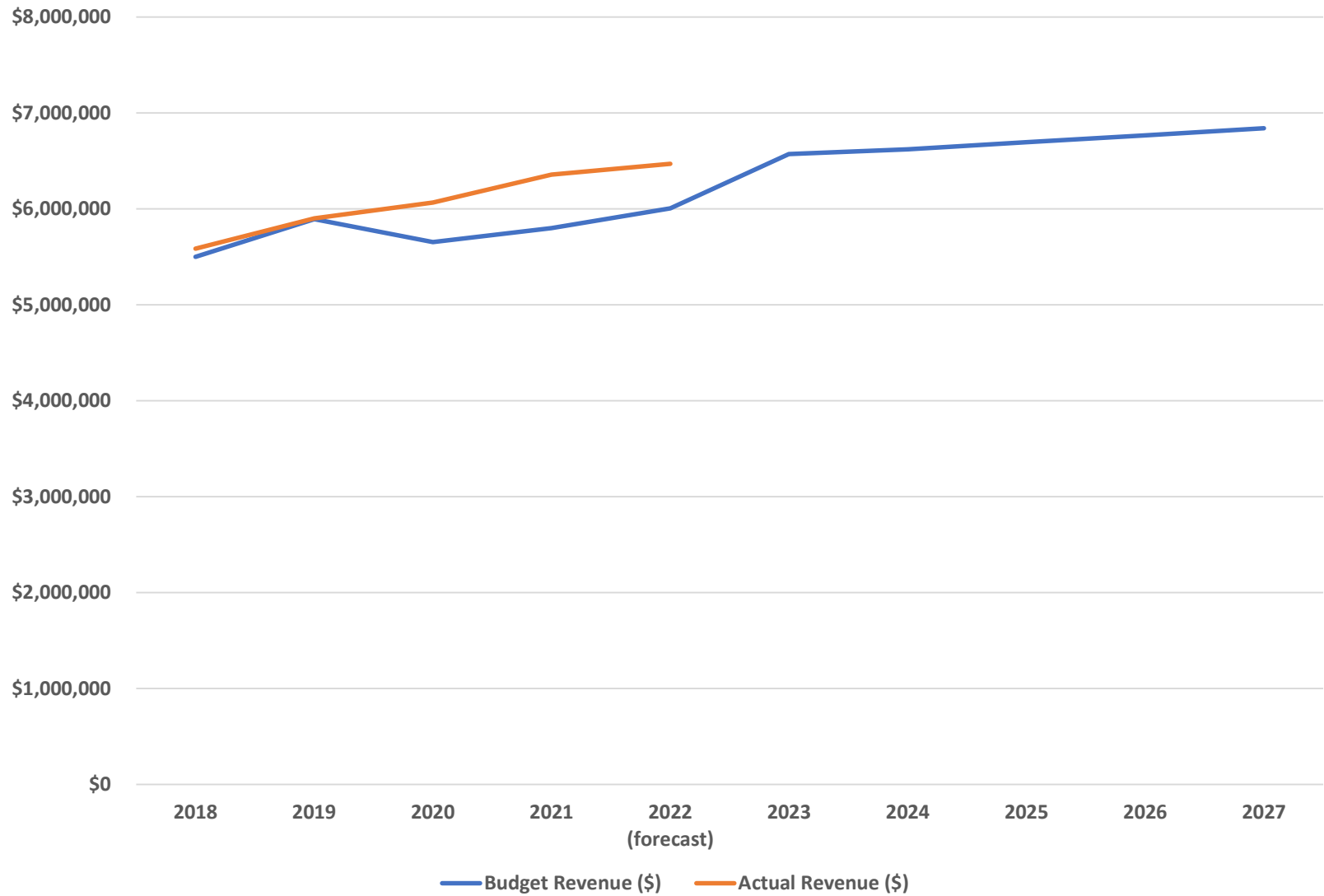


Revenue Forecast Comparison Table

Budget	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Budget Revenue (\$)	\$5,501,400	\$5,891,986	\$5,654,347	\$5,798,131	\$6,005,065	\$6,573,212	\$6,622,284	\$6,694,777	\$6,767,493	\$6,840,637
Budget Revenue per kWh	\$0.099	\$0.098	\$0.100	\$0.100	\$0.096	\$0.099	\$0.098	\$0.098	\$0.098	\$0.098
Actual	2018	2019	2020	2021	2022 (forecast)	2023	2024	2025	2026	2027
Actual Revenue (\$)	\$5,584,791	\$5,901,623	\$6,065,584	\$6,356,483	\$6,469,809	#N/A	#N/A	#N/A	#N/A	#N/A
Actual Revenue per kWh	\$0.096	\$0.095	\$0.098	\$0.097	\$0.096	#N/A	#N/A	#N/A	#N/A	#N/A
Delta (Actual less Budget)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Revenue (\$)	\$83,391	\$9,637	\$411,237	\$558,352	\$464,744	#N/A	#N/A	#N/A	#N/A	#N/A
Revenue per kWh	(\$0.003)	(\$0.003)	(\$0.002)	(\$0.004)	(\$0.000)	#N/A	#N/A	#N/A	#N/A	#N/A



Budget vs Actual - Revenue





Review of Compass Model Dashboards

Major Assumptions Driving Outputs

- 75% of capital program borrowed starting in 2023 (not reflected in 2023 balance sheet or cash flows)
- “Additional Revenue” driven by requirement of 2.0 Operating Times Interest Earned Ratio (OTIER)
- Conservative customer and sales growth assumptions (~1%/yr in sales and ~0.5%/yr in customers)

Major Outputs

- Signs point to potential need for 2023 rate increase or increased need to borrow, or both, but certainty in 2024
- Consistent depletion of general funds with current capital budget level and revenue/expense forecasts
- Further rate increases on the horizon for 2026 and beyond at current forecast levels

Major Discussion Items

- Given our 10-year outlook how much risk would taking on a large capital project (new building, broadband) put on the electric rates?
- OCEC Board needs to begin to contemplate preferences on the level of borrowing vs. rate increases to address cash shortfalls and, eventually, financial metric degradation (OTIER)



2023 Capital Budget

NOVEMBER 28TH, 2022



Changes from October Review

Increased facilities budget by \$5k (from \$10k to \$15k) based on identified need for exterior fencing improvements

Increased system improvements by \$35k to capitalize 50% of anticipated “shared engineer” costs, other 50% expensed

Plan to not capitalize any upfront costs associated with a software platform change to NISC, will need to work with auditor to finalize that plan



2023 OCEC Capital Budget Summary										
	Direct Crew	Direct Line				Contractors				
Capital Projects	Hours	Crew Labor	Materials	107.25 Labor		Consultants	Transportation	Benefits	Totals	Notes:
Members Requested Facilities (CIAC)	375	\$83,615	\$75,000	\$133,784		\$0	\$45,988	\$58,531	\$396,918	1
Replacements (Pole and Transformers)	95	\$21,085	\$35,000	\$33,736		\$0	\$11,597	\$14,760	\$116,177	
System Improvements	260	\$57,250	\$109,144	\$91,600		\$74,354	\$31,488	\$40,075	\$403,911	2
Replace 2500' of URD at Edelweiss	50	\$11,160	\$50,000	\$17,856		\$46,000	\$6,138	\$7,812	\$138,966	3
Major Storm/Fire Damage	20	\$4,430	\$10,000	\$7,088		\$0	\$2,437	\$3,101	\$27,056	
Pole Inspections	0	\$0	\$0	\$0		\$10,000	\$0	\$0	\$10,000	4
Fire Retardant/Treatment on Poles	20	\$4,430	\$3,000	\$7,088		\$0	\$2,437	\$3,101	\$20,056	
Meter Projects	5	\$1,099	\$0	\$1,758		\$10,000	\$604	\$769	\$14,231	5
Subtotal Capital Projects	825	\$183,069	\$282,144	\$292,910		\$140,354	\$100,688	\$128,148	\$1,127,314	
Less Forecast Member Contribution (CIAC)									\$436,610	6
Total Capital Projects less Forecast CIAC									\$690,704	
Capital Acquisitions	Materials									
Misc Items	\$25,000								\$25,000	7
Meters	\$75,000								\$75,000	8
Tools	\$15,000								\$15,000	9
Computer/IT Replacements	\$10,000								\$10,000	
Facilities Upgrades	\$15,000								\$15,000	10
Transformer Purchases	\$185,000								\$185,000	11
Vehicle Replacements	\$75,000								\$75,000	12
Total Capital Acquisitions									\$400,000	
Total Capital Budget (Capital Projects + Capital Acquisitions)									\$1,090,704	
NOTES:										
1) Estimated reduction in member work compared to 2020-2022										
2) System Improvements includes: Replacement of 10 OCRs, 3 prioritized system improvement capital projects										
3) Phase 5 of 10 aligning Edelweiss water project with replacing URD										
4) Split 50/50 between capital and expense (\$20k total)										
5) Replacement of two CTs on large commercial accounts, 3 total replacements identified										
6) Forecast is 110% of forecast CIAC work, assuming more cash coming in than work done as in previous years										
7) Misc includes: Dump trailer, Auxiliary arm for bucket truck, Truck #41 Canopy for Metering Equipment										
8) Increasing replacements due to age of meters on the system										
9) Tools includes: Miscellaneous tools pulled from ongoing replacement/improvement list										
10) Facilities upgrades include door locking system, vent fans, various projects										
11) Reduced cost compared to 2022 due to lower anticipated cost and lower demand for member work										
12) Vehicle Replacements include replacement of #19 Tahoe										



5-Year Capital Projections

2023 OCEC Capital Budget Summary					
	2023	2024	2025	2026	2027
Capital Projects					
Members Requested Facilities (CIAC)	\$396,918	\$400,000	\$408,000	\$416,160	\$424,483
Replacements (Pole and Transformers)	\$116,177	\$120,000	\$122,400	\$124,848	\$127,345
System Improvements	\$403,911	\$372,205	\$353,945	\$385,000	\$385,000
Replace 2500' of URD at Edelweiss	\$138,966	\$140,000	\$142,800	\$145,656	\$148,569
Major Storm/Fire Damage	\$27,056	\$30,000	\$30,000	\$30,000	\$30,000
Pole Inspections	\$10,000	\$10,200	\$10,404	\$10,612	\$10,824
Fire Retardant/Treatment on Poles	\$20,056	\$21,000	\$21,420	\$21,848	\$22,285
Meter Projects	\$14,231	\$7,000	\$0	\$0	\$0
Subtotal Capital Projects	\$1,127,314	\$1,100,405	\$1,088,969	\$1,134,124	\$1,148,507
Less Forecast Member Contribution (CIAC)	\$436,610	\$440,000	\$448,800	\$457,776	\$466,932
Total Capital Projects less Forecast CIAC	\$690,704	\$660,405	\$640,169	\$676,348	\$681,575
Capital Acquisitions					
Misc Items	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Meters	\$75,000	\$80,000	\$85,000	\$90,000	\$95,000
Tools	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Computer/IT Replacements	\$10,000	\$20,000	\$10,000	\$20,000	\$10,000
Facilities Upgrades	\$15,000	\$15,000	\$20,000	\$25,000	\$30,000
Transformer Purchases	\$185,000	\$180,000	\$150,000	\$150,000	\$150,000
Vehicle Replacements	\$75,000	\$125,000	\$65,000	\$400,000	\$200,000
Total Capital Acquisitions	\$400,000	\$460,000	\$370,000	\$725,000	\$525,000
Total Capital Budget (Capital Projects + Capital Acquisitions)	\$1,090,704	\$1,120,405	\$1,010,169	\$1,401,348	\$1,206,575



Recommendation

OCEC staff recommends the board approve the 2023 capital budget as presented in this months materials

2023 OCEC Capital Budget Summary

Capital Projects	Direct Crew	Direct Line	Contractors					Notes:	2023	2024	2025	2026	2027	
	Hours	Crew Labor	Materials	107.25 Labor	Consultants	Transportation	Benefits							Totals
Members Requested Facilities (CIAC)	375	\$83,615	\$75,000	\$133,784	\$0	\$45,988	\$58,531	\$396,918	1	\$396,918	\$400,000	\$408,000	\$416,160	\$424,483
Replacements (Pole and Transformers)	95	\$21,085	\$35,000	\$33,736	\$0	\$11,597	\$14,760	\$116,177		\$116,177	\$120,000	\$122,400	\$124,848	\$127,345
System Improvements	260	\$57,250	\$109,144	\$91,600	\$74,354	\$31,488	\$40,075	\$403,911	2	\$403,911	\$372,205	\$353,945	\$385,000	\$385,000
Replace 2500' of URD at Edelweiss	50	\$11,160	\$50,000	\$17,856	\$46,000	\$6,138	\$7,812	\$138,966	3	\$138,966	\$140,000	\$142,800	\$145,656	\$148,569
Major Storm/Fire Damage	20	\$4,430	\$10,000	\$7,088	\$0	\$2,437	\$3,101	\$27,056		\$27,056	\$30,000	\$30,000	\$30,000	\$30,000
Pole Inspections	0	\$0	\$0	\$0	\$10,000	\$0	\$0	\$10,000	4	\$10,000	\$10,200	\$10,404	\$10,612	\$10,824
Fire Retardant/Treatment on Poles	20	\$4,430	\$3,000	\$7,088	\$0	\$2,437	\$3,101	\$20,056		\$20,056	\$21,000	\$21,420	\$21,848	\$22,285
Meter Projects	5	\$1,099	\$0	\$1,758	\$10,000	\$604	\$769	\$14,231	5	\$14,231	\$7,000	\$0	\$0	\$0
Subtotal Capital Projects	825	\$183,069	\$282,144	\$292,910	\$140,354	\$100,688	\$128,148	\$1,127,314		\$1,127,314	\$1,100,405	\$1,088,969	\$1,134,124	\$1,148,507
Less Forecast Member Contribution (CIAC)								\$436,610	6	\$436,610	\$440,000	\$448,800	\$457,776	\$466,932
Total Capital Projects less Forecast CIAC								\$690,704		\$690,704	\$660,405	\$640,169	\$676,348	\$681,575
Capital Acquisitions		Materials												
Misc Items		\$25,000						\$25,000	7	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Meters		\$75,000						\$75,000	8	\$75,000	\$80,000	\$85,000	\$90,000	\$95,000
Tools		\$15,000						\$15,000	9	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Computer/IT Replacements		\$10,000						\$10,000		\$10,000	\$20,000	\$10,000	\$20,000	\$10,000
Facilities Upgrades		\$15,000						\$15,000	10	\$15,000	\$15,000	\$20,000	\$25,000	\$30,000
Transformer Purchases		\$185,000						\$185,000	11	\$185,000	\$180,000	\$150,000	\$150,000	\$150,000
Vehicle Replacements		\$75,000						\$75,000	12	\$75,000	\$125,000	\$65,000	\$400,000	\$200,000
Total Capital Acquisitions								\$400,000		\$400,000	\$460,000	\$370,000	\$725,000	\$525,000
Total Capital Budget (Capital Projects + Capital Acquisitions)								\$1,090,704		\$1,090,704	\$1,120,405	\$1,010,169	\$1,401,348	\$1,206,575

NOTES:

- 1) Estimated reduction in member work compared to 2020-2022
- 2) System Improvements includes: Replacement of 10 OCRs, 3 prioritized system improvement capital projects
- 3) Phase 5 of 10 aligning Edelweiss water project with replacing URD
- 4) Split 50/50 between capital and expense (\$20k total)
- 5) Replacement of two CTs on large commercial accounts, 3 total replacements identified
- 6) Forecast is 110% of forecast CIAC work, assuming more cash coming in than work done as in previous years
- 7) Misc includes: Dump trailer, Auxillary arm for bucket truck, Truck #41 Canopy for Metering Equipment
- 8) Increasing replacements due to age of meters on the system
- 9) Tools includes: Miscellaneos tools pulled from ongoing replacement/improvement list
- 10) Facilities upgrades include door locking system, vent fans, various projects
- 11) Reduced cost compared to 2022 due to lower anticipated cost and lower demand for member work
- 12) Vehicle Replacements include replacement of #19 Tahoe