



2023 Budget Package

DECEMBER 19TH, 2022



Capital Budget

Changes from November 2022 Version

- Added \$10k to Computer/IT Replacements
- Forecasted cost of new hardware for planned incoming employees
- Beginning hardware rotation schedule with support from IT Consultants

Notable Information

- As of 12/14 we only have 30 transformers on order for 2023 which would be well under budget
- Due to lead times any transformers purchased in 2023 are slated for 2024 work
- In other words, we feel good about our transformer inventory for 2023, but 2024 will be difficult if we assume continued pace of new member work and inability to secure 30+ more transformers for 2024 delivery



Wholesale Power & Transmission Budget

No changes proposed from the November 2022 version

Notable Information

- Several groups have petitioned BPA to delay the decision on the Reserves Distribution Clause and proposed to spend more reserves money on fish and wildlife as opposed to the planned rate rebates
- While it is unlikely to succeed, we will keep watching
- Power prices have only continued to increase, potential for another RDC for calendar year 2024 will increase in probability if the water year continues to impress



Expense Budget

Changes from November 2022 Version

- Updated budget for broadband application to \$105k based on signed contracts

Notable Information

- Review performed on salary and wage budget, OCEC will sign up for the Milliman salary survey for 2023 and review the most recent data for the 2024 budget
- If grant application is successful, the \$105k would be recovered via grant funding



Revenue Budget

No changes proposed from the November 2022 version

Notable Information

- The board may consider a small rate increase in 2023 in order to begin working towards addressing cash issues in 2023 currently resolved by increased borrowing amounts (see Long-Term Debt Recommendations)
- Example Rate Increase to Consider: \$5 Base Charge Increase April 2023 on all rate classes
- ~\$180k in additional revenues in 2023 (2.7% increase)



Long Term Debt Recommendation

We are recommending the board approve up to \$750k in new long-term debt for 2023

Notable Information

- OCEC staff will plan to manage cash through the operating year with the CFC Line of Credit and report a final long-term debt amount at the end of the 2023 calendar year
- Should OCEC need additional long-term debt we will have to get approval from the board



Staff Recommendation

Staff recommends the board approve the budget package included in the December board book comprised of:

2023 Operating Statement

2023 Balance Sheet

2023 Statement of Cash Flows

Up to \$750k in new long-term debt under our existing CFC Mortgage

	Budget Jan	Budget Feb	Budget Mar	Budget Apr	Budget May	Budget Jun	Budget Jul	Budget Aug	Budget Sep	Budget Oct	Budget Nov	Budget Dec	Pro forma Total	Budget Total	\$ Variance	% Variance
PART A. STATEMENT OF OPERATIONS																
1. Operating Revenue and Patronage Capital	786,226	739,428	598,579	430,703	416,047	401,812	443,805	419,320	399,612	498,284	628,107	811,289	6,662,248	6,573,212	(89,036)	(1.34%)
2. Power Production Expense (500 - 554)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00%
3. Cost of Purchased Power (555 - 567)	337,513	322,519	230,487	186,933	138,733	127,786	133,725	144,122	142,432	264,382	311,752	504,114	3,297,968	2,844,497	(453,471)	(13.75%)
4. & 5. Transmission Expense (560-573) & Regional Market Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00%
6. Distribution Expense - Operation (580s)	22,500	23,700	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	161,112	161,200	88	0.05%
7. Distribution Expense - Maintenance (590s)	62,757	59,195	63,860	59,564	65,454	63,626	64,001	67,428	63,964	65,670	64,151	62,207	710,269	761,878	51,609	7.27%
8. Consumer Accounts Expense (901-905)	37,896	36,499	45,226	36,170	40,202	43,827	37,622	40,200	42,469	38,824	38,815	42,373	330,322	480,122	149,800	45.35%
9. Customer Service and Informational Expense (907-910)	1,738	1,738	1,738	3,738	1,988	1,738	1,988	1,738	1,738	1,738	1,738	1,738	15,243	23,356	8,113	53.22%
10. Sales Expense (911-916)	0	(1,500)	0	(500)	0	0	(500)	0	0	(1,000)	0	0	10,824	(3,500)	(14,324)	(132.34%)
11. Administrative and General Expense (920-935)	133,776	131,027	84,377	98,760	99,177	83,336	82,012	90,492	79,260	81,747	81,201	79,190	916,513	1,124,353	207,840	22.68%
12. Total Operation & Maintenance Expense (2 thru 11)	596,180	573,177	437,188	396,165	357,053	331,814	330,348	355,480	341,362	462,861	509,156	701,122	5,442,251	5,391,906	(50,345)	(0.93%)
13. Depreciation & Amortization Expense	39,167	39,167	39,167	39,167	39,167	39,167	39,167	39,167	39,167	39,167	39,167	39,167	460,241	470,000	9,759	2.12%
14. Tax Expense - Property	4,248	4,248	4,248	4,248	4,248	4,248	4,248	4,248	4,248	4,248	4,248	4,248	49,482	50,977	1,495	3.02%
15. Tax Expense - Other	15,833	15,833	15,833	15,833	15,833	15,833	15,833	15,833	15,833	15,833	15,833	15,833	182,282	190,000	7,718	4.23%
16. Interest on Long-Term Debt: Option 1 - Manually Entered	20,556	20,556	20,556	20,556	20,556	20,556	20,556	20,556	20,556	20,556	20,556	20,556	196,016	246,669	50,653	25.84%
17. Interest Charged to Construction (Credit)	0	0	0	0	0	0	0	0	0	0	0	0	1	0	(1)	(100.00%)
18. Interest Expense - Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00%
19. Other Deductions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00%
20. Total Cost of Electric Service (12 thru 19)	675,984	652,981	516,992	475,969	436,857	411,618	410,151	435,283	421,166	542,665	588,960	780,926	6,330,272	6,349,552	19,280	0.30%
21. Patronage Capital & Operating Margins (1 minus 20)	110,242	86,447	81,587	(45,266)	(20,810)	(9,806)	33,654	(15,963)	(21,554)	(44,381)	39,147	30,363	331,976	223,660	(108,316)	(32.63%)
22. Non Operating Margins - Interest	2,235	435	7,322	435	435	5,174	423	423	4,970	423	423	6,870	29,235	29,566	331	1.13%
23. Allowance for Funds Used During Construction	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00%
24. Income (Loss) from Equity Investments	0	0	1,200	0	0	0	0	0	20,000	0	0	0	52,194	21,200	(30,994)	(59.38%)
25. Non Operating Margins - Other	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	40,800	16,800	(24,000)	(58.82%)
26. Generation & Transmission Capital Credits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00%
27. Other Capital Credits & Patronage Dividends	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00%
28. Extraordinary Items	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00%
29. Patronage Capital or Margins (21 thru 28)	113,876	88,281	91,509	(43,431)	(18,975)	(3,232)	35,476	(14,141)	4,816	(42,558)	40,970	38,633	454,205	291,226	(162,979)	(35.88%)
Number of Customers	3,893	3,893	3,893	3,893	4,079	4,079	4,079	4,079	4,079	4,079	3,893	3,893	3,766	3,893		
kWh Sold	8,800,948	8,159,801	6,246,250	3,932,190	3,727,192	3,550,536	4,198,867	3,846,031	3,511,671	4,786,624	6,665,717	9,134,536	65,828,280	66,560,364		

PART B. DATA ON TRANS AND DISTR PLANT

New Services Connected (Monthly Change Only)	-	-	-	-	-	-	-	-	-	-	-	-	0	0	0	0.00%
Services Retired (Monthly Change Only)	-	-	-	-	-	-	-	-	-	-	-	-	0	0	0	0.00%
Total Services in Place (Month end balance)	-	-	-	-	-	-	-	-	-	-	-	-	0	0	0	0.00%
Idle Services (Exclude Seasonal) (Month end balance)	-	-	-	-	-	-	-	-	-	-	-	-	0	0	0	0.00%
Miles Transmission (Month end balance)	-	-	-	-	-	-	-	-	-	-	-	-	0	0	0	0.00%
Miles Distribution - Overhead (Month end balance)	-	-	-	-	-	-	-	-	-	-	-	-	0	0	0	0.00%
Miles Distribution - Underground (Month end balance)	-	-	-	-	-	-	-	-	-	-	-	-	0	0	0	0.00%
Total Miles Energized	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00%

BALANCE SHEET
Okanogan County Electric Cooperative Inc
Budget Year: 2023
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Status **Comments (Enter your notes below to help you remember where you left off.)**

In progress

Select Month

→ **Form 7**
Oct
2022

Enter
Transactions
Nov - Dec
2022

Current year
Dec 31
2022

Enter
Transactions
Jan - Dec
2023

Budget year
Dec 31
2023

PART C. ASSETS AND OTHER DEBITS

	\$	15,074,451	\$	411,472	\$	15,485,923	\$	505,488	\$	15,991,410
Land and Land Rights			\$	-	\$	-	\$	-	\$	-
Production Plant	\$	-	\$	-	\$	-	\$	-	\$	-
Transmission Plant	\$	-	\$	-	\$	-	\$	-	\$	-
Distribution Plant	\$	16,805,446	\$	-	\$	16,805,446	\$	666,891	\$	17,472,337
General Plant	\$	-	\$	-	\$	-	\$	150,000	\$	150,000
1. Total Utility Plant in Service	\$	16,805,446	\$	-	\$	16,805,446	\$	816,891	\$	17,622,337
Land and Land Rights	\$	-	\$	-	\$	-	\$	-	\$	-
Production Plant	\$	-	\$	-	\$	-	\$	-	\$	-
Transmission Plant	\$	-	\$	-	\$	-	\$	-	\$	-
Distribution Plant	\$	335,743	\$	-	\$	335,743	\$	-	\$	335,743
General Plant	\$	-	\$	-	\$	-	\$	-	\$	-
2. Total Construction Work in Progress (WIP)	\$	335,743	\$	-	\$	335,743	\$	-	\$	335,743
3. Total Utility Plant	\$	17,141,189	\$	-	\$	17,141,189	\$	816,891	\$	17,958,080
4. Accum. Provision for Depreciation and Amort	\$	5,883,290	\$	77,193	\$	5,960,483	\$	176,228	\$	6,136,711
5. Net Utility Plant (3 minus 4)	\$	11,257,899	\$	(77,193)	\$	11,180,706	\$	640,663	\$	11,821,369
6. Nonutility Property - Net	\$	-	\$	-	\$	-	\$	-	\$	-
7. Investment in Subsidiary Companies	\$	1,224,408	\$	-	\$	1,224,408	\$	-	\$	1,224,408
8. Invest. in Assoc. Org. - Patronage Capital (See Below)	\$	443,446	\$	-	\$	443,446	\$	-	\$	443,446
9. Invest. in Assoc. Org. - Other - General Funds	\$	-	\$	-	\$	-	\$	-	\$	-
10. Invest in Assoc. Org. - Other - Nongeneral Funds	\$	135,373	\$	-	\$	135,373	\$	-	\$	135,373
11. Investments in Economic Development Projects	\$	-	\$	-	\$	-	\$	-	\$	-
12. Other Investments	\$	13,500	\$	-	\$	13,500	\$	-	\$	13,500
13. Special Funds	\$	-	\$	-	\$	-	\$	-	\$	-
14. Total Other Property & Investments (6 thru 13)	\$	1,816,727	\$	-	\$	1,816,727	\$	-	\$	1,816,727
15. Cash-General Funds	\$	273,710	\$	(91,336)	\$	182,374	\$	(135,176)	\$	47,199
16. Cash-Construction Funds-Trustee	\$	-	\$	-	\$	-	\$	-	\$	-
17. Special Deposits	\$	181,587	\$	-	\$	181,587	\$	-	\$	181,587
18. Temporary Investments	\$	-	\$	-	\$	-	\$	-	\$	-
19. Notes Receivable - Net	\$	-	\$	-	\$	-	\$	-	\$	-
20. Accounts Receivable - Net Sales of Energy	\$	352,903	\$	520,000	\$	872,903	\$	-	\$	872,903
21. & 22. Accounts Receivable - Net Other & Renewable Energy Credits	\$	810,146	\$	-	\$	810,146	\$	-	\$	810,146
23. Materials & Supplies - Electric and Other	\$	366,150	\$	60,000	\$	426,150	\$	-	\$	426,150
24. Prepayments	\$	14,254	\$	-	\$	14,254	\$	-	\$	14,254
25. Other Current & Accrued Assets	\$	966	\$	-	\$	966	\$	-	\$	966
26. Total Current & Accrued Assets (15 thru 25)	\$	1,999,716	\$	488,664	\$	2,488,380	\$	(135,176)	\$	2,353,205
27. Regulatory Assets	\$	-	\$	-	\$	-	\$	-	\$	-
28. Deferred Debits	\$	109	\$	-	\$	109	\$	-	\$	109
29. Total Assets & Other Debits (5 + 14 + 26 thru 28)	\$	15,074,451	\$	411,472	\$	15,485,923	\$	505,488	\$	15,991,410

BALANCE SHEET
Okanogan County Electric Cooperative Inc
Budget Year: 2023
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Status **Comments (Enter your notes below to help you remember where you left off.)**

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Select Month	Form 7		Enter Transactions		Current year	Enter Transactions		Budget year
	Oct	Nov - Dec	Nov - Dec	Dec 31	Dec 31	Jan - Dec	Dec 31	
	2022	2022	2022	2022	2022	2023	2023	

PART C. LIABILITIES AND OTHER CREDITS

	\$	15,074,449	\$	411,472	\$	15,485,921	\$	505,488	\$	15,991,408
30. Memberships	\$	17,330	\$	-	\$	17,330	\$	-	\$	17,330
31. Patronage Capital	\$	8,530,883	\$	(294,408)	\$	8,236,475	\$	(310,374)	\$	7,926,101
32. Operating Margins - Prior Years	\$	360,692	\$	-	\$	360,692	\$	-	\$	360,692
33. Operating Margins - Current Year	\$	67,545	\$	352,635	\$	420,180	\$	291,226	\$	711,405
34. Non-Operating Margins	\$	34,000	\$	3,000	\$	37,000	\$	-	\$	37,000
35. Other Margins & Equities	\$	1,359,957	\$	-	\$	1,359,957	\$	-	\$	1,359,957
36. Total Margins & Equities (30 thru 35)	\$	10,370,407	\$	61,227	\$	10,431,634	\$	(19,148)	\$	10,412,485
37. Long-Term Debt - RUS (Net)	\$	-	\$	-	\$	-	\$	-	\$	-
38. Long-Term Debt - RUS - Econ. Devel.	\$	-	\$	-	\$	-	\$	-	\$	-
39. Long-Term Debt - REA Guaranteed	\$	-	\$	-	\$	-	\$	-	\$	-
41. Long-Term Debt - Other - RUS Guaranteed	\$	-	\$	-	\$	-	\$	-	\$	-
40 a. Long-Term Debt - Other	CFC	\$ 3,794,541	\$	(49,755)	\$	3,744,786	\$	524,636	\$	4,269,422
40 b. Long-Term Debt - Other	LOC	\$ 200,000	\$	400,000	\$	600,000	\$	-	\$	600,000
40 c. Long-Term Debt - Other	Enter Description	\$ -	\$	-	\$	-	\$	-	\$	-
40 d. Long-Term Debt - Other	Enter Description	\$ -	\$	-	\$	-	\$	-	\$	-
40 e. Long-Term Debt - Other	Enter Description	\$ -	\$	-	\$	-	\$	-	\$	-
42. Payments Unapplied	\$	-	\$	-	\$	-	\$	-	\$	-
43. Total Long-Term Debt (37 Thru 41 - 42)	\$	3,994,541	\$	350,245	\$	4,344,786	\$	524,636	\$	4,869,422
44. Obligations Under Capital Leases	\$	-	\$	-	\$	-	\$	-	\$	-
45. Accumulated Operating Provisions	\$	-	\$	-	\$	-	\$	-	\$	-
46. Total Other Noncurrent Liabilities (44 plus 45)	\$	-	\$	-	\$	-	\$	-	\$	-
47. Notes Payable	\$	-	\$	-	\$	-	\$	-	\$	-
48. Accounts Payable	\$	387,966	\$	-	\$	387,966	\$	-	\$	387,966
49. Consumers Deposits	\$	170,783	\$	-	\$	170,783	\$	-	\$	170,783
50. Current Maturities Long-Term Debt	\$	-	\$	-	\$	-	\$	-	\$	-
51. Current Maturities Long-Term Debt-Economic Development	\$	-	\$	-	\$	-	\$	-	\$	-
52. Current Maturities Capital Leases	\$	-	\$	-	\$	-	\$	-	\$	-
53. Other Current and Accrued Liabilities	\$	150,752	\$	-	\$	150,752	\$	-	\$	150,752
54. Total Current and Accrued Liabilities (47 thru 53)	\$	709,501	\$	-	\$	709,501	\$	-	\$	709,501
55. Regulatory Liabilities	\$	-	\$	-	\$	-	\$	-	\$	-
56. Other Deferred Credits	\$	-	\$	-	\$	-	\$	-	\$	-
57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 + 55 + 56)	\$	15,074,449	\$	411,472	\$	15,485,921	\$	505,488	\$	15,991,408

STATEMENT OF CHANGES IN CASH FLOW
Okanogan County Electric Cooperative Inc
Budget Year: 2023

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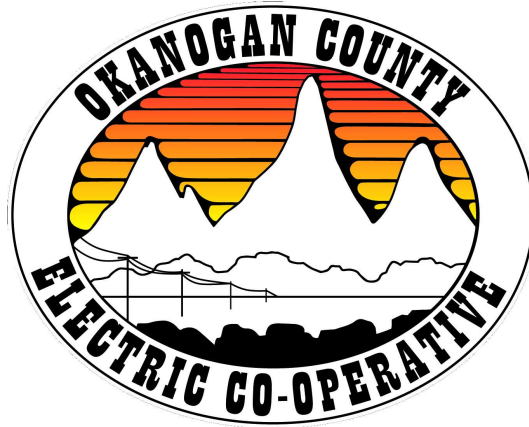
Historic Average

kWh Option 1

kWh Option 2

kWh Option 3

	Current year Nov - Dec 2022	Budget year Jan - Dec 2023
Patronage Capital or Margins	\$352,635	\$291,226
Plus Depreciation Expense	\$77,193	\$470,000
Less Capital Credit Allocations	\$0	\$0
Total (Funds From Operations)	\$429,827	\$761,226
Cash Construction Funds - Trustee	\$0	\$0
Special Deposit	\$0	\$0
Temporary Investment	\$0	\$0
Accounts Receivable - Sale of Energy (Net)	(\$520,000)	\$0
Accounts Receivable - Other (Net)	\$0	\$0
Regulatory Assets	\$0	\$0
Deferred Debits	\$0	\$0
Prepayments	\$0	\$0
Other Current & Accrued Asset	\$0	\$0
(Increase)/Decrease in Operating Assets	(\$520,000)	\$0
Notes Payable	\$0	\$0
Accounts Payable	\$0	\$0
Accumulated Operating Provisions	\$0	\$0
Regulatory Liabilities	\$0	\$0
Other Deferred Credits	\$0	\$0
Other Current and Accrued Liabilities	\$0	\$0
Increase/(Decrease) in Operating Liabilities	\$0	\$0
CASH FROM OPERATING ACTIVITIES	(\$90,173)	\$761,226
INVESTMENT ACTIVITIES		
Total Utility Plant	\$0	(\$1,547,271)
Cost to Retire Utility Plant	\$0	\$0
Construction Work-in-Progress	\$0	\$0
Contributions in aid of construction (CIAC)	\$0	\$436,608
Total Other Property and Investments	\$0	\$0
Materials & Supplies - Electric and Other	(\$60,000)	\$0
Notes Receivable (Net)	\$0	\$0
CASH FROM INVESTMENT ACTIVITIES	(\$60,000)	(\$1,110,663)
FINANCING ACTIVITIES		
Margins & Equities	(\$291,408)	(\$310,374)
LT Debt - Additional Debt		\$750,000
LT Debt - Debt Service Payment		(\$225,364)
LT Debt - Other		\$0
Total LT Debt	\$350,245	\$524,636
LT Debt - Payments Unapplied	\$0	\$0
LT Debt - Current maturities	\$0	\$0
Obligations Under Capital Leases	\$0	\$0
Consumers Deposits	\$0	\$0
CASH FROM FINANCING ACTIVITIES	\$58,837	\$214,262
CASH FROM ALL ACTIVITIES	(\$91,336)	(\$135,176)
TOTAL CASH BEGINNING OF PERIOD	\$273,710	\$182,374
TOTAL CASH END OF PERIOD	\$182,374	\$47,199



CFC Loan Recommendation

DECEMBER 19TH, 2022



Background

OCEC included in the 2022 budget a planned long-term borrowing of \$220k which was executed in January 2022

OCEC has pulled \$600k from the CFC Line of Credit through the year in addition in order to manage cash

Current LOC Rate 5.75%

Primary drivers of needed cash

- Additional system improvement materials costs
- Cost of materials increasing in general compared to budget
- Increased expenses compared to budget



Staff Recommendation

Convert \$600k from the Line of Credit into long-term debt under our existing CFC Mortgage

Would result in a total of \$820k in new long-term debt for 2022

Forecast Equity to Assets % drop to 67% (based on CFC BudgetPro Model and Nov-Dec forecast)



Current Rates

Benchmark Treasury Rates

Rate posted

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Rate effective Wednesday, December 14, 2022

OCEC should add ~200 basis points (2%) for a likely rate from CFC on the treasury rates

Year	Rate
2-Year	4.230%
5-Year	3.640%
7-Year	3.590%
10-Year	3.490%
20-Year	3.740%
30-Year	3.520%

Daily Treasury Rates are Constant Maturity Treasury rates posted by the U.S. Department of Treasury and, therefore, reflect a one business day lag.



OCEC Blended Interest Rate

Year	System Value	US Total			State Grouping		
		Median	NBR	Rank	Median	NBR	Rank
RATIO 23 --- BLENDED INTEREST RATE (%)							
2017	5.86	3.96	807	24	4.06	9	2
2018	5.88	3.98	808	23	4.52	10	2
2019	5.61	3.98	809	23	4.17	10	2
2020	5.52	3.69	807	14	3.67	10	1
2021	5.37	3.40	806	8	3.77	11	1