

2014 Budget

Pend Oreille Public Utility District



Public Utility District #1 of Pend Oreille County
2014 Budget Overview

Adopted Budget
December 3, 2013

Public Utility District No. 1 of Pend Oreille County, Washington (the District) is a municipal corporation governed by an elected three-person board of commissioners. The District consists of four primary systems: Box Canyon Production, Electric, Community Network and Water.

Box Canyon Production System

The Box Canyon Production System produces power from the Box Canyon Hydroelectric Project.

At the Box Canyon Dam the District is continuing work on the projects required by the Federal Energy Regulatory Commission (FERC) as part of the 2005 license renewal. The PUD is in the final stages of the turbine upgrade project. Construction began on Unit 1, the last unit to be replaced, in late 2013 and is expected to be finalized in 2014. The Budget assumes \$20 million will be spent in 2014 as the project nears completion.

The bid has been awarded for the Total Dissolved Gas (TDG) project. \$2.7 million will be spent in 2014 to install hydraulic lifts on the spillway gates to reduce the amount of water plunging into the river when spill is necessary. This will help to reduce TDG levels below the project.

Work is also continuing on the upstream fish passage for the Box Canyon Project. In 2014 the District will be spending approximately \$6.2 million for the engineering, design, and construction of the upstream passage.

Electric System

The Electric System distributes electricity to residential and other consumers in Pend Oreille County.

Large maintenance projects include continuance of the District's Pole Testing and Treatment program. The Electric System will continue to replace aging poles and replace power lines to maintain desired system reliability. In addition, the Electric System is continuing to clear right-of-ways of vegetation in an effort to reduce outages and improve service reliability.

The Sullivan Creek cold water pipe project is in the final design. This project will install a pipe in Sullivan Lake to draw cold water from the bottom of the lake to cool the outgoing creek. Permitting has started and the designs are being sent to FERC for approval. The pipe will go out to bid in late winter and construction will begin in spring of 2014. This work is estimated to be \$4.4 million in 2014 and will be covered through funds from Columbia River Initiative (CRI) and Seattle City Light.

Community Network System

The Community Network System (CNS), which was created in 2010, supplies wholesale broadband communication services.

In 2013, the Community Network System completed a \$38 million ARRA project installing last-mile fiber optic lines to approximately 4,000 homes in the County. 2014 will be the first full year of regular operations since the Fiber-to-the-Premise project began in 2010.

The District approved an introductory residential monthly rate of \$35.00 through December 31, 2014 and assumed 1,000 residential customers will be receiving services as of January 1, 2014.

Water Systems

The Water System consists of nine individual water distribution subdivisions.

The Water System has budgeted \$35,000 to replace 500 feet of undersized pipe at the Sunvale Acres subdivision.

Budget Assumptions

The 2014 Budget includes a 2.75% rate increase, effective July 1, in accordance with a philosophy of managing District finances toward small annual rate increases rather than larger periodic rate increases. A major factor in the rate increase is the decline in customers. The economic downturn has affected the residents of Pend Oreille County resulting in fewer rate payers. The following chart recaps the customer count from 2010 through 2014.

Average Customer Count						
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u> <u>Est.</u>	<u>2014</u> <u>Budget</u>
Residential	7,868	7,922	7,921	7,896	7,859	7,842
Commercial	820	825	836	838	840	840

Additionally, the budget includes a 0.75% rate decrease related to the cost of power the District receives from Seattle City Light’s Boundary Dam. Boundary provides most of the power used by the District’s residential and commercial customers and contributes to the District’s low cost power rates. Seattle City Light recently relicensed Boundary Dam, and the District is expecting the cost to produce Boundary power to increase significantly over the next few years. Because the District has no control over this increase in cost, the District will analyze the change in Boundary cost each year to address the affect and adjust rates as necessary. The estimated adjustment is reflected in this Budget, effective July 1, resulting in a net increase to rate of 2%.

Personnel

Linemen, Hydro Mechanics, Electricians, Technicians, System Operators, and many other positions are part of the International Brotherhood of Electric Workers (IBEW) union. Union personnel increases are dictated by contract, which is currently being negotiated for a new

three year term. The new contract is expected to be effective April 1, 2014. This budget assumes both apprenticeable craft positions and non-apprenticeable craft positions will receive a 2% increase in April 2014. The actual rate has not yet been determined.

Non-union increases are at the discretion of District management, and affect roughly 50% of personnel. The 2014 Budget includes a 2% increase in non-union wages, effective July 1st. Management will continue to review industry and economic factors affecting wages through the first part of the year.

The following is a breakdown of employees by year.

	2012	2013	2014
Administration	16	18	19
Electric Operations	29	28	31
Box Canyon Operations	21	21	21
Customer Service	10	9	9
Regulatory Affairs	9	9	9
Engineering	5	5	5
Water Systems	3	3	3
Community Network System	6	5	4
Full-Time Employees	99	98	101
On-Call Employees	4	6	7
Total Employees	103	104	108

In 2013 the District hired three new full-time positions, in-house General Counsel, an additional IT Analyst and an Electrical Project Engineer. The General Counsel and IT positions are reflected in Administration. Historically, the District has used outside firms to handle all legal matters. By hiring a full-time employee, the District has unlimited legal advice, for a similar cost. The District's IT department has been struggling to keep up with the ever changing technology and the projects the change brings. Another IT staff member with a broad range of IT skills has helped to resolve the overload issue and facilitate projects. The Electrical Project Engineer is reflected in Box Canyon Operations. The headcount remains unchanged due to a system operator retirement.

These three new positions were offset by a reduction of four employees: In Electric Operations the District reduced from 14 linemen to 13. Both the Box Canyon Operations and Customer Service departments had employees who retired. 2012 was a year of overlap as the retirees trained their replacements. The Community Network System also reduced headcount with completion of the project.

Two new on-call positions were added in 2013, an additional on-call meter reader and a part-time Project Manager to assist with the Box Canyon capital projects.

For 2014 the District is adding four new positions. The Vegetation Maintenance program will be brought in-house with a Tree Trimming Foreman and two Tree Trimmer positions. In addition, the District is hiring an on-call flagger. This will be more cost effective and efficient than having

a lineman perform the flagging duties. CNS further reduced employees down to four. The CNS technician has been moved to Administration to assist with IT projects the District has planned for the year.

Protection, Mitigation & Enhancement (PM&E)

The District has several regulatory and maintenance projects budgeted in 2014. The requirements for the Protection, Mitigation and Enhancement Measures (PM&E) per the Box Canyon FERC license are estimated to be \$3 million in 2014. Approximately half of this cost is for outside consultants who specialize in this area. PM&E costs are up slightly in 2014 due to erosion work.

Summary

Power cost is a significant expenditure for the District. Pend Oreille PUD is fortunate in being able to manage its own power generation through Box Canyon Dam. As discussed above, construction to replace the four turbines and upgrade the plant is going well. Increased generation from the new turbines may allow the District to meet its contractual average power generation of 51.75 aMW per hour which would reduce power costs.

The 2014 Budget reflects a decrease in cash flow of approximately \$500,000 for the Electric System. The District's cash reserves have built up in recent years above financial parameters and staff is comfortable with a goal of accomplishing slightly more work than would be allowed with a balanced budget.

The Debt Service Coverage (DSC) Ratio measures the District's ability to pay the year's debt service (interest and principal payments) through net revenues. Debt covenants dictate that the PUD maintain a DSC ratio of at least 1.25, although the District goal is 1.75. The 2014 budget is projecting a DSC of 2.07. 2014 debt service includes payment on the 2005 Series B bonds and the 2010 Electric bonds. The 2005 Series A Bond will be paid off by the end of 2013.

It is the mission of the District to provide Quality Service at Low Cost. District staff has worked hard to provide a cost effective budget and are committed to manage their budgets throughout the year. If you have questions concerning the Budget, please contact District staff.

Public Utility District No. 1 of Pend Oreille County

2014 Budget Summary

Adopted Budget

December 3, 2013

	Community					
	Electric System	Production System	Network System	Water System	Eliminations	Total District
<u>Budgeted Expenditures:</u>						
Power from Box Canyon	18,426,185	-	-	-	(18,426,185)	-
Power from Boundary	1,677,886	-	-	-	-	1,677,886
Power from other sources	9,957,867	680,000	-	-	-	10,637,867
Wheeling and backup	1,021,751	-	-	-	-	1,021,751
Calispel operation & maintenance	75,100	-	-	-	-	75,100
Transmission operation & maint	1,170,019	-	-	-	-	1,170,019
Distribution operation	2,046,350	2,103,200	601,500	248,675	-	4,999,725
Distribution maintenance	2,506,150	870,400	125,100	-	-	3,501,650
PM&E costs	-	3,043,725	-	-	-	3,043,725
Customer accounting & information	849,700	-	8,000	-	-	857,700
Administrative and general	2,498,730	2,475,033	75,800	56,485	(390,000)	4,716,048
Taxes	2,408,428	95,813	5,000	20,140	-	2,529,381
Total Operating Expenditures	42,638,166	9,268,170	815,400	325,300	(18,816,185)	34,230,851
Interest on long-term debt	971,423	7,382,170	49,000	8,828	-	8,411,421
Less amortization included in interest	58,166	116,346	-	-	-	174,512
Capital Project Payments	8,370,000	28,834,240	353,802	35,000	-	37,593,042
Renewal & Replacement Funding	-	-	-	-	-	-
Principal payments	1,965,000	3,570,714	263,333	37,590	-	5,836,638
Total Budgeted Expenditures	54,002,755	49,171,641	1,481,535	406,718	(18,816,185)	86,246,464
<u>Funding Sources:</u>						
Operating Revenues	48,748,392	18,666,185	1,480,940	408,079	(18,816,185)	50,487,411
Interest income	102,800	2,204,616	3,000	153	-	2,310,569
Debt Financed	-	28,409,240	-	-	-	28,409,240
Grant/Third Party Funds	-	-	-	-	-	-
Deferred and other income	4,812,000	(108,400)	(49,588)	-	-	4,654,012
Total Funding Sources	53,663,192	49,171,641	1,434,352	408,232	(18,816,185)	85,861,232

Public Utility District No. 1 of Pend Oreille County
2014 Box Canyon Production Income Statement
 Adopted Budget
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	2010	2011	2012	Estimate 2013	Budget 2014	Change from 2013 to 2014
Sales to Electric System	15,596,950	14,689,571	17,068,165	18,113,512	18,426,185	2%
Sale of 10e Power	293,653	158,139	214,995	204,819	240,000	17%
Other operating revenue	1,600	1,448,319	1,600	1,600	1,600	0%
Total Operating Revenue	15,892,202	16,296,029	17,284,760	18,319,931	18,667,785	2%
Power costs	2,462,721	896,159	1,559,070	924,135	680,000	(26%)
Operations	1,894,678	1,902,397	1,954,312	2,041,011	2,103,200	3%
Maintenance	920,845	1,249,164	1,115,667	1,028,320	870,400	(15%)
PM&E costs ⁽²⁾	3,356,180	2,447,967	2,580,631	2,432,546	3,043,725	25%
Administrative & General	2,110,006	2,198,185	2,186,923	2,280,333	2,475,033	9%
Taxes	104,439	103,426	105,392	100,756	95,813	(5%)
Depreciation & Amortization	1,752,010	2,241,332	2,513,874	2,846,483	3,090,000	9%
Total Operating Expenses	12,600,879	11,038,629	12,015,869	11,653,584	12,358,170	6%
Interest Income/Federal Credit	161,604	141,446	1,563,152	2,186,717	2,204,616	1%
Interest on long-term debt	(3,422,572)	(4,977,130)	(6,706,155)	(7,446,135)	(7,382,170)	(1%)
Other, net	1,573,661	1,001,199	527,276	1,750,000	900,000	(49%)
Change in Net Assets	1,604,016	1,422,914	653,164	3,156,928	2,032,060	(36%)
<u>Mill Rate Calculation:</u>						
Total Operating Revenue	15,892,202	16,296,029	17,284,760	18,319,931	18,667,785	
Less Other operating revenue	(1,600)	(1,448,319)	(1,600)	(1,600)	(1,600)	
Total Generation Costs	15,890,602	14,847,710	17,283,160	18,318,331	18,666,185	
kwh Generation ('000's)	462,633	458,237	466,991	453,330	453,400	
Cost per kwh, in Mills ⁽¹⁾	34.35	32.40	37.01	40.41	41.17	

Public Utility District No. 1 of Pend Oreille County
2014 Box Canyon Production Calculation of Revenue

Adopted Budget
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	2010	2011	2012	Estimate 2013	Budget 2014
Operating Expenses	12,600,879	11,038,629	12,015,869	11,653,584	12,358,170
Interest Income	(161,604)	(141,446)	(1,563,152)	(2,186,717)	(2,204,616)
Interest Expense on Debt	3,422,572	4,977,130	6,706,155	7,446,135	7,382,170
Other Operating Revenue	(1,600)	(1,448,319)	(1,600)	(1,600)	(1,600)
Renewal & Replacement payments	360,000	1,215,000	959,500	500,000	425,000
Loan Principal Payments	1,180,714	1,235,714	1,735,714	3,510,714	3,570,714
<u>Non Cash Items:</u>					
Depreciation & Amortization	(1,752,010)	(2,241,332)	(2,513,874)	(2,846,483)	(3,090,000)
Interest Earned on Construction Fund	83,947	84,677	96,347	104,819	110,000
Amortization of interest	157,704	127,656	(151,800)	137,878	116,346
Total sales	15,890,602	14,847,710	17,283,160	18,318,331	18,666,185
Less 10(e)	(293,653)	(158,139)	(214,995)	(204,819)	(240,000)
Sales to the Electric System	15,596,950	14,689,571	17,068,165	18,113,512	18,426,185

The above calculation shows the cost of power to the Electric System. The 2014 budget includes principal and interest payments on the District's 2008 and 2012 CREB bonds, the 2009 and 2010 Bonds.

The 2014 budget is based on the assumption that Box Canyon will produce an average of 51.75 Mw per hour. This value is based on our contractual requirements with Ponderay Newsprint. If Box Canyon does not produce 51.75 aMw, the Production System must purchase Firm-up power to supplement generation. Due to the turbine upgrade, which may impact generation, we have budgeted to purchase \$530,000 of firm-up power in 2014.

The interest income line item not only includes interest allocated to the Production System from our bank account earnings, but also includes the payment we receive from the Federal government for our Build America Bonds and Clean Renewable Energy Bonds. Interest expense, therefore, shows the gross amount of our interest expense rather than the net.

Public Utility District No. 1 of Pend Oreille County
2014 Box Canyon Production Expense Analysis

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	2010	2011	2012	Estimate 2013	Budget 2014
<u>LABOR</u>					
Operations	1,326,852	1,259,386	1,365,432	1,410,394	1,454,700
Maintenance	740,954	792,355	809,725	841,519	665,500
PM&E	689,800	605,538	543,350	556,484	639,400
Administrative & General	1,154,947	1,230,031	1,245,949	1,309,127	1,429,100
	3,912,554	3,887,310	3,964,457	4,117,524	4,188,700

The Production System labor expenses remain fairly steady as work continues on the turbine project. Fluctuations will occur between operations and maintenance, depending on projects slated for the year. The 2014 labor hours for PM&E includes fluctuation in the internal staffing for required PM&E projects. Administration and General labor has increased slightly due to the addition of General Counsel and an additional IT employee. The 2014 budget reflects a 2% increase for union personnel. The District is currently bargaining a new three year union contract which it hopes to have in place by April 1, 2014. A 2% increase of labor cost is also included for non-union employees, effective July 1 which will follow the District's salary administration policy.

	2010	2011	2012	Estimate 2013	Budget 2014
<u>MATERIALS</u>					
Operations	303,332	182,313	108,850	116,514	130,200
Maintenance	156,269	425,394	228,276	137,661	169,500
PM&E	727,638	421,277	787,299	754,594	680,500
Administrative & General	270,559	279,886	291,791	282,309	303,450
	1,457,798	1,308,870	1,416,216	1,291,078	1,283,650

Materials are dependent on projects that are being performed during the year. Materials not only include parts used in maintenance projects, but also includes any support items and supplies needed to complete the project. The decrease in PM&E material expense is a result of moving the 10(e) payment from "Materials" to "Other" for 2014.

	2010	2011	2012	Estimate 2013	Budget 2014
<u>PROFESSIONAL SERVICES</u>					
Operations	22,337	7,127	7,239	2,661	8,000
Maintenance	16,651	12,184	33,694	17,641	5,000
PM&E	1,875,161	1,315,258	1,122,434	997,274	1,434,000
Administrative & General	112,730	100,698	100,701	97,274	128,500
	2,026,879	1,435,267	1,264,067	1,114,851	1,575,500

Professional Services include consultants and other professionals who assist the District in completing projects. Any professional services used for capital projects, such as the turbine rebuild, are part of the project cost and not included here. For PM&E's, consultants assist the District in gathering and analyzing data, prepare and file federal reports, and assist in the oversight of license management plans. PM&E costs are up slightly in 2014 due to erosion work. The Administrative & General professional service budget includes increased costs for Reliability Compliance audit assistance.

Public Utility District No. 1 of Pend Oreille County
2014 Box Canyon Production Expense Analysis

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	2010	2011	2012	Estimate 2013	Budget 2014
<u>FLEET</u>					
Operations	29,432	17,473	41,387	42,532	46,000
Maintenance	13,062	20,292	31,001	24,924	28,400
PM&E	61,341	84,419	58,181	64,866	58,500
Administrative & General	7,736	6,950	5,485	6,640	7,700
	111,571	129,135	136,055	138,962	140,600

Fleet reflects the expenses for the use of District vehicles. Costs in this category fluctuate with the price of gas and repairs due to the age of the vehicles.

	2010	2011	2012	Estimate 2013	Budget 2014
<u>TRAVEL</u>					
Operations	34,534	33,193	19,983	24,182	27,550
Maintenance	4,872	322	5,288	6,215	2,000
PM&E	1,292	1,610	145	59	-
Administrative & General	44,651	43,305	44,791	51,613	81,250
	85,349	78,430	70,206	82,069	110,800

Travel costs track expenses due to employee travel for training and utility meetings. Travel related to NERC certification is included as Administrative & General.

	2010	2011	2012	Estimate 2013	Budget 2014
<u>UTILITIES</u>					
Operations	84,894	133,903	133,550	116,090	122,200
Maintenance	-	-	-	-	-
PM&E	-	1,566	1,334	1,445	1,325
Administrative & General	27,741	34,030	28,695	28,741	35,000
	112,635	169,499	163,579	146,275	158,525

Utilities include electric, telephone, and cell phone costs.

	2010	2011	2012	Estimate 2013	Budget 2014
<u>OTHER</u>					
Operations	93,297	269,000	277,872	328,638	314,550
Maintenance	(10,962)	(1,383)	7,683	359	-
PM&E	948	18,300	67,888	57,824	230,000
Administrative & General	491,641	503,284	469,512	504,629	490,033
	574,925	789,202	822,954	891,451	1,034,583

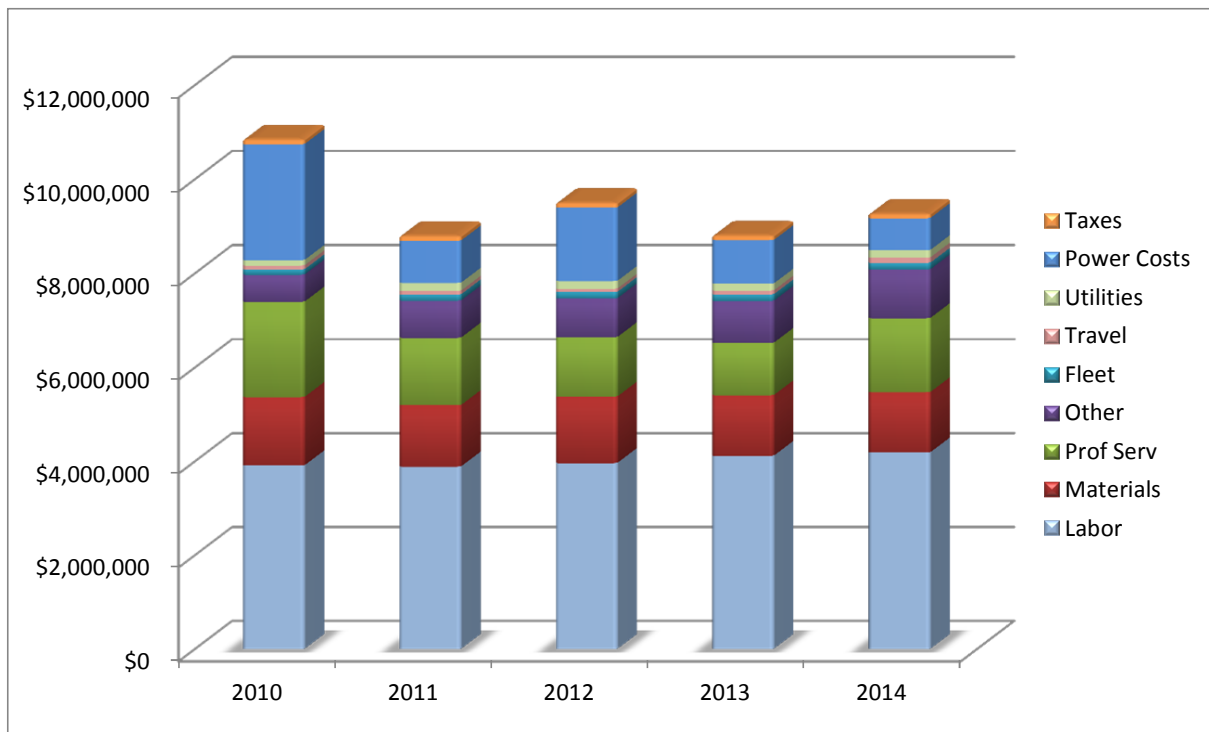
Other items include insurance, water coordination payments, and a variety of miscellaneous items. Water coordination payments were moved from materials to this category beginning in 2011. The increase in 2014 is due primarily to the movement of the 10(e) payment from "materials".

Public Utility District No. 1 of Pend Oreille County
2014 Box Canyon Production Expense Analysis

Adopted Budget
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TOTAL BY FUNCTION	2010	2011	2012	Estimate 2013	Budget 2014
Operations	1,894,678	1,902,397	1,954,312	2,041,011	2,103,200
Maintenance	920,845	1,249,164	1,115,667	1,028,320	870,400
PM&E	3,356,180	2,447,967	2,580,631	2,432,546	3,043,725
Administrative & General	2,110,006	2,198,185	2,186,923	2,280,333	2,475,033
Power Costs	2,462,721	896,159	1,559,070	924,135	680,000
Taxes	104,439	103,426	105,392	100,756	95,813
Depreciation & Amortization	1,752,010	2,241,332	2,513,874	2,846,483	3,090,000
12,600,879	11,038,629	12,015,869	11,653,584	12,358,170	

TOTAL BY ACTIVITY	2010	2011	2012	Estimate 2013	Budget 2014
Labor	3,912,554	3,887,310	3,964,457	4,117,524	4,188,700
Materials	1,457,798	1,308,870	1,416,216	1,291,078	1,283,650
Professional Services	2,026,879	1,435,267	1,264,067	1,114,851	1,575,500
Fleet	111,571	129,135	136,055	138,962	140,600
Travel	85,349	78,430	70,206	82,069	110,800
Utilities	112,635	169,499	163,579	146,275	158,525
Other	574,925	789,202	822,954	891,451	1,034,583
Power Costs	2,462,721	896,159	1,559,070	924,135	680,000
Taxes	104,439	103,426	105,392	100,756	95,813
Depreciation & Amortization	1,752,010	2,241,332	2,513,874	2,846,483	3,090,000
12,600,879	11,038,629	12,015,869	11,653,584	12,358,170	



Public Utility District No. 1 of Pend Oreille County
2014 Box Canyon Production Capital Budget
 Adopted Budget
 December 3, 2013

Project	2014 Budget	Project Description/Justification	Project Necessity	Necessity Ranking
Capital Projects				
Turbine Upgrade - Unit #1*	\$13,500,000	Unit 1 construction will begin in 2013 but will not be fully invoiced until 2014.	Regulatory Requirement	3-Critical
Turbine Upgrade - Unit #2*	\$5,000,000	Final billing for Unit 2 completion should come in 2014. Punch list items may not be billed until the subsequent year.	Regulatory Requirement	3-Critical
Turbine Upgrade - Unit #3*	\$258,240	Punch list items may be billed in 2013 or 2014.	Regulatory Requirement	3-Critical
Turbine Upgrade - Unit #4*	\$61,000	Punch list items may be billed in 2013 or 2014.	Regulatory Requirement	3-Critical
Turbine Upgrade - General*	\$350,000	Turbine Generator Upgrade of all four units to be completed in 2014.	Regulatory Requirement	3-Critical
Generator Switchgear - Unit #1*	\$28,000	Costs include engineering and labor for installation of Unit 1 switchgear.	Regulatory Requirement	2-High Need
TDG Mitigation*	\$2,700,000	The TDG Project will go out for bid and manufacturing will begin in 2013.	Regulatory Requirement	3-Critical
Air System for HGHC	\$15,000	This is a critical piece of the TDG Project. This system shall be built to match the current plant system. It has been determined that District personnel will design and install this system.	Regulatory Requirement	3-Critical
Battery System for HGHC	\$20,000	This is a critical piece of the TDG Project. This system shall be built to match the current plant system. It has been determined that District personnel will design and install this system.	Regulatory Requirement	3-Critical
Cusick MCC & Motor Replacement*	\$75,000	Due to age and condition of equipment, safety of personnel has been a factor. In addition, Production is replacing undersized 250hp motors with 300hp motors which will provide longer service life and greater reliability. Estimate includes 2 pumps, wire and conduits, etc., building/enclosure for 25K, 15K for electrical design work.	Reliability & Safety	2-High Need
Unit Relay Protection*	\$25,000	Equipment has been purchased for all four units. This year will include outside engineering services to place this equipment into service as well as the necessary testing.	Regulatory Requirement	2-High Need
Oil Storage Bay	\$25,000	Design has been completed to build an oil storage bay at the end of the vehicle building at Box Canyon. Current oil storage does not meet safety regulations.	Regulatory Requirement	2-High Need
Forebay Bridge Emergency Access	\$20,000	Emergency access; conceptual design and analysis only this year; build and install in future.	Safety	2-High Need

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Project	2014 Budget	Project Description/Justification	Project Necessity	Necessity Ranking
Stop Log Storage at Main Spillway	\$20,000	Currently the process to move the stop logs to the spillway for use is very inefficient and cumbersome. It is also costly as it has to be done by contracted crews. These gate storage modifications would allow the stop logs to be stored at the main spillway and reduce the cost of installation and removal for each project. Emergency installation of the stop logs is not adequate at this time which creates a safety risk. Inclement weather is also a detriment to stop log installation with the current process.	Efficiency Improvement	2-High Need
Powerhouse Water Piping*	\$25,000	Replacement of all powerhouse water piping. This project began in 2008 and continues with each unit upgrade. Unit 1 work has been delayed due to the completion of Unit 2.	Reliability	1-Medium Need
SCADA Database Server and HMI Interface*	\$25,000	Further configuration and development of the plant SCADA system to be done in conjunction with the new generator unit control and monitoring systems. This will include an event logger for analysis and troubleshooting.	Efficiency Improvement	1-Medium Need
Sullivan Lake Dam Rehabilitation (Electric System Item)	\$400,000	To be done in conjunction with the cold water pipe project. The dam structure and waterway devices are in dire need of upgrade. The dam safety is in jeopardy due to the degree of deterioration of concrete, equipment, and gabions.	Reliability & Safety	2-High Need
Calispell Power Plant Upgrade (Electric System Item)*	\$200,000	Second phase of a multi-year project to upgrade the Calispell Power Plant for better reliability and safety of personnel and equipment. This year will include the rewind of Unit #1, installation of new switchgear, and two new main valves.	Reliability & Safety	2-High Need
Equipment				
Backhoe Trailer	\$25,000	Current trailer has incurred damage in recent years and should be replaced soon. This equipment is used a significant amount for off site maintenance of equipment and waterways.	Safety	2-High Need
Turbine/Generator Spare Parts	\$125,000	To purchase another portion of the recommended spare parts for the new units. Spares are a necessary aspect of reliable and efficient maintenance.	Reliability & Safety	1-Medium Need
Production Vehicle	\$25,000	Smaller and more fuel efficient vehicle is needed to oversee numerous off site projects in the near future.	Efficiency Improvement	1-Medium Need
Hydraulic Hose Machine and Inventory	\$25,000	Numerous hoses and fittings throughout the plant and off site facilities. This would allow us to keep our own inventory and make hoses when needed rather than wait for them to arrive.	Efficiency Improvement	1-Medium Need
Small Tools	\$20,000	Shop equipment and tools over \$2,000 that are crucial to the maintenance and operation of production facilities.	Reliability & Safety	1-Medium Need

Public Utility District No. 1 of Pend Oreille County
2014 Box Canyon Production Capital Budget
 Adopted Budget
 December 3, 2013

Project	2014 Budget	Project Description/Justification	Project Necessity	Necessity Ranking
Technician Truck Work Boxes	\$12,000	Service box modification to the Technicians' pickup. The District has many remote sites that require regular maintenance and are not accessible year-round. The Techs' 2wd van cannot access these areas. Setting up the pickup with storage bins for equipment would increase access, productivity, and workforce capability.	Efficiency Improvement	1-Medium Need
Small Excavator Bucket at Cusick Pumping Plant	\$3,000	Use of existing small excavator to facilitate cleaning of trash racks and general use around the Cusick Pumping Station. Having the proper equipment would increase efficiency and allow for less set up.	Efficiency Improvement	1-Medium Need
Total	\$22,982,240			

* indicates carryover project from 2013

Distribution:

Box Canyon to Electric System	<u>(600,000)</u>
Total Box Canyon Capital	<u>\$22,382,240</u>
IT to Production	78,000
Regulatory Affairs Capital	6,374,000
Safety to Production	<u>0</u>
Total Production Capital	<u><u>\$28,834,240</u></u>

Funding Detail:

Box 2012 Construction Fund	\$19,322,240
Box 2010 Construction Fund	9,087,000
Renewal & Replacement Fund	<u>425,000</u>
Total	<u><u>\$28,834,240</u></u>

Public Utility District No. 1 of Pend Oreille County
2014 Regulatory Affairs Capital Budget
 Adopted Budget
 December 3, 2013

Project	2014 Budget	Project Description/Justification	Project Necessity	Necessity Ranking
Capital Projects				
Sullivan Lake -Cold Water Pipe	\$4,412,000	Cold Water Pipe Facility - Sullivan Lake	Regulatory Requirement	3-Critical
Water Quality Monitor-Hydrolab	\$10,000	River monitoring equipment	Regulatory Requirement	3-Critical
Upstream Fishway	\$6,100,000	Box Canyon Upstream Fishway Final design, engineering, and construction management.	Regulatory Requirement	3-Critical
Downstream Fishway	\$73,000	Biological assessment for Downstream Fishways	Regulatory Requirement	3-Critical
Calispel Creek Downstream Passage & Pumps	\$82,000	Biological assessment & preliminary design	Regulatory Requirement	3-Critical
Calispel Creek Upstream Passage & Pumps	\$22,000	Biological assessment	Regulatory Requirement	3-Critical
Equipment				
Hydrolab Monitor	\$10,000	Hydrolab water quality monitoring, will replace 8 year old monitor	Regulatory Requirement	2-High Need
Portable Office	\$15,000	The District has been renting this unit for number of years and is used for office space.	Efficiency Improvement	1-Medium Need
Extension of pole garage	\$50,000	Add two bays at end of existing pole barn. The Fish lab took space from Production therefore there is a need to add additional bays.	Efficiency Improvement	1-Medium Need
Flow meter	\$4,500	Marsh-McBirney Flow Meter to be used in calabrating stream gauging in streams.	Efficiency Improvement	1-Medium Need
Heater	\$4,000	Heater OC Pro - Heater for Ocean Pro Boat that prevents condensation inside boat.	Efficiency Improvement	1-Medium Need
Trailer for snow mobiles	\$3,500	Natural Resources aquired two surplus snowmobiles to use for field work, but need trailer.	Efficiency Improvement	1-Medium Need
Total	\$10,786,000			

Distribution:

Electric System	\$4,412,000
Box Canyon System	6,374,000
Total Reg. Affairs Capital	<u>\$10,786,000</u>

Box Canyon Funding Detail:

Construction Fund (Debt)	\$6,277,000
Renewal & Replacement Fund	97,000
Total	<u>\$6,374,000</u>

Public Utility District No. 1 of Pend Oreille County
2014 Box Canyon Production Maintenance Budget
 Adopted Budget
 December 3, 2013

Project	2014 Budget	Project Description/Justification	Project Necessity	Necessity Ranking
Dikes and Pumps Inspections and Repairs	\$100,000	Evaluate and repair the Dike system. Repairs are necessary for reliability and regulatory compliance.	Regulatory Requirement	2-High Need
Governor Pressure Unit Update	\$20,000	Updated kidney loop; cooling and heater; one per year; U2,U3,U4.	Reliability	1-Medium Need
Servo Piping Update	\$20,000	Installation of isolation valve on servo for units 3&4.	Reliability	1-Medium Need
Ice Removal at Box Canyon	\$10,000	Albeni Falls Dam releases water during winter months causing potential ice flows to occur and creating additional maintenance work not traditionally seen at Box Canyon Dam.	Reliability	1-Medium Need
Campbell Park Maintenance	\$15,000	Improvements and major upkeep projects will keep this park a safe and in-demand recreational facility.	Reliability	1-Medium Need
Scenic Byway Maintenance	\$5,000	Grounds maintenance and general upkeep of specific Pend Oreille Valley Scenic Byway facilities.	Reliability	1-Medium Need
Box Canyon Dive Inspections	\$20,000	Box canyon is required by FERC to perform Dam inspections on regular bases. Some of these inspections require the use of divers to be performed. With the unit overhauls there is a need for divers to perform some predatory work.	Regulatory Requirement	2-High Need
Radio System Maintenance (Production Item)	\$4,000	General upkeep, upgrades and maintenance of the District-wide radio system. The radio system is a component of NERC compliance efforts and therefore must be maintained to a reliable standard.	Reliability	1-Medium Need
Radio System Maintenance (Electric System Item)	\$4,000	General upkeep, upgrades and maintenance of the District-wide radio system. The radio system is a component of NERC compliance efforts and therefore must be maintained to a reliable standard.	Reliability	1-Medium Need
Power Lake Penstock Inspection (Electric System Item)	\$60,000	A full penstock inspection has not been done for some time. This would allow verification that no damage was sustained during the recent installation of the electric feed.	Reliability & Safety	1-Medium Need
Power Lake Road Repairs (Electric System Item)	\$10,000	Personnel safety is of concern due to road stability.	Safety	2-High Need
Total	\$268,000			

Distribution:

Production Projects	\$194,000
Electric System Projects	74,000
Total	\$268,000

Public Utility District No. 1 of Pend Oreille County
2014 Regulatory Affairs PM&E's Budget
 Adopted Budget
 December 3, 2013

The following are non-capital costs for materials, services, and labor for Protection, Mitigation and Enhancement of fish, wildlife, recreation, erosion, and cultural preservation.

Category	2014 Budget	Basic Function	Projects
Cultural	\$251,000	Archeology and preservation of historical sites.	Cultural Resource site protection in connection with Erosion project, implementation of Interpretive & Education Plan on public lands, reports, and monitoring.
10(e) Payments	\$230,000	Payment to Kalispel Tribe for rent of lands flooded by reservoir.	Amount is dependent on water flows and market prices for power.
Erosion	\$616,200	Monitor and help prevent erosion along reservoir banks.	Implementation of Erosion Plan, follow-up work on Ruby Edgewater, and additional monitoring.
Fisheries	\$984,000	Improvement of fish habitat in tributaries of the Pend Oreille River.	Follow Trout Habitat Recovery Plan (THRP) with a concentration on Calispell Creek.
Fishways	\$58,000	Monitoring and improvement of fish passing through Box Canyon Dam and Calispell Creek pumps.	Fish behavior studies for Box Canyon and Calispel Creek. Work here is monitoring. Studies done in relation to TDG and fish passage are capitalized.
Recreation	\$179,925	Payments for recreational areas in the County.	Annual payments to Oldtown, Cusick and lone for boat ramps, payment for Tribal recreation facility, payments for Forest Service recreation.
Water Quality	\$137,000	Monitor water quality at Box Canyon Dam and Calispell Creek.	Public meetings, testing and data collection, and TMDL.
Milfoil Program	\$61,900	Operation of Aquamog and Harvester in Pend Oreille River.	Expenses to run this program are partially offset by a grant received through the Forest Service.
Weed Management	\$18,500	Control weed spread in the County.	Educational programs and brochures, spraying, data collection.
Wildlife Management	\$201,200	Monitor and improve habitat of various wildlife species around the reservoir.	Waterfowl nests, Waterfowl surveys, habitat improvement, tree planting.
Technical Comittee	\$10,500	Oversees implementation of license conditions.	Meeting and labor costs.
General	\$295,500	License Compliance Management and Reporting.	File annual reports with FERC, overall license management.
Total	\$3,043,725		

Public Utility District No. 1 of Pend Oreille County
2014 Regulatory Affairs Maintenance Budget
 Adopted Budget
 December 3, 2013

Project	2014 Budget	Project Description/Justification	Project Necessity	Necessity Ranking
Hach Bench Service	\$10,000	Service/Maintenance Agreement for 8 hydrolabs water quality monitoring equipment.	Reliability	1-Medium Need
Paint Boat Launch parking area	\$2,000	In 2013 the District paved PUD's Greggs Addition boat parking area. In 2014 the District will paint parking stripes.	Regulatory Requirement	1-Medium Need
Traps	\$2,000	Trap beavers to protect cottonwood stands.	Regulatory Requirement	2-High Need
Non-native fish removal	\$200,000	A restoration measure called for in the Box Canyon Settlement Agreement. This will be funded through the Trout Restoration reserve fund.	Regulatory Requirement	2-High Need
Portable restrooms- Power Lake	\$7,000	Provided restroom facilities at Power Lake.	Safety	2-High Need
Total	\$221,000			

Public Utility District No. 1 of Pend Oreille County
2014 Electric System Income Statement

Adopted Budget
December 3, 2013

	2010	2011	2012	Estimate 2013	Budget 2014	Change from 2013 to 2014
Residential	7,141,590	8,392,109	8,460,796	8,750,757	9,052,000	3%
Commercial	1,916,773	2,241,427	2,297,200	2,355,402	2,408,800	2%
Industrial	1,268,502	1,522,034	1,661,103	1,801,171	1,771,900	(2%)
Ponderay Newsprint Company	28,166,921	26,944,338	30,387,376	30,645,933	31,673,492	3%
Street lighting & interdivisional	127,454	184,380	191,750	178,087	177,900	(0%)
Sale for resale	4,644,517	4,686,020	2,645,055	3,453,691	2,790,000	(19%)
Contributed Capital	376,485	274,296	332,099	400,463	525,000	31%
Other	284,640	279,937	215,805	321,260	349,300	9%
Total Operating Revenues	43,926,882	44,524,541	46,191,185	47,906,763	48,748,392	2%
Power from Box Canyon	15,596,950	14,689,571	17,068,165	18,113,512	18,426,185	2%
Power from Boundary	1,579,144	1,692,188	1,766,854	1,677,091	1,677,886	0%
Power from other sources	9,835,642	9,866,156	7,946,137	9,532,475	9,957,867	4%
Wheeling and backup	1,673,366	1,735,915	1,000,758	1,040,027	1,021,751	(2%)
Calispel operation & maintenance	67,505	87,335	79,936	73,719	75,100	2%
Transmission operation & maint.	389,733	335,295	1,125,015	1,245,470	1,170,019	(6%)
Distribution operation	1,813,783	1,830,793	1,899,594	1,896,327	2,046,350	8%
Distribution maintenance	2,105,456	1,995,010	2,461,640	2,414,495	2,506,150	4%
Customer accounting & information	777,320	806,566	806,059	812,503	849,700	5%
Administrative and general	2,461,331	2,702,437	2,504,393	2,222,048	2,498,730	12%
Taxes	1,907,008	2,016,141	2,320,168	2,351,364	2,408,428	2%
Depreciation and amortization	3,108,708	3,292,248	3,383,338	3,476,908	3,486,000	0%
Total Operating Expenses	41,315,945	41,049,654	42,362,057	44,855,940	46,124,166	3%
Interest income	116,869	122,203	125,759	87,080	102,800	18%
Interest on long-term debt	(1,214,938)	(1,506,643)	(1,313,467)	(1,184,026)	(971,423)	(18%)
Other, net	(1,967,863)	261,376	62,772	124,895	4,812,000	3,753%
Change in Net Assets	(454,996)	2,351,823	2,704,191	2,078,773	6,567,602	216%

Revenue numbers currently include a net 2% general service rate increase effective July 1, 2014, which is related to expected decreases in Boundary power offset by increased operating costs. Ponderay Newsprint revenues are dependent on the costs of Box, BPA, Boundary and market power prices and varies based on water conditions and market prices. Other revenue includes service charges, rent, Sullivan cost reimbursements and downstream benefits.

Public Utility District No. 1 of Pend Oreille County

2014 Electric System Financial Parameters

Adopted Budget

December 3, 2013

	2010	2011	2012	Estimate 2013	Budget 2014
<u>Working Capital Calculation:</u>					
Change in Net Assets	(454,996)	2,351,823	2,704,191	2,078,773	6,567,602
Add Non - Cash Items:					
Depreciation	3,108,708	3,292,248	3,383,338	3,476,908	3,486,000
AFUDC Interest	(108,583)	-	-	-	-
CNS Prepaid	156,120	152,580	130,692	75,580	-
CNS Transfer	2,293,893	-	-	-	-
SCL Cold Water Pipe Revenue	(49,891)	(36,132)	(24,249)	(125,000)	(4,812,000)
Amortization of Debt	148,565	(7,052)	(75,578)	(69,569)	(58,166)
Less Cash payments for:					
Capital Projects	(6,915,236)	(2,889,338)	(3,863,835)	(3,850,500)	(8,370,000)
less Sullivan Capital	99,783	72,263	48,636	250,000	4,812,000
Debt Principal Payments	(2,165,000)	(2,720,000)	(2,970,000)	(3,105,000)	(1,965,000)
Plus Cash from Debt Financing	5,000,000	-	-	-	-
Change in Working Capital	1,113,363	216,391	(666,804)	(1,268,808)	(339,563)

DSC Calculation:

Change in Net Assets	(454,996)	2,351,823	2,704,191	2,078,773	6,567,602
Add Back:					
Interest on long-term debt	1,214,938	1,506,643	1,313,467	1,184,026	971,423
Other, net	1,967,863	(261,376)	(62,772)	(124,895)	(4,812,000)
Depreciation	3,108,708	3,292,248	3,383,338	3,476,908	3,486,000
	5,836,514	6,889,337	7,338,225	6,614,812	6,213,025
Debt Service	3,159,852	4,233,695	4,359,045	4,358,595	2,994,589
Debt Service Coverage Ratio	1.85	1.63	1.68	1.52	2.07

The District's current forecast projects the working capital cash balance to be approximately \$9 million at the end of 2013. The 2014 Budget reflects a decrease in cash flow of approximately \$340,000 for the Electric System. The District's cash reserves have built up in recent years above financial parameters and staff is comfortable with a goal of accomplishing slightly more work than would be allowed with a balanced budget.

The Debt Service Coverage Ratio measures the District's ability to pay the year's debt service (interest and principal payments) through net revenues. Debt covenants dictate that we have a DSC ratio of at least 1.25, although our District goal is 1.75. 2014 debt service includes payment on the 2005 Series B bonds and 2010 Electric bonds. The 2005 Series A Bond will be paid off by the end of 2013.

Public Utility District No. 1 of Pend Oreille County

2014 Electric System Expense Analysis

Adopted Budget

December 3, 2013

	2010	2011	2012	Estimate 2013	Budget 2014
LABOR					
Wheeling and Backup	293,906	387,755	409,766	435,619	456,100
Calispel operation & maintenance	27,860	57,045	42,809	27,320	24,700
Transmission operation & maintenance	61,238	127,129	132,935	184,272	147,900
Distribution operation	1,330,708	1,389,361	1,359,214	1,394,329	1,487,800
Distribution maintenance	1,212,415	1,192,548	1,403,794	1,367,398	1,749,600
Customer accounting & information	563,813	553,039	590,509	565,100	567,100
Administrative and general	1,408,447	1,465,724	1,433,442	1,418,578	1,595,400
	4,898,388	5,172,600	5,372,470	5,392,616	6,028,600

The increase in labor from 2013 is due to the addition of a tree trimming crew and two new administration positions. Historically, tree trimming has been contracted out. Performing the work with PUD employees will be more efficient and cost effective. The budget assumes Union employees will see a 2% increase on April 1, and non-union employees are budgeted to receive a 2% increase effective July 1, 2014. Actual raises may vary.

	2010	2011	2012	Estimate 2013	Budget 2014
MATERIALS					
Wheeling & backup	40,740	230	562	6,828	5,000
Calispel operation & maintenance	23,249	12,307	12,444	19,793	32,500
Transmission operation & maintenance	321,440	23,211	199,973	145,818	119,400
Distribution operation	254,417	198,583	303,828	248,184	270,500
Distribution maintenance	542,239	374,360	586,429	608,502	241,500
Customer accounting & information	164,047	341,709	160,747	671,470	150,000
Administrative and general	393,683	388,332	349,748	278,878	329,500
	1,739,814	1,338,732	1,613,730	1,979,473	1,148,400

Materials includes parts and supplies. Budgeted maintenance items are shown in materials and can vary from year to year depending on maintenance needs. Tree trimming has historically been included in Distribution maintenance, since this function is being brought in-house, the costs are reflected in labor for 2014. The larger amount in Customer accounting & information for 2011 and 2013 includes conservation projects that were reimbursed through BPA. The reimbursement flows through the "other" category.

Public Utility District No. 1 of Pend Oreille County

2014 Electric System Expense Analysis

Adopted Budget

December 3, 2013

<u>PROFESSIONAL SERVICES</u>	2010	2011	2012	Estimate 2013	Budget 2014
Wheeling & backup	-	-	-	-	-
Calispel operation & maintenance	-	1,940	-	11,266	-
Transmission operation & maintenance	-	-	-	14,322	-
Distribution operation	58,852	8,145	23,145	15,463	50,000
Distribution maintenance	22,766	-	23,400	47,517	95,000
Customer accounting & information	-	-	-	560	30,000
Administrative and general	290,799	363,924	266,472	185,037	141,000
	372,417	374,009	313,017	274,165	316,000

The administrative and general professional services budget includes legal and auditing fees as well as professional fees for NERC regulations. Several professional services were previously charged to the materials or other category. For 2014, these costs have been correctly budgeted in the professional services category, resulting in an increase in costs.

<u>FLEET</u>	2010	2011	2012	Estimate 2013	Budget 2014
Wheeling & backup	-	-	-	-	-
Calispel operation & maintenance	8,596	7,387	15,675	7,541	10,100
Transmission operation & maintenance	2,566	1,514	6,888	3,935	3,000
Distribution operation	106,514	160,834	137,564	164,397	157,500
Distribution maintenance	340,980	429,131	421,371	387,499	419,500
Customer accounting & information	73,081	78,535	63,031	82,955	79,250
Administrative and general	6,603	6,044	4,007	5,277	4,700
	538,340	683,445	648,537	651,605	674,050

Fleet reflects vehicle expenses, including maintenance, fuel, and repairs.

Public Utility District No. 1 of Pend Oreille County

2014 Electric System Expense Analysis

Adopted Budget

December 3, 2013

	2010	2011	2012	Estimate 2013	Budget 2014
TRAVEL					
Wheeling & backup	2,271	4,050	1,404	10,027	-
Calispel operation & maintenance	-	-	-	-	-
Transmission operation & maintenance	-	-	-	62	-
Distribution operation	11,709	20,157	26,067	19,882	28,050
Distribution maintenance	-	23	331	1,250	-
Customer accounting & information	2,784	1,028	2,875	2,705	4,000
Administrative and general	43,310	48,153	42,522	47,331	61,750
	60,074	73,411	73,199	81,257	93,800

Travel expenses are incurred by employees while traveling to meetings and training. The Distribution Operation travel budget has increased due to required NERC training.

	2010	2011	2012	Estimate 2013	Budget 2014
UTILITIES					
Wheeling & backup	1,371	306	4,814	1,242	2,300
Calispel operation & maintenance	-	-	-	-	-
Transmission operation & maintenance	-	5,405	-	-	-
Distribution operation	15,908	21,226	24,210	25,871	25,900
Distribution maintenance	664	1,096	692	436	550
Customer accounting & information	14,746	17,776	13,644	9,596	12,200
Administrative and general	31,136	37,396	34,523	32,272	34,000
	63,826	83,203	77,882	69,416	74,950

Utilities include telephone, cell phone, water & sewer, and garbage.

	2010	2011	2012	Estimate 2013	Budget 2014
OTHER					
Wheeling & backup	1,335,077	1,343,574	584,213	586,311	558,351
Calispel operation & maintenance	7,800	8,656	9,008	7,800	7,800
Transmission operation & maintenance	4,489	178,037	785,218	897,062	899,719
Distribution operation	35,676	32,487	25,566	28,201	26,600
Distribution maintenance	(13,609)	(2,148)	25,624	1,892	-
Customer accounting & information	(41,151)	(185,520)	(24,747)	(519,883)	7,150
Administrative and general	287,353	392,863	373,679	254,675	332,380
	1,615,636	1,767,950	1,778,561	1,256,058	1,832,000

The Other category includes insurance payments, rents, subscriptions and dues, other miscellaneous payments and accounting adjustments.

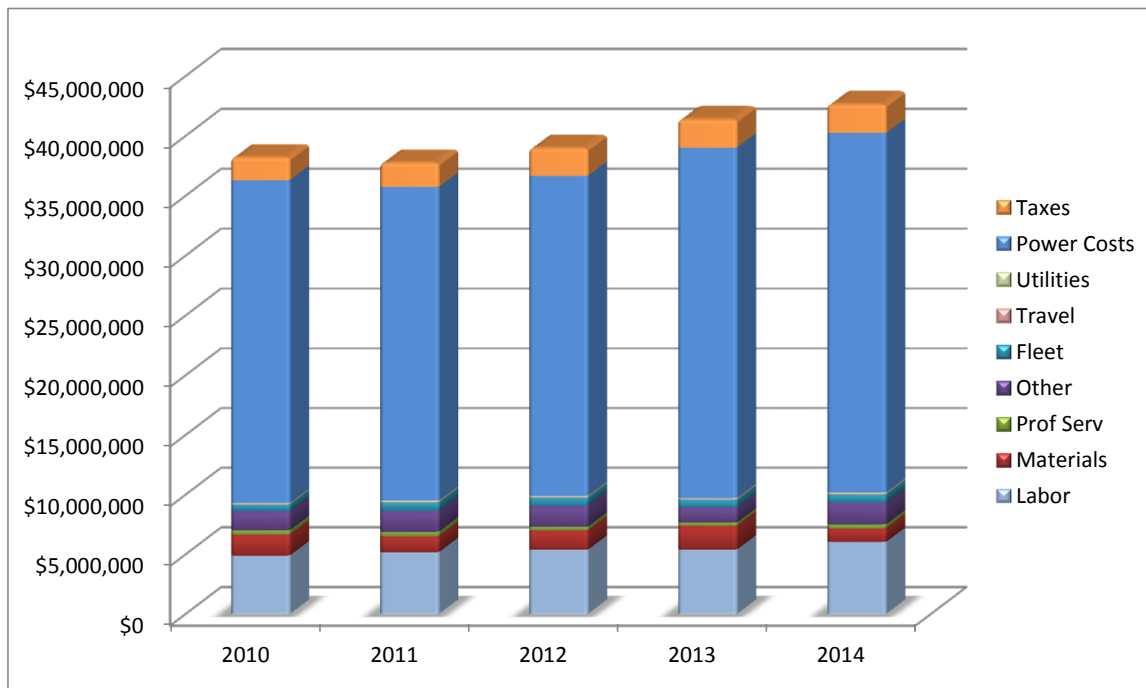
Public Utility District No. 1 of Pend Oreille County

2014 Electric System Expense Analysis

Adopted Budget

December 3, 2013

	2010	2011	2012	Estimate 2013	Budget 2014
TOTAL BY FUNCTION					
Wheeling & Backup	1,673,366	1,735,915	1,000,758	1,040,027	1,021,751
Calispel operation & maintenance	67,505	87,335	79,936	73,719	75,100
Transmission operation & maintenance	389,733	335,295	1,125,015	1,245,470	1,170,019
Distribution operation	1,813,783	1,830,793	1,899,594	1,896,327	2,046,350
Distribution maintenance	2,105,456	1,995,010	2,461,640	2,414,495	2,506,150
Customer accounting & information	777,320	806,566	806,059	812,503	849,700
Administrative and general	2,461,331	2,702,437	2,504,393	2,222,048	2,498,730
Power Costs	27,011,736	26,247,915	26,781,156	29,323,078	30,061,938
Taxes	1,907,008	2,016,141	2,320,168	2,351,364	2,408,428
Depreciation & Amortization	3,108,708	3,292,248	3,383,338	3,476,908	3,486,000
	41,315,945	41,049,654	42,362,057	44,855,940	46,124,166
TOTAL BY ACTIVITY					
Labor	4,898,388	5,172,600	5,372,470	5,392,616	6,028,600
Materials	1,739,814	1,338,732	1,613,730	1,979,473	1,148,400
Professional Services	372,417	374,009	313,017	274,165	316,000
Other	1,615,636	1,767,950	1,778,561	1,256,058	1,832,000
Fleet	538,340	683,445	648,537	651,605	674,050
Travel	60,074	73,411	73,199	81,257	93,800
Utilities	63,826	83,203	77,882	69,416	74,950
Power Costs	27,011,736	26,247,915	26,781,156	29,323,078	30,061,938
Taxes	1,907,008	2,016,141	2,320,168	2,351,364	2,408,428
Depreciation & Amortization	3,108,708	3,292,248	3,383,338	3,476,908	3,486,000
	41,315,945	41,049,654	42,362,057	44,855,940	46,124,166



Public Utility District No. 1 of Pend Oreille County
2014 Engineering Capital Budget
Adopted Budget
December 3, 2013

Project	2014 Budget	Project Description/Justification	Project Necessity	Necessity Ranking
Capital Projects				
Poles and Conductor Replacements	\$500,000	Replace aging poles as prioritized by the Construction Work Plan (CWP)	Reliability & Safety	1-Medium Need
Franchise Updates (WSDOT)	\$250,000	Franchise updates for the first year of a four year project to meet Washington State Department of Transportation (WSDOT) franchise update requirements. Estimate based for one of four highways in Pend Oreille County to be completed in 2014. \$2,000,000 total project cost.	Regulatory Requirement	2-High Need
District Supervisory Control and Data Acquisition (SCADA) Study	\$12,000	CWP - Work will be contracted out.	Reliability	1-Medium Need
Bead Lake BL118 to BL128	\$100,000	Upgrade an existing distribution line to meet District's construction standards while also facilitating the installation of fiber optic cable.	Reliability	1-Medium Need
Davis Lake Road SN68 to CS116R6	\$65,000	Convert approximately 1.5 miles of line from 12.47 kV to 24.94 kV to facilitate the removal of severely deteriorated poles in a swamp area. [Portion of ECI Project CUW-2 that was changed by converting the line to 25 kV instead of converting to from single-phase to three-phase at 12.47 kV.]	Reliability	1-Medium Need
Sunvale Acres 5.3 Miles South, LC1 to RE7	\$335,000	Install, replace and/or use existing poles to upgrade facilities by installing 336 three-phase AAC conductor to correct phase unbalancing and improve service reliability. [North portion of Project BCS-1 in Distribution Study]	Reliability	1-Medium Need
Mill Creek East Branch 1.5 Miles North, EX16 to EB5	\$150,000	Construct 1.5 miles of distribution line north of the EX river crossing to facilitate phase balancing and improve electric service reliability.	Reliability	1-Medium Need
LeClerc Creek Rd Tie North of Sunvale, LC1 to BE60L56	\$40,000	Install 1 mile of three-phase 336 conductor on existing poles to facilitate phase balancing, service reliability, and increase area capability.	Reliability	1-Medium Need
West Calispell Rd UG CS107 to Yonks Rd	\$40,000	Install 0.9 miles of three-phase cable in existing conduit on Westside Calispell Road to replace existing deteriorated underground cable and improve system reliability. This work is also part of the project to replace the existing cross-country overhead distribution line out of Calispell Powerhouse with a three-phase line along Calispell Road.	Reliability	1-Medium Need
Horseshoe Lake Tie via Camp Reed DP59 to 120-22-6-UG	\$40,000	Install 0.8 miles of three-phase underground cable in existing conduit to tie isolated Horseshoe Lake area now served by Inland Power and Light (IPL) to rest of the District's electrical system.	Reliability	1-Medium Need
Miscellaneous Switchyard/Substation Improvements	\$40,000	Make miscellaneous capital equipment additions and/or replacements to maintain and/or improve switchyard/substation reliability.	Reliability	2-High Need
Recoverable Capital Costs				
New Customer Hookups	\$500,000	Cost to connect 110 new electric customers.	Customer Service	3-Critical
Total	\$2,072,000			

Public Utility District No. 1 of Pend Oreille County
2014 Engineering Capital Budget
Adopted Budget
December 3, 2013

Distribution:

Engineering	\$2,072,000
Electric Operations	1,000,000
IT to Electric System	227,000
Safety	59,000
Box Canyon to Electric System	600,000
Sullivan Projects	4,412,000
Total Electric Capital Expenditures	<u>\$8,370,000</u>

Funding Detail:

Funded by others	\$4,412,000
Working Capital and Cash Reserves	3,958,000
Total	<u>\$8,370,000</u>

Public Utility District No. 1 of Pend Oreille County
2014 Electric Operations Capital Budget
 Adopted Budget
 December 3, 2013

Project	2014 Budget	Project Description/Justification	Project Necessity	Necessity Ranking
Capital Projects				
Close in building (Newport)	\$60,000	Close in and heat a portion of Newport's shed to allow for storage of trucks and equipment in the winter.	Reliability & Safety	1-Medium Need
Carpet, Admin. Building	\$30,000	Replacement of worn out carpet in multiple locations of the Admin Building.	Reliability	1-Medium Need
115kV Insulator Replacement	\$25,000	Replacement of failing 115kV insulators from Pine to Box Subs.	Reliability	2-High Need
Gravel Diamond Sub yard	\$15,000	Gravel a portion of the Diamond Lake Sub yard to allow the storage of transformers. This will allow for moving the transformers from the current lot in Idaho.	Reliability & Safety	1-Medium Need
Electric Gate in lone	\$12,000	Replacement of existing worn out gate.	Reliability & Safety	1-Medium Need
Stock Items				
Transformers	\$200,000	Transformers used to serve new customers and replace damaged units.	Reliability	3-Critical
Reclosers and Controls	\$40,000	Purchase reclosers and controls to replace old, damaged, and obsolete equipment.	Reliability & Safety	3-Critical
Metering and related equipment	\$15,000	Purchase CT metering equipment.	Reliability	3-Critical
Regulators and Controls	\$35,000	Purchase regulators and controls to maintain distribution voltage and replace old equipment.	Reliability	2-High Need
Capacitors	\$7,000	Purchase capacitors to improve system voltage and reliability.	Reliability	1-Medium Need
Equipment				
Digger Truck (lone)	\$313,000	Replacement of 1989 Digger Truck.	Efficiency Improvement	1-Medium Need
Brush Mower	\$125,000	Tree Trimming Equipment.	Efficiency Improvement	1-Medium Need
Tree Crew Truck	\$45,000	Tree Trimming Equipment.	Efficiency Improvement	1-Medium Need
Misc. Tree Trimming Equipment	\$20,000	Tree Trimming Equipment.	Efficiency Improvement	1-Medium Need
Brush Mower Trailer	\$15,000	Tree Trimming Equipment.	Efficiency Improvement	1-Medium Need
Wire Trailer (lone)	\$12,000	Replacement of old and obsolete wire trailer.	Efficiency Improvement	1-Medium Need
Wire Trailer (Newport)	\$12,000	Replacement of old and obsolete wire trailer.	Efficiency Improvement	1-Medium Need
Misc. Distribution Tools	\$10,000	Replacement of worn out or obsolete tools.	Efficiency Improvement	1-Medium Need
Air Conditioning for Newport Crew Headquarters	\$9,000	A/C in mechanics office and bull room will allow us to keep doors closed in the summer cutting down on dust, and contaminants.	Efficiency Improvement	1-Medium Need
Shop Tools	\$5,000	Purchase tools to allow District employees to repair and maintain air conditioning equipment in District vehicles.	Efficiency Improvement	1-Medium Need
Total	\$1,000,000			

Public Utility District No. 1 of Pend Oreille County
2014 Information Technology Capital Budget
 Adopted Budget
 December 3, 2013

Equipment	2014 Budget	Equipment Description/Justification	Equipment Necessity	Necessity Ranking
Capital Projects				
GIS - Graphical Information System	\$133,000	Migrate current Microstation and other data sources to support CNS GIS system. Project includes consultant effort to analyze current data.	Efficiency Improvement	2-High Need
Servers and Hardware	\$43,000	Server hardware and Network switch gear to replace aging equipment	Reliability	2-High Need
Disaster Recovery	\$20,000	Acquire consultants services to determine needs, and then purchase and install edge network and storage gear to support offsite operation.	Reliability	2-High Need
Network Redundancy	\$20,000	Determine and Purchase a secondary network path for outgoing PUD network traffic	Reliability & Safety	2-High Need
Wireless Canopy	\$26,000	Complete the wireless project started in Newport/Box Canyon with Access Points at Newport Crew HQ and Lone	Reliability & Safety	2-High Need
Video Security and Monitoring	\$23,000	Continue installation of Camera network into Substations and Box Canyon	Reliability & Safety	2-High Need
SCADA terminal on Turbine Floor	\$10,000	An additional Client to our SCADA license and required Hardware (PC screen) to allow Operator monitoring and control of the Hydro and dyke systems of the PUD from the turbine level of the power house aprox.	Efficiency Improvement	1-Medium Need
Video Conference	\$30,000	Upgrade current system to include better audio at Box Canyon, and support two remote video pods	Efficiency Improvement	1-Medium Need
Total	\$305,000			

Distribution:

Electric System	\$227,000
Box Canyon Production System	78,000
Total IT Capital	<u>\$305,000</u>

Public Utility District No. 1 of Pend Oreille County
2014 Safety Department Capital Budget
 Adopted Budget
 December 3, 2013

Equipment	2014 Budget	Equipment Description/Justification	Equipment Necessity	Necessity Ranking
Capital Projects				
Reception Remodel	\$40,000	Remodel of reception are to provide a safer work environment.	Safety	2-High Need
Equipment				
Newport Spill Equipment	\$8,500	Spill response supplies required, no spill equipment in Newport or at any of the substations.	Regulatory Requirement	3-Critical
Newport Spill Trailer & upgrades	\$10,500	Trailer needed to store and haul spill equipment to the substation in case of a spill.	Safety	1-Medium Need
Total	\$59,000			

Public Utility District No. 1 of Pend Oreille County
2014 Maintenance and Other Expenses Budget
 Adopted Budget
 December 3, 2013

Project	2014 Budget	Project Description/Justification	Project Necessity	Necessity Ranking
Engineering				
Plant Maintenance	\$95,583	Perform inspections and other related work on substation and/or line equipment breakers, circuit switchers, transformers regulators, reclosers, etc. that experience normal operational wear and tear (tap changes, load interruptions, varying loads, etc.).	Reliability	1-Medium Need
Operations				
Sealcoat Newport and lone yards	\$12,000	Maintenance of existing pavement.		1-Medium Need
QTS Program Maintenance	\$9,000	Program fees for NERC standard PER-005 software maintenance.		3-Critical
S.O. Certificate Renewal	\$2,500	NERC Required Certificate.		3-Critical
Safety				
Tyndale FR clothing allowance	\$23,000	FR clothing allowance (13 Box- \$8,800), (18 Line- \$12,200).	Safety	3-Critical
FR replacement Gear	\$4,000	FR clothing Replacement and testing (Box \$1,000) (Line\$ 3,000).	Safety	3-Critical
Confined Space Rescue Instructor	\$5,000	Required annual training for confined space rescue team.	Safety	2-High Need
First Aid CPR Instructor	\$3,500	Offered every year per union contract and good business.	Safety	2-High Need
River Spill Training Class Box Canyon	\$3,000	Spill Prevention and counter measures required training.	Safety	2-High Need
Hearing Tests	\$2,500	Company wide hearing test.	Safety	2-High Need
Training Material DVD, Books	\$2,500	Safety meeting training materail.	Safety	2-High Need
Rick Irvin Linecrew instructor 5 classes	\$5,000	Teach 5 classes to the linecrew.	Safety	1-Medium Need
Total	\$167,583			

Public Utility District No. 1 of Pend Oreille County
2014 Information Technology Maintenance Budget
 Adopted Budget
 December 3, 2013

Project	2014 Budget	Project Description/Justification	Project Necessity	Necessity Ranking
Network Evaluation	\$25,000	Evaluate PUD network to determine speed and weakness. Project is designed to uncover possible failure points, congestion and cyber vulnerability.	Reliability & Safety	2-High Need
Network Security	\$22,000	Vulnerability testing of existing network infrastructure, both internal and external.	Reliability	2-High Need
CIP 5 Preparation	\$15,000	As CIP 5 becomes effective, we will need to begin developing compliance documentation and provide expert advice concerning Critical Equipment designations.	Reliability	2-High Need
NISC Upgrade	\$15,000	Upgrade NISC software.	Efficiency Improvement	2-High Need
Total	\$77,000			

Public Utility District No. 1 of Pend Oreille County
2014 Community Network System Income Statement

Adopted Budget
 December 3, 2013

	2010	2011	2012	Estimate 2013	Budget 2014	Change from 2013 to 2014
Wholesale Fiber Service to RSP	278,605	298,320	327,743	408,220	913,000	124%
Wholesale Fiber Service to NoaNet	39,475	58,692	78,399	126,920	144,000	13%
Fiber Leases	91,148	85,348	85,348	89,804	88,000	(2%)
Interdivisional	205,664	218,264	210,480	210,400	297,000	41%
Other	30,431	2,100	2,624	3,886	2,700	(31%)
Operational Grant Revenue	-	42,055	171,954	20,000	-	0%
Installation Charges (CIA)	1,400	673	-	42,582	36,240	0%
Total Operating Revenues	646,724	705,452	876,548	901,810	1,480,940	64%
Operation	338,644	318,250	305,323	549,103	601,500	10%
Maintenance	178,606	116,447	70,138	75,213	125,100	66%
Customer Accounting & Information	-	-	-	3,000	8,000	0%
Administrative and general	9,072	50,998	130,217	47,836	75,800	0%
Taxes	1,825	2,608	3,327	4,838	5,000	3%
Depreciation and amortization	269,077	266,538	266,242	254,942	350,000	37%
Total Operating Expenses	797,224	754,841	775,248	934,932	1,165,400	25%
Interest income	-	3,729	16,923	2,420	3,000	24%
Interest on long-term debt	18	-	(16,880)	(20,000)	(49,000)	145%
Grant Revenue	668,985	6,229,669	17,370,507	2,941,585	-	(100%)
Other, net	2,293,893	(7,498)	-	-	-	
Change in Net Assets	2,812,396	6,176,512	17,471,850	2,890,884	269,540	(91%)

Work on the fiber-to-the-premise project was completed September 30, 2013. The District has approved a one year introductory rate of \$35.00 and assumed 1,000 residential customers will be receiving services as of 1/1/2014.

Public Utility District No. 1 of Pend Oreille County
2014 Community Network System Financial Parameters

Adopted Budget
 December 3, 2013

	2010	2011	2012	Estimate 2013	Budget 2014
<u>Working Capital Calculation:</u>					
Change in Net Assets	2,812,396	6,176,512	17,471,850	2,890,884	269,540
Add Non - Cash Items:					
Depreciation	269,077	266,538	266,242	254,942	350,000
Change in Electric Prepaid	(156,120)	(152,580)	(130,692)	(75,580)	-
Deferred Revenue	(49,588)	(49,588)	(49,588)	(49,588)	(49,588)
Assets Acquired from Elec Sys	(2,293,893)	-	-	-	-
Less Cash payments for:					
Capital Projects	(860,138)	(7,429,240)	(20,422,152)	(9,517,587)	(353,802)
Debt Principal Payments	-	(263,333)	(263,333)	(2,000,063)	(263,333)
Plus Grant Funding	-	-	-	-	-
Plus Cash from Intersystem Loan	2,500,000	-	-	5,250,000	-
Change in Working Capital	2,221,734	(1,451,691)	(3,127,673)	(3,246,993)	(47,183)

Public Utility District No. 1 of Pend Oreille County
2014 Community Network System Expense Analysis

Adopted Budget
 December 3, 2013

LABOR	2010	2011	2012	Estimate 2013	Budget 2014
Operation	5,479	86,438	102,779	233,148	278,900
Maintenance	3,870	115,234	65,130	55,069	98,000
Customer Accounting & Information	-	-	-	-	-
Administrative and general	-	-	-	-	-
	9,349	201,672	167,909	288,217	376,900

Overall, labor for 2014 remains fairly consistent with labor in 2013; however, in 2013 a large portion of labor was charged to the project. The budget includes a 2% wage increase for Union employees effective April 1. Non-union employees are budgeted to receive a 2% increase effective July 1. Actual raises may vary.

MATERIALS	2010	2011	2012	Estimate 2013	Budget 2014
Operation	6,951	191,329	154,224	192,081	213,600
Maintenance	-	992	505	20,019	20,000
Customer Accounting & Information	-	-	-	-	-
Administrative and general	413	39,506	106,860	35,954	39,200
	7,363	231,828	261,589	248,054	272,800

Materials includes parts and supplies. Budgeted maintenance items are shown in materials and can vary from year to year depending on maintenance needs.

PROFESSIONAL SERVICES	2010	2011	2012	Estimate 2013	Budget 2014
Operation	-	-	-	400	-
Maintenance	-	-	-	-	-
Customer Accounting & Information	-	-	-	-	-
Administrative and general	473	3,981	20,838	4,353	12,000
	473	3,981	20,838	4,753	12,000

Professional Services includes \$12,000 in 2014 for the Annual State Audit.

FLEET	2010	2011	2012	Estimate 2013	Budget 2014
Operation	2,170	12,582	759	20,715	10,000
Maintenance	-	585	159	125	500
Customer Accounting & Information	-	-	-	-	-
Administrative and general	-	-	-	-	-
	2,170	13,167	918	20,840	10,500

Fleet reflects vehicle expenses, including maintenance, fuel, and repairs.

Public Utility District No. 1 of Pend Oreille County
2014 Community Network System Expense Analysis

Adopted Budget
 December 3, 2013

	2010	2011	2012	Estimate 2013	Budget 2014
<u>TRAVEL</u>					
Operation	-	7,094	6,838	4,347	7,000
Maintenance	-	-	-	-	6,600
Customer Accounting & Information	-	-	-	-	-
Administrative and general	-	3,936	148	174	-
	-	11,030	6,986	4,521	13,600

Travel relates to expenses incurred while traveling to meetings and trainings. The 2014 Budget includes \$7,000 for the two CNS Technicians to attend Climbing School.

	2010	2011	2012	Estimate 2013	Budget 2014
<u>UTILITIES</u>					
Operation	-	1,546	2,049	12,333	7,000
Maintenance	-	-	-	-	-
Customer Accounting & Information	-	-	-	-	-
Administrative and general	332	3,533	2,372	3,379	4,000
	332	5,078	4,421	15,712	11,000

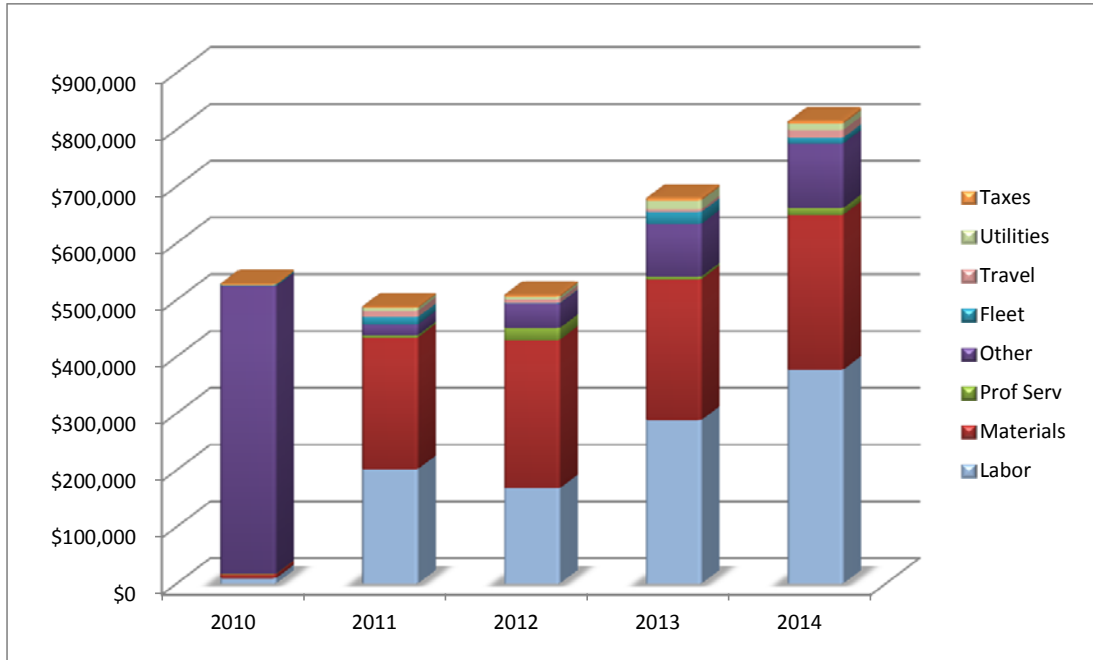
Utilities include telephone, cell phone, water & sewer, and garbage.

	2010	2011	2012	Estimate 2013	Budget 2014
<u>OTHER</u>					
Operation	324,045	19,261	38,674	86,078	85,000
Maintenance	174,736	(365)	4,344	-	-
Customer Accounting & Information	-	-	-	3,000	8,000
Administrative and general	7,855	43	-	3,976	20,600
	506,635	18,939	43,018	93,054	113,600

Other includes insurance payments, rent, other miscellaneous payments and cost allocations. The increase in 2014 is a result of moving into regular operations.

Public Utility District No. 1 of Pend Oreille County
2014 Community Network System Expense Analysis
 Adopted Budget
 December 3, 2013

	2010	2011	2012	Estimate 2013	Budget 2014
<u>TOTAL BY FUNCTION</u>					
Operation	338,644	318,250	305,323	549,103	601,500
Maintenance	178,606	116,447	70,138	75,213	125,100
Customer Accounting & Information	-	-	-	3,000	8,000
Administrative and general	9,072	50,998	130,217	47,836	75,800
Taxes	1,825	2,608	3,327	4,838	5,000
Depreciation & Amortization	269,077	266,538	266,242	254,942	350,000
	797,224	754,841	775,248	934,932	1,165,400
<u>TOTAL BY ACTIVITY</u>					
Labor	9,349	201,672	167,909	288,217	376,900
Materials	7,363	231,828	261,589	248,054	272,800
Professional Services	473	3,981	20,838	4,753	12,000
Other	506,635	18,939	43,018	93,054	113,600
Fleet	2,170	13,167	918	20,840	10,500
Travel	-	11,030	6,986	4,521	13,600
Utilities	332	5,078	4,421	15,712	11,000
Taxes	1,825	2,608	3,327	4,838	5,000
Depreciation & Amortization	269,077	266,538	266,242	254,942	350,000
	797,224	754,841	775,248	934,932	1,165,400



Public Utility District No. 1 of Pend Oreille County
2014 Community Network System Capital Budget
 Adopted Budget
 December 3, 2013

Project	2014 Budget	Project Description/Justification	Project Necessity	Necessity Ranking
Capital Projects				
Facilities Management	\$25,000	Implementing Fiber management software system	Customer Service	2-High Need
Line Extensions Joint Construction w/Electric	\$65,230	60 Service drops - 300' @ \$3/ft	Customer Service	2-High Need
Line Extensions Requests prior to 9/28/2012	\$119,592	Estimating 30 at an average of \$3,300 each	Customer Service	2-High Need
Line Extensions Requests after to 9/28/2012	\$72,480	20 Customer requests @ \$3,000 each	Customer Service	2-High Need
Equipment				
Fusion Splicer	\$15,000	Each tech needs this equipment and we currently have just one. Also necessary to have two in case of a failure.	Efficiency Improvement	2-High Need
Power Meter/Light Source	\$2,500	Each tech needs this equipment and we currently have just one. Also necessary to have two in case of a failure.	Efficiency Improvement	2-High Need
Video Test Equipment	\$18,000	Equipment necessary to troubleshoot IPTV and data signals	Efficiency Improvement	2-High Need
Walk-Behind Vibratory Plow	\$33,000	Equipment for plowing underground drops in close quarters, with mini backhoe and clean-up blade	Customer Service	1-Medium Need
Distance Measuring Instrument	\$3,000	Equipment for vehicles to allow for distance measuring of field facilities	Customer Service	2-High Need
Total	\$353,802			

Public Utility District No. 1 of Pend Oreille County
2014 Communiity Network System Maintenance Budget
 Adopted Budget
 December 3, 2013

Project	2014 Budget	Project Description/Justification	Project Necessity	Necessity Ranking
Bucket Truck Repair	\$8,000	Repair Bucket Truck to operational condition.	Efficiency Improvement	2-High Need
Solarwinds	\$550	Maintenance and Support - Licensing .	Reliability	2-High Need
Cisco (NEC)	\$28,000	Maintenance and Support contract for Cisco devices.	Reliability	2-High Need
CNS Website	\$5,000	Web Hosting, Maintenance and Support.	Customer Service	2-High Need
NoaNet NOC	\$30,000	Maintenance and Support.	Reliability	3-Critical
Telvent	\$10,000	Maintenance and Support - Licensing.	Customer Service	2-High Need
Environmental Systems Research Institute	\$10,000	Maintenance and Support - Licensing.	Efficiency Improvement	2-High Need
IPTV Bandwidth Transport	\$24,000	IPTV connection at \$2,000 per month.	Customer Service	3-Critical
Total	\$115,550			

Public Utility District No. 1 of Pend Oreille County

2014 Water Systems Income Statement

Adopted Budget

December 3, 2013

	2010	2011	2012	Estimate 2013	Budget 2014
Metaline Falls					
Residential Sales	107,863	107,577	105,142	111,266	115,056
Commercial Sales	47,462	51,912	55,074	63,359	57,548
Rental Income	3,600	3,600	3,600	11,100	9,600
Capital Contributions	-	6,181	21,500	-	-
Grant Revenue	323,372	1,041,145	59,968	860,000	-
Other Revenue	3,445	7,533	515	-	-
Total Operating Revenue	485,743	1,217,949	245,798	1,045,725	182,204
Power Purchased	5,637	5,810	5,753	6,205	6,000
Source	17,897	12,930	16,694	10,213	17,875
Treatment	70,621	73,980	69,623	67,330	59,000
Distribution	53,670	52,566	58,203	45,231	42,600
Administration & General	39,355	21,231	18,205	18,202	18,200
Taxes	7,864	8,546	8,359	8,799	8,730
Depreciation & Amortization	131,719	163,814	183,270	184,095	184,300
Total Operating Expenses	326,764	338,876	360,107	340,077	336,705
Interest Income	-	-	-	-	-
Interest on Debt	(903)	(810)	(403)	(372)	(400)
Change in Net Assets	158,076	878,263	(114,711)	705,276	(154,901)
Sandy Shores					
Residential Sales	19,246	19,116	21,926	21,041	18,040
Service Charges	48	29	6	15	-
Capital Contributions	-	-	-	-	-
Total Operating Revenue	19,294	19,146	21,932	21,056	18,040
Power Purchased	811	955	1,015	1,022	1,100
Source	7,474	10,242	9,088	5,838	8,500
Treatment	499	505	92	350	450
Distribution	6,190	7,586	5,030	6,273	5,000
Administration & General	3,762	4,442	4,086	19,890	9,550
Taxes	969	962	1,103	1,054	907
Depreciation & Amortization	3,069	3,069	3,018	3,033	3,100
Total Operating Expenses	22,774	27,760	23,431	37,459	28,607
Interest Income	81	48	46	39	50
Interest on Debt	-	-	-	-	-
Change in Net Assets	(3,399)	(8,566)	(1,453)	(16,364)	(10,517)

Public Utility District No. 1 of Pend Oreille County
2014 Water Systems Income Statement

Adopted Budget
 December 3, 2013

	2010	2011	2012	Estimate 2013	Budget 2014
Riverbend					
Residential Sales	79,792	80,280	79,739	80,610	78,720
Service Charges	(697)	376	544	718	550
Capital Contributions	-	-	-	-	-
Total Operating Revenue	79,096	80,656	80,283	81,328	79,270
Power Purchased	2,010	2,188	2,378	2,399	2,500
Source	7,600	5,821	7,025	2,003	9,450
Treatment	16,279	23,689	24,518	32,007	23,700
Distribution	4,624	3,768	4,242	3,608	4,600
Administration & General	6,761	7,561	7,153	8,618	9,000
Taxes	4,038	4,079	4,055	4,105	4,036
Depreciation & Amortization	15,078	15,101	13,771	13,289	14,000
Total Operating Expenses	56,388	62,208	63,143	66,028	67,286
Interest Income	-	-	-	-	-
Interest on Debt	(6,363)	(5,786)	(4,841)	(4,806)	(5,207)
Change in Net Assets	16,344	12,662	12,298	10,494	6,777
	2010	2011	2012	Estimate 2013	Budget 2014
Green Ridge					
Residential Sales	20,245	20,457	20,366	20,457	20,184
Service Charges	26	31	30	32	35
Total Operating Revenue	20,271	20,488	20,396	20,489	20,219
Power Purchased	956	1,080	1,133	1,154	1,300
Source	8,824	5,465	7,486	7,727	8,750
Treatment	882	868	1,003	1,217	1,700
Distribution	4,681	3,978	3,685	5,507	4,900
Administration & General	1,755	2,027	1,887	1,446	1,950
Taxes	1,019	1,029	1,025	1,028	1,017
Depreciation & Amortization	3,325	3,303	3,274	3,150	3,300
Total Operating Expenses	21,443	17,750	19,493	21,228	22,917
Interest Income	-	-	-	-	-
Interest on Debt	(70)	(38)	(27)	(21)	(25)
Change in Net Assets	(1,242)	2,699	875	(760)	(2,723)

Public Utility District No. 1 of Pend Oreille County

2014 Water Systems Income Statement

Adopted Budget

December 3, 2013

Riverview	2010	2011	2012	Estimate 2013	Budget 2014
Residential Sales	21,942	21,991	21,989	22,202	21,240
Service Charges	28	36	25	74	35
Capital Contribution	439	-	-	477	-
Total Operating Revenue	22,409	22,027	22,014	22,754	21,275
Power Purchased	653	719	832	793	1,000
Source	7,361	6,491	8,546	5,770	7,550
Treatment	511	490	650	624	800
Distribution	4,831	2,418	4,143	5,026	4,250
Administration & General	2,967	3,518	3,256	4,293	3,950
Taxes	1,112	1,107	1,106	1,125	1,070
Depreciation & Amortization	2,630	2,642	2,631	2,592	2,700
Total Operating Expenses	20,065	17,384	21,164	20,223	21,320
Interest Income	-	1	8	7	8
Interest on Debt	(23)	(7)	-	-	-
Change in Net Assets	2,321	4,637	858	2,537	(37)

Sunvale	2010	2011	2012	Estimate 2013	Budget 2014
Residential Sales	36,610	38,487	37,598	36,929	35,640
Service Charges	101	154	254	317	300
Other Revenue	-	-	-	-	-
Total Operating Revenue	36,711	38,641	37,852	37,246	35,940
Power Purchased	1,366	1,420	1,389	1,439	1,600
Source	9,890	7,351	7,875	5,151	6,200
Treatment	457	295	85	82	500
Distribution	3,941	2,491	2,438	2,563	3,100
Administration & General	3,513	4,172	3,711	4,856	4,550
Taxes	1,843	1,938	1,895	1,855	1,807
Depreciation & Amortization	8,599	8,599	8,599	8,600	8,600
Total Operating Expenses	29,610	26,266	25,993	24,548	26,357
Interest Income	70	50	68	63	60
Interest on Debt	(2,872)	(2,623)	(2,183)	(2,186)	(2,390)
Change in Net Assets	4,299	9,802	9,744	10,576	7,253

Public Utility District No. 1 of Pend Oreille County

2014 Water Systems Income Statement

Adopted Budget

December 3, 2013

	2010	2011	2012	Estimate 2013	Budget 2014
<u>Lazy Acres</u>					
Residential Sales	12,102	12,022	11,968	12,038	11,760
Service Charges	138	161	237	311	270
Capital Contributions	-	-	-	-	-
Total Operating Revenue	12,240	12,184	12,205	12,349	12,030
Power Purchased	469	580	522	523	550
Source	7,553	4,902	6,089	5,817	5,900
Treatment	827	114	60	66	300
Distribution	3,082	2,314	1,436	1,567	2,450
Administration & General	1,896	2,218	1,972	2,613	2,150
Taxes	611	607	606	610	605
Depreciation & Amortization	2,064	2,064	2,064	2,064	2,064
Total Operating Expenses	16,501	12,799	12,749	13,260	14,019
Interest Income	17	9	12	10	10
Interest on Debt	-	-	-	-	-
Change in Net Assets	(4,244)	(607)	(532)	(901)	(1,979)

	2010	2011	2012	Estimate 2013	Budget 2014
<u>Holiday Shores</u>					
Residential Sales	13,386	13,153	13,403	13,098	13,056
Service Charges	232	301	258	93	280
Capital Contributions	-	-	-	-	-
Total Operating Revenue	13,618	13,454	13,661	13,191	13,336
Power Purchased	485	517	613	661	650
Source	8,178	5,105	7,203	5,254	5,250
Treatment	225	184	41	250	300
Distribution	-	-	807	-	-
Administration & General	4,456	4,413	3,357	4,828	4,330
Taxes	677	667	679	666	671
Depreciation & Amortization	1,718	1,683	1,683	1,683	1,683
Total Operating Expenses	15,738	12,570	14,384	13,342	12,884
Interest Income	27	18	23	21	25
Interest on Debt	-	-	-	-	-
Change in Net Assets	(2,093)	902	(700)	(130)	477

Public Utility District No. 1 of Pend Oreille County

2014 Water Systems Income Statement

Adopted Budget

December 3, 2013

<u>Granite/Sacheen Shores</u>	2010	2011	2012	Estimate 2013	Budget 2014
Residential Sales	28,546	26,597	26,683	26,547	25,740
Service Charges	17	17	21	26	25
Capital Contributions	-	-	-	-	-
Total Operating Revenue	28,563	26,615	26,703	26,573	25,765
Power Purchased	920	1,004	1,062	1,069	1,050
Source	4,966	5,997	5,882	5,284	6,125
Treatment	543	785	733	865	800
Distribution	5,117	5,475	4,086	4,691	2,875
Administration & General	2,214	2,495	2,343	3,667	2,805
Taxes	1,436	1,338	1,342	1,336	1,296
Depreciation & Amortization	4,897	4,862	4,859	4,817	4,900
Total Operating Expenses	20,093	21,957	20,307	21,727	19,851
Interest Income	-	-	-	-	-
Interest on Debt	(962)	(880)	(724)	(601)	(806)
Change in Net Assets	7,507	3,778	5,672	4,244	5,108

<u>Total All Systems</u>	2010	2011	2012	Estimate 2013	Budget 2014
Residential Sales	339,733	339,682	338,813	344,186	339,436
Commercial Sales	47,462	51,912	55,074	63,359	57,548
Capital Contributions	439	6,181	21,500	477	-
Other Revenue	330,311	1,053,383	65,456	872,687	11,095
Total Operating Revenue	717,945	1,451,159	480,844	1,280,710	408,079
Total Operating Expenses	529,377	537,570	560,771	557,891	549,947
Interest Income	195	126	157	141	153
Interest on Debt	(11,194)	(10,144)	(8,178)	(7,987)	(8,828)
	177,569	903,570	(87,948)	714,972	(150,543)

Public Utility District No. 1 of Pend Oreille County

2014 Water Systems Working Capital

Adopted Budget

December 3, 2013

	2010	2011	2012	Estimate 2013	Budget 2014
<u>Metaline Falls</u>					
Change in Net Assets	158,076	878,263	(114,711)	705,276	(154,901)
Add Back Depreciation	131,719	163,814	183,270	184,095	184,300
Cash from Operations	289,795	1,042,077	68,559	889,372	29,399
Capital project payments	(321,147)	(1,010,641)	(104,477)	(900,000)	-
Payments on Debt Principal	(7,363)	(7,363)	-	-	-
Change in Working Capital	(38,715)	24,073	(35,918)	(10,628)	29,399
Expected Reserve @ 12/31/13					(215,000)
Expected Reserve @ 12/31/14					(185,601)

	2010	2011	2012	Estimate 2013	Budget 2014
<u>Sandy Shores</u>					
Change in Net Assets	(3,399)	(8,566)	(1,453)	(16,364)	(10,517)
Add Back Depreciation	3,069	3,069	3,018	3,033	3,100
Cash from Operations	(331)	(5,497)	1,565	(13,332)	(7,417)
Capital project payments	-	-	-	-	-
Payments on Debt Principal	-	-	-	-	-
Change in Working Capital	(331)	(5,497)	1,565	(13,332)	(7,417)
Expected Reserve @ 12/31/13					20,000
Expected Reserve @ 12/31/14					12,583

	2010	2011	2012	Estimate 2013	Budget 2014
<u>Riverbend</u>					
Change in Net Assets	16,344	12,662	12,298	10,494	6,777
Add Back Depreciation	15,078	15,101	13,771	13,289	14,000
Cash from Operations	31,422	27,763	26,070	23,782	20,777
Capital project payments	-	-	-	-	-
Payments on Debt Principal	(22,018)	(22,018)	(22,018)	(22,018)	(22,018)
Change in Working Capital	9,404	5,745	4,052	1,764	(1,241)
Expected Reserve @ 12/31/13					(22,000)
Expected Reserve @ 12/31/14					(23,241)

Public Utility District No. 1 of Pend Oreille County

2014 Water Systems Working Capital

Adopted Budget

December 3, 2013

	2010	2011	2012	Estimate 2013	Budget 2014
<u>Green Ridge</u>					
Change in Net Assets	(1,242)	2,699	875	(760)	(2,723)
Add Back Depreciation	3,325	3,303	3,274	3,150	3,300
Cash from Operations	2,083	6,002	4,150	2,390	577
Capital project payments	-	-	-	-	-
Payments on Debt Principal	-	-	-	-	-
Change in Working Capital	2,083	6,002	4,150	2,390	577
Expected Reserve @ 12/31/13					(18,000)
Expected Reserve @ 12/31/14					(17,423)

	2010	2011	2012	Estimate 2013	Budget 2014
<u>Riverview</u>					
Change in Net Assets	2,321	4,637	858	2,537	(37)
Add Back Depreciation	2,630	2,642	2,631	2,592	2,700
Cash from Operations	4,951	7,278	3,489	5,129	2,663
Capital project payments	-	-	-	-	-
Payments on Debt Principal	-	-	-	-	-
Change in Working Capital	4,951	7,278	3,489	5,129	2,663
Expected Reserve @ 12/31/13					2,000
Expected Reserve @ 12/31/14					4,663

	2010	2011	2012	Estimate 2013	Budget 2014
<u>Sunvale</u>					
Change in Net Assets	4,299	9,802	9,744	10,576	7,253
Add Back Depreciation	8,599	8,599	8,599	8,600	8,600
Cash from Operations	12,899	18,401	18,343	19,176	15,853
Capital project payments	-	-	-	-	(35,000)
Payments on Debt Principal	(9,979)	(9,979)	(9,979)	(9,979)	(9,979)
Change in Working Capital	2,919	8,422	8,364	9,197	(29,127)
Expected Reserve @ 12/31/13					48,000
Expected Reserve @ 12/31/14					18,873

Public Utility District No. 1 of Pend Oreille County

2014 Water Systems Working Capital

Adopted Budget

December 3, 2013

	2010	2011	2012	Estimate 2013	Budget 2014
<u>Lazy Acres</u>					
Change in Net Assets	(4,244)	(607)	(532)	(901)	(1,979)
Add Back Depreciation	2,064	2,064	2,064	2,064	2,064
Cash from Operations	(2,180)	1,457	1,532	1,163	85
Capital project payments	-	-	-	-	-
Payments on Debt Principal	-	-	-	-	-
Change in Working Capital	(2,180)	1,457	1,532	1,163	85
Expected Reserve @ 12/31/13					8,000
Expected Reserve @ 12/31/14					8,085

	2010	2011	2012	Estimate 2013	Budget 2014
<u>Holiday Shores</u>					
Change in Net Assets	(2,093)	902	(700)	(130)	477
Add Back Depreciation	1,718	1,683	1,683	1,683	1,683
Cash from Operations	(376)	2,585	983	1,553	2,160
Capital project payments	-	-	-	-	-
Payments on Debt Principal	-	-	-	-	-
Change in Working Capital	(376)	2,585	983	1,553	2,160
Expected Reserve @ 12/31/13					15,000
Expected Reserve @ 12/31/14					17,160

	2010	2011	2012	Estimate 2013	Budget 2014
<u>Granite/Sacheen Shores</u>					
Change in Net Assets	7,507	3,778	5,672	4,244	5,108
Add Back Depreciation	4,897	4,862	4,859	4,817	4,900
Cash from Operations	12,404	8,640	10,531	9,061	10,008
Capital project payments	-	-	-	-	-
Payments on Debt Principal	(5,593)	(5,593)	(5,593)	(5,593)	(5,593)
Change in Working Capital	6,811	3,047	4,938	3,468	4,415
Expected Reserve @ 12/31/13					(6,000)
Expected Reserve @ 12/31/14					(1,585)

Public Utility District No. 1 of Pend Oreille County

2014 Water Systems Expense Analysis

Adopted Budget

December 3, 2013

<u>Metaline Falls</u>	2010	2011	2012	Estimate 2013	Budget 2014
Labor	96,754	92,359	101,471	89,344	78,600
Materials	24,796	32,752	22,985	29,005	31,200
Fleet	11,150	9,075	9,139	8,905	9,175
Utilities	-	-	-	-	-
Taxes	7,864	8,546	8,359	8,799	8,730
Depreciation	131,719	163,814	183,270	184,095	184,300
Other	54,481	32,329	34,882	19,927	24,700
Total Operating Expenses	326,764	338,876	360,107	340,077	336,705

<u>Sandy Shores</u>	2010	2011	2012	Estimate 2013	Budget 2014
Labor	8,824	11,091	8,127	10,926	10,800
Materials	1,036	4,100	1,010	1,836	2,650
Fleet	576	818	646	673	700
Utilities	-	-	-	-	-
Taxes	969	962	1,103	1,054	907
Depreciation	3,069	3,069	3,018	3,033	3,100
Other	8,300	7,721	9,528	19,937	10,450
Total Operating Expenses	22,774	27,760	23,431	37,459	28,607

<u>Riverbend</u>	2010	2011	2012	Estimate 2013	Budget 2014
Labor	15,614	20,886	22,283	25,927	25,500
Materials	7,979	9,083	7,033	8,723	8,750
Fleet	2,386	2,630	3,386	3,786	4,000
Utilities	494	542	551	466	500
Taxes	4,038	4,079	4,055	4,105	4,036
Depreciation	15,078	15,101	13,771	13,289	14,000
Other	10,801	9,887	12,065	9,733	10,500
Total Operating Expenses	56,388	62,208	63,143	66,028	67,286

Public Utility District No. 1 of Pend Oreille County

2014 Water Systems Expense Analysis

Adopted Budget

December 3, 2013

<u>Green Ridge</u>	2010	2011	2012	Estimate 2013	Budget 2014
Labor	9,875	8,126	8,863	11,994	11,900
Materials	2,309	971	978	2,278	2,550
Fleet	813	481	737	790	1,000
Utilities	-	-	-	-	-
Taxes	1,019	1,029	1,025	1,028	1,017
Depreciation	3,325	3,303	3,274	3,150	3,300
Other	4,102	3,839	4,616	1,987	3,150
Total Operating Expenses	21,443	17,750	19,493	21,228	22,917

<u>Riverview</u>	2010	2011	2012	Estimate 2013	Budget 2014
Labor	7,995	5,587	7,993	9,706	9,200
Materials	845	1,384	798	1,645	2,650
Fleet	680	521	872	820	850
Utilities	-	-	-	-	-
Taxes	1,112	1,107	1,106	1,125	1,070
Depreciation	2,630	2,642	2,631	2,592	2,700
Other	6,804	6,144	7,765	4,336	4,850
Total Operating Expenses	20,065	17,384	21,164	20,223	21,320

<u>Sunvale</u>	2010	2011	2012	Estimate 2013	Budget 2014
Labor	7,628	5,000	4,703	6,873	6,800
Materials	1,995	2,451	1,092	1,332	2,450
Fleet	1,206	573	538	549	800
Utilities	-	-	-	-	-
Taxes	1,843	1,938	1,895	1,855	1,807
Depreciation	8,599	8,599	8,599	8,600	8,600
Other	8,338	7,706	9,165	5,338	5,900
Total Operating Expenses	29,610	26,266	25,993	24,548	26,357

<u>Lazy Acres</u>	2010	2011	2012	Estimate 2013	Budget 2014
Labor	7,694	4,824	4,310	5,902	5,700
Materials	538	606	513	1,777	2,200
Fleet	1,389	-	631	565	900
Utilities	-	817	-	-	-
Taxes	611	607	606	610	605
Depreciation	2,064	2,064	2,064	2,064	2,064
Other	4,205	3,880	4,625	2,343	2,550
Total Operating Expenses	16,501	12,799	12,749	13,260	14,019

Public Utility District No. 1 of Pend Oreille County

2014 Water Systems Expense Analysis

Adopted Budget

December 3, 2013

<u>Holiday Shores</u>	2010	2011	2012	Estimate 2013	Budget 2014
Labor	7,420	5,392	5,530	6,493	4,800
Materials	821	416	1,029	980	1,600
Fleet	1,185	-	994	717	1,200
Utilities	-	847	-	-	-
Taxes	677	667	679	666	671
Depreciation	1,718	1,683	1,683	1,683	1,683
Other	3,917	3,565	4,469	2,802	2,930
Total Operating Expenses	15,738	12,570	14,384	13,342	12,884

<u>Granite/Sacheen Shores</u>	2010	2011	2012	Estimate 2013	Budget 2014
Labor	7,283	8,034	6,013	8,983	6,100
Materials	645	2,107	1,580	1,818	2,550
Fleet	994	1,109	1,140	1,156	1,200
Utilities	481	484	498	436	500
Taxes	1,436	1,338	1,342	1,336	1,296
Depreciation	4,897	4,862	4,859	4,817	4,900
Other	4,358	4,023	4,874	3,180	3,305
Total Operating Expenses	20,093	21,957	20,307	21,727	19,851

<u>Total of All Systems</u>	2010	2011	2012	Estimate 2013	Budget 2014
Labor	169,088	161,299	169,293	176,148	159,400
Materials	40,963	53,870	37,018	49,394	56,600
Fleet	20,379	15,207	18,083	17,963	19,825
Utilities	975	2,690	1,048	902	1,000
Taxes	19,568	20,274	20,171	20,578	20,140
Depreciation	173,098	205,137	223,170	223,323	224,647
Other	105,306	79,093	91,987	69,584	68,335
Total Operating Expenses	529,377	537,570	560,771	557,891	549,947

Public Utility District No. 1 of Pend Oreille County
2014 Water System Capital Budget
 Adopted Budget
 December 3, 2013

Project	2014 Budget	Project Description/Justification	Project Necessity	Necessity Ranking
Capital Projects				
Sunvale Acres Water Distribution Line Replacement 500'- 1000' or grant match	\$35,000	Replace undersize distribution \$35,000 per year based on reserves Public Health and Safety.	Reliability & Safety	2-High Need
Total	\$35,000			

Public Utility District No. 1 of Pend Oreille County
2014 Dues and Memberships Budget

Adopted Budget
 December 3, 2013

	2010	2011	2012	Estimate 2013	Budget 2014
American Public Power Association (APPA)	20,681	-	-	22,300	24,000
Dow Jones Indexes/Standard & Poors	1,500	4,500	4,500	4,500	4,600
Economic Development Council (EDC)	20,000	-	15,000	5,000	5,000
Foundation of Water & Energy Education (FWEE)	2,305	2,305	2,305	2,305	2,400
Northwest Hydroelectric Association	900	800	800	800	800
Northwest Public Power Association (NWPPA)	29,845	29,845	29,845	29,845	30,400
Public Generating Pool (PGP)	30,625	35,000	35,000	35,000	35,000
Pacific NW Utilities Conference Committee (PNUCC)	3,230	3,230	3,327	3,427	3,427
Public Power Council (PPC)	23,063	23,063	26,218	26,200	26,200
PPC - NW River Partners	21,425	21,425	21,425	21,425	22,000
PPC - Slice Assessment Group	-	27,094	-	-	-
State of Washington - Purchasing Coop	4,000	-	-	-	-
Tri-County Development District (TEDD)	830	1,525	1,525	1,525	1,525
Tri-State Water Quality Council	700	700	-	-	-
Washington PUD Association	39,622	56,772	56,772	57,450	57,600
Western Electric Coordinating Council (WECC)	52,580	54,168	59,432	60,000	60,000
WSU Power Engineering Partner Program	-	-	3,000	3,000	3,000
	<u>251,306</u>	<u>260,427</u>	<u>259,149</u>	<u>272,777</u>	<u>275,952</u>

Dues listed above are not all-inclusive. The District also pays professional memberships and other small miscellaneous organization dues. These dues total less than \$10,000.

Public Utility District No. 1 of Pend Oreille County

2014 Travel Budget

Adopted Budget

December 3, 2013

	2010	2011	2012	Estimate 2013	Budget 2014
Engineering	1,320	1,901	4,165	4,000	8,000
Electric Operations	11,647	5,735	9,997	20,000	8,000
Box Canyon Operations	31,863	20,048	4,440	25,000	17,500
Safety	-	-	-	2,000	2,500
NERC	23,636	12,824	10,950	28,000	38,000
Finance	6,180	6,959	6,405	8,000	8,000
Customer Service	-	414	2,059	5,000	4,000
Power Supply	5,410	13,214	14,540	10,000	10,500
Regulatory Affairs	7,372	7,877	4,925	8,000	7,000
Water Systems	4,188	2,481	2,809	4,000	4,200
Information Technology	8,177	4,736	2,786	7,000	8,000
Community Network System	12,405	6,978	6,780	6,000	13,600
Human Resources	2,378	2,623	167	4,000	3,500
Legal & Contracts	-	-	-	-	10,000
Commissioners	40,551	38,158	38,642	40,000	45,000
Manager	8,492	10,445	4,771	10,000	9,000
Assistant General Manager	-	-	-	8,000	4,000
	<u>163,620</u>	<u>134,393</u>	<u>113,436</u>	<u>189,000</u>	<u>200,800</u>

Supervisors and employees are encouraged to receive training which pertains to their positions. The budget is not an allocation. It is acceptable to expend more or less than what is in the budget with the understanding employees are to be prudent and careful with travel budgets, and do what is right and justifiable.

Public Utility District No. 1 of Pend Oreille County

2014 Professional Services Budget

Adopted Budget

December 3, 2013

	Budget 2014
Protection, Mitigation & Enhancement	1,434,000
NERC Compliance & Implementation	95,000
Annual Audit Fees	104,000
Test & Treat Program	75,000
Electrical Engineering	50,000
Cost of Service Study	30,000
Relay Testing	20,000
Ratings Agencies	20,000
Sullivan Projects	12,000
Legal	10,000
Power Supply	7,500
Miscellaneous	58,000
	<u>1,915,500</u>