

**Clatskanie People's Utility District  
PROPOSED 2008 Budget**

**Basic Planning Assumptions**

***Strategic Plan Areas:***

**Distribution Improvements**

During 2008 The District will need to proceed with the long-awaited distribution improvements which were dependent upon the completion of the Clatskanie- Bradbury 115 kV line and the Bradbury Substation this month. The next task in this project is to complete the work on a new switching station at Clatskanie to connect to the BPA Alston-Astoria 115 kV line. This project will increase reliability significantly to the areas served from the Clatskanie and Delena substations, which include the majority of our customers. The project also includes the upgrading and modernization of the Clatskanie Substation. A new 115-12.5 kV 25 MVA transformer has already been purchased and is awaiting installation.

**Expand System Reliability and Capacity**

The System Improvement Plan calls for construction of additional distribution interconnections between the Bradbury, Clatskanie and Delena substations. Much of the interconnection now exists, but the conductor is inadequate to handle the transfer loads. The goal of this effort is to be able to serve the areas if any of the substations need to be taken out of service. The plan calls for two distribution feeders to link each of the three substations. This work will probably be spread over the next few years and we will use District construction / maintenance crews to build the facilities. The existing 20 MVA transformer at Clatskanie will be refurbished and relocated to Delena, where, once the second distribution intertie to Clatskanie is complete, it will be able to backup the Clatskanie Substation in conjunction with Bradbury or vice-versa.

**District Facilities Review**

The System Improvement Plan and 2008 Budget include funds for the acquisition of land for a new District headquarters facility, and for architectural studies and basic site preparation. \$ 465,700 was in the 2006 budget for this purpose, and an additional \$75,000 allocated in 2007. To date \$10,000 was spent to complete a site assessment study, which showed that construction on this site of suitable facilities would be possible but that a new site with adequate space for all of the PUD operations, storage and parking would be preferable.

### Manage District Power Portfolio

Efforts in this area are centered around the development of the Arrowrock hydroelectric project and power purchase contracts with the Bonneville Power Administration. The Project, of which we are partners with the Boise area Irrigation Districts, could be under construction later this year. The license amendment has been filed with the Federal Energy Regulatory Commission and a contract is being put together with a consortium of suppliers and contractors. This project will likely consume a good share of staff time this year. Development costs are shared with the irrigation districts. While it is possible that it may be beneficial to finance the short sub-transmission line connection from the plant to the grid, this expenditure is not included in this budget or the system improvement plan at this time.

BPA will be offering new contracts following their lengthy regional dialogue process. It is apparent that some backsliding from the previous commitments to the slice customers is possible. The contract negotiation process could involve significant staff effort over the next year for a successful outcome.

In addition, we are responding to regulatory requirements for system reliability standards (NERC/WECC requirements) and renewable resource portfolio standards. We are entering the second year of the latest energy conservation program. Nearly \$500,000 annually is being committed to these energy efficiency investments.

### Enhance Customer Relations Initiatives:

Among the efforts that will be underway next year is to enhance the District website, expand the levelized billing program, study the desirability of automatic meter information systems, establish a formal "green power" sales program, enhance community safety awareness, and continue to promote the energy efficiency incentives. Related expenses in the budget have been increased to allow for these increased efforts.

### Information System Enhancements:

The budget includes funds to continue the work to convert the mapping to a database software platform and expand its usability. The budget also includes funds for completion of the customer service software project, along with funds to improve the supervisory control & data acquisition( SCADA) system.

**Organizational Development:** The proposed budget includes funds to assure that the District has adequate manpower to address the District priorities and that the District can continue to offer competitive salaries and benefits so as to retain highly qualified personnel. Training budgets have been increased this year to address the need to keep current with new technology and standards and address the additional requirements of newer employees. Human resource issues are addressed in more detail in the budget document.

### **Long Range Financial Plan**

The budget includes \$10.3 million for capital expenditures this year, a large amount due to the Bradbury, Clatskanie and Cascade Grain distribution system improvements. In future years covered by the System Improvement Plan, capital expenditures total \$9.3 million. The total for the multi year period is shown in detail in the budget, and show that a total of \$19.6 million for the capital projects is required. This amount includes expenditures from past years. Typically the District has financed capital improvements from net revenues and depreciation. This year, we are projecting a healthy net operating income in addition to almost \$2 million in depreciation expense. The sources and uses of cash are shown on a table in the Budget document. The District does have the proceeds from the recent \$19.5 million bond issue. In absence of a major project opportunity not included in the System Improvement Plan, an unexpected increase in power supply cost due to a Federal Columbia River Power System problem( mechanical, legislative, judicial or natural) or a catastrophic event, the District is positioned to be in excellent financial health with no rate increases or debt issuance on the horizon.

**CLATSKANIE PEOPLE'S UTILITY DISTRICT**  
**Operating Budget 2008**

**REVENUE SUMMARY**

12/19/2007      01:03 PM

**RETAIL REVENUES**

Residential	3,033,000
General Service	1,298,000
Industrial	34,500,000
Extended Industrial	8,000,000
Security Lighting	87,000
Less Cogeneration Benefits to Customers	<u>(400,000)</u>
<b>TOTAL RETAIL REVENUES</b>	<u><b>46,518,000</b></u>

**WHOLESALE REVENUES**

Transmission Resales & Wheeling Charges	100,000
Secondary Power Sales	2,930,000
Rate Stabilization	306,000
Cogeneration Funds Received	<u>400,000</u>
<b>TOTAL WHOLESALE REVENUES</b>	<u><b>3,736,000</b></u>

**OTHER INCOME & ADJUSTMENTS**

Fund Transfer	
Interest Income	467,000
Other Income	103,000
(Other Income includes items such as Connect Fees, NSF checks and Misc. Billings)	
<b>TOTAL OTHER INCOME</b>	<u><b>570,000</b></u>
 <b>TOTAL INCOME</b>	 <u><b>50,824,000</b></u>

**CLATSKANIE PEOPLE'S UTILITY DISTRICT**  
**Operating Budget 2008**

**EXPENDITURES**

12/19/2007

01:03 PM

Customer Accounting/Collect Customer Service, Billing, Meter Reading.	611,000
Customer Services Includes Energy Services activities and electrical service assistance	237,000
Economic Development	10,000
Administrative Includes most management expenses, copy machine, office supplies, utilities	791,000
Employee Training Expense	75,000
Outside Professional Services Attorney fees, consultants, engineering not specified to a capital project.	144,000
Property Insurance	144,000
Safety Program	104,000
Pension & Benefits Expenses Pension & Benefits Expenses includes items such as PERS and Medical and Dental Health Insurance Premiums not assigned to Capital Projects	917,000
Advertising	60,000
General Expenses General Expenses include auditor's cost	22,000

**CLATSKANIE PEOPLE'S UTILITY DISTRICT**  
**Operating Budget 2008**

**EXPENDITURES**

12/19/2007

01:03 PM

**OPERATING EXPENSES**

Purchased Power	34,082,000
Includes Slice, Block, surplus purchases, short term power purchases and other power supplies, and other adjustments with minor true up	
Power Generation	100,000
Natural gas supply, transport, operation and maintenance	
Transmission & Ancillary Services	3,150,000
Power Operations	578,000
Includes Power Management personnel cost, contracts for dispatching and scheduling, legal, Other Generation Expense including WGA	
	<hr/>
	Power Supply Cost <u>37,910,000</u>
Distribution Operations	432,000
Including Mapping maintenance	
Distribution Maintenance - General	621,000
Distribution Maintenance includes items such as Maintenance Supervision/Engineering, Maintenance Structures, Maintenance Substations, Maintenance Overhead Lines, Maintenance Underground Lines, Maintenance Transformers, Maintenance Street Lights, Maintenance Meters, Warehousing, Meter testing	
Contract Tree Trimming Crew	300,000
Includes tree trimming & vegetation control.	
Pole testing and treatment/NESC Inspections	100,000
Contractor pole testing and treatment for poles in the system including NESC Inspections	

**CLATSKANIE PEOPLE'S UTILITY DISTRICT**  
**Operating Budget 2008**

**EXPENDITURES**

12/19/2007

01:03 PM

Board Wages & Travel	38,000
Membership	124,000
OPUDA, NWPPA, APPA, PNUCC, PPC, etc.	
Maintenance General Plant	35,000
Maintenance of computers, software, radio or any equipment, Maintenance of Office Building including painting	
Depreciation	1,953,000
Taxes	435,000
Property Taxes, Social Security, Unemployment Tax, Oregon Dept. of Energy Assessment	
Rainier Acquisition Amortization	69,000
Interest on Debt	<u>860,000</u>
TOTAL OPERATING EXPENSE	<u>45,992,000</u>
NET OPERATING INCOME	<u><u>4,832,000</u></u>

# Operating Budget 2008

12/19/2007

## SOURCES AND USES OF FUNDS - Option 1

<b><u>SOURCES OF FUNDS</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>Total</u></b>
Net Operating Income	4,832,000	4,667,440	9,499,440
Add Back Depreciation Exp. and Rainier Acquisition	<u>2,022,000</u>	<u>2,102,880</u>	<u>4,124,880</u>
Funds Available from current year	6,854,000	6,770,320	13,624,320
Aid to Construction	300,000	-	300,000
Beginning of Year Cash Balance	<u>16,311,887</u>	<u>12,245,887</u>	<u>28,557,774</u>
AVAILABLE FUNDS	<u>23,465,887</u>	<u>19,016,207</u>	<u>42,482,094</u>
<b><u>USES OF FUNDS</u></b>			
Principal Payments on Bond Issue	610,000	645,000	1,255,000
Replacements, Extensions & Small Capital Equipment	400,000	416,000	816,000
Capital Equipment	905,000	941,000	1,846,000
General Plant Capital Improvements	650,000	2,400,000	3,050,000
Professional Project Services	610,000	634,000	1,244,000
Energy Service Projects	450,000	180,000	630,000
Capital Construction Transmission & Substations	4,095,000	2,100,000	6,195,000
Cascade Grain Distribution	2,200,000	-	2,200,000
Capital Construction Distribution	<u>1,300,000</u>	<u>2,800,000</u>	<u>4,100,000</u>
TOTAL EXPENDITURES OF FUNDS	<u>11,220,000</u>	<u>10,116,000</u>	<u>21,336,000</u>
AVAILABLE FUNDS LESS USES OF FUNDS	<u>12,245,887</u>	<u>8,900,207</u>	
YEAR END CASH BALANCE	<u>12,245,887</u>	<u>8,900,207</u>	