President Gonser called the Special Session to order at 6:00 p.m.

The following individuals were present during the Regular Session:

Counsel: James Foster

NWCPUD Staff: Roger Kline, General Manager; Kurt Conger, Assistant General Manager/Director of Power Resources; Kathy McBride, Executive Assistant; Harvey Hall, Chief Financial Officer/Director of Finance & Enterprise Risk; Pat Morehart, Operations & Engineering Manager; Cyndi Gentry, Director of Corporate Services; Mackenzie Wolfe, Senior Financial Analyst; and Lana Egbert, Senior Financial Analyst

Visitors: Steve Anderson, EES Consulting; Marijane Thompsen, District Consultant; Karen Fowler; and Jim Moss

Authorization to purchase Tractor for The Dalles Fishway Plant

The Board considered the recommendation of staff for authorization to purchase a tractor for The Dalles Fishway Plant, as outlined in Assistant General Manager/Director of Power Resources Kurt Conger’s memorandum. A copy of Conger’s memorandum is hereto attached and marked as Exhibit 1.

Director Smith moved to authorize the purchase of a Kubota Tractor under the Oregon State Procurement Program at an approximate cost of $25,000, as recommended by staff. Director Williams seconded the motion.

Some discussion occurred.

Director Howe asked about the value of the tractor.

General Manager Roger Kline responded that the value of the tractor is approximately $22,000.
Director Howe stated that he is surprised that this matter is coming before the Board at that cost.

Kline stated that past practice has been to bring these types of matters before the Board.

Director Smith stated that he has no objections to the purchase being made in Hood River since there are no local dealers.

Director Williams asked about the estimated value of the forklift to be replaced and Director Smith asked if there was any reason to keep the forklift.

Assistant General Manager/Director of Power Resources Kurt Conger stated that Kevin McCarthy, Emergency Management & Special Projects, indicated that the local auction yard could get between $8,000 to $9,000 for the forklift and that the District has no need for the forklift.

The vote was called for. The motion passed unanimously.

---

**Budget Hearing to review and discuss the 2018 Budget and Rates**

Chief Financial Officer/Director of Finance & Enterprise Risk Harvey Hall introduced Steve Anderson from EES Consulting. Hall noted that back on April 4, 2017 Anderson presented the Cost of Service Analysis (COSA) to the Board, which the District then followed up with a rate action in May 2017. The rate increase is reflected in the Preliminary 2018 Budget.

Hall stated that Anderson is here to present the refresh to the earlier COSA, which also takes into consideration the proposed activities for 2018.

Steve Anderson, EES Consulting, presented a PowerPoint Presentation at this time. A copy of Anderson’s presentation is hereto attached and marked as Exhibit 2.

Discussion occurred throughout Anderson’s presentation. Items discussed included the forecasted load for Customer A and Customer B.

Some of the highlights of Anderson’s presentation are as follows:

- The Updated COSA took into consideration the Preliminary 2018 Budget. All expenses including capital expenses were updated and the current rates were used.
- The load forecast did not change for the diversified load.
The load forecast for Customer A assumes a low load growth; while Customer B assumes no load growth.

- Bonneville Power Administration (BPA) will have another increase in rates in October 2019, and October 2021.
- The October 2017, rate increase by BPA impacted the District by 6.22% over a two-year period.
- The Data Center Delivery Charge should be calculated annually since the District's expenses are predictable.
- Customer A's delivery charge is locked through December 2019. The recalcualted delivery charge refers to Customer B.
- The COSA takes the expenses and places them in the following categories: Power Supply Related; Transmission Related; Distribution Related; Customer Related; and Direct Assignment.
- About half of the District's expenses are allocated to residential load.

During Anderson's presentation a member of the public, Jim Moss, wished to address the Board on his irrigation billing. Moss informed the Board that he has a 15 HP pump and he is paying four times the residential rate; the demand and facility charges are 80% of their costs. Moss indicated that he knows a lot of people who run their pumps off their residential power; he would prefer not to do that.

A lengthy discussion occurred with Moss on the District's irrigation rate, the financial impact to his vineyard business and improvements in technology.

Hall informed Moss that today's presentation is on the results of the Cost of Service Analysis (COSA). There is no recommendation before the Board to increase or to change the District's rates.

Fowler and Moss left at this time.

Kline informed the Board that the District is only trying to recover costs. This is where the District is today; it doesn't mean that staff will not bring better proposals forward in the future for the Board's consideration.

Director Smith asked if conservation staff could look at the District's irrigation customers to see if their equipment is sufficient.

Some discussion occurred in response to Director Smith's question. The Board was informed that Energy Conservation Staff did meet with Moss. The District has not heard from other irrigators.

Staff will communicate further with Jim Moss regarding his concerns.
2018 Budget:

Chief Financial Officer/Director of Finance & Enterprise Risk Harvey Hall presented a PowerPoint Presentation entitled “2018 Overview Session, 2018 Budget”. A copy of said PowerPoint is hereto attached and marked as Exhibit 3.

Some of the highlights of the PowerPoint Presentation are as follows:

- Staff is recommending that Rate Schedules 110 and 135 be extended from November through April of each year to year around, effective January 1, 2018.
- The impact to the District’s residential revenue, in moving to a year around rate, is a reduction of $40,000 per year.
- The District has 300 customers under Rate Schedule 110 and 74 customers under Rate Schedule 135.
- The proposed change to Rate Schedules 110 and 135 better supports the District’s at-risk customers.
- The financial impact to the District is $24,000 to Other Operating Revenue if the Credit Card Transaction Fee of $2.15 is eliminated.
- The elimination of the Credit Card Transaction Fee and the elimination of the $300 charge limit would incentivize easier customer payment options by credit card and would create opportunities for new customer programs like pre-paid metering.
- The total change from the 2017 Budget to the 2018 budget is $96,500. The Net Income is $148,030 to the positive.

Some discussion occurred during the presentation on staff’s recommendation to eliminate the Credit Card Transaction Fee, the limit, if any, for credit card charges, and the anticipated benefits in eliminating the Transaction Fee.

Hall stated that the elimination of the Credit Card Transaction Fee is really targeted towards residential customers.

Director Smith stated if the District incentivizes customers to pay by credit card the cost to the District is going to be much more than anticipated. Director Smith is more in favor of lowering the fee rather than eliminating it completely.

Director Karp pointed out how the Board just learned that Mr. Fowler has previously been in an area that is using the technology that is available, where the District is not currently using that technology.

Director Howe feels it is a good move.
During the PowerPoint Presentation, Hall presented to the Board a correction to the November 14, 2017 PowerPoint Presentation. A copy of said corrected document is hereto attached and marked as Exhibit 4.

During and after the PowerPoint Presentation, discussion occurred regarding the Proposed 2018 Budget and the additional changes being made to the Budget since the October 24, 2017 Board Meeting.

Kline noted during the discussion that staff is very conservative in our planning. There is still plenty of capital need within the District’s electric system. The District is experiencing load growth. The District has a constant revolving door of new customers.

As previously shared with the Board, the Gorge Economy, 2017 PowerPoint Slides presented at the recent Columbia Gorge Economic Symposium show that jobs are increasing, revenues are increasing, unemployment is down and the Portland/Salem CPI is at +4.4%.

Kline showed the Board several PowerPoint Slides showing the rates of the District and other neighboring utilities and the averages in the Mid-Columbia region, State of Oregon and the United States.

Kline noted in closing that he feels good not recommending any rate increase this year.

President Gonser stated that he feels that staff has done a lot in putting this Budget together. He is greatly appreciative of the efforts of staff.

Hall commended the following staff for their involvement in helping to put together the Proposed 2018 Budget: Kurt Conger, Assistant General Manager/Director of Power Resources; Justin Brock, Power Analyst; Lana Egbert, Senior Financial Analyst; Mackenzie Wolfe, Senior Financial Analyst; and Amy Augustus, Financial Analyst.

Director Williams expressed his appreciation for the change in the Shut Off Notice Procedures. The Board only has a few pages to go through instead of hundreds.

Hall acknowledged Laurie Layton, Financial Analyst, for her work in improving efficiencies for the Shut Off Notice process.

Director Smith stated that he is appreciated of the District’s total staff for the job done over the last two years; it is making a great impact to our community. From an economic standpoint, it is a lot more positive to locate here than somewhere else.

Director Williams stated that he is hearing good comments on what staff is doing in the community.
Some discussion occurred regarding a recent theft of services by a customer of the District and what the District’s Customer Service Policy states on how to address this type of issue. Staff has estimated the energy cost to be $1,600.

There being no further business the meeting adjourned at 7:49 p.m.

[Signature]
President

ATTEST:

[Signature]
Secretary
November 7, 2017

To: Northern Wasco County Board of Directors

From: Kurt Conger, Assistant General Manager, Director of Power Resources

CC: Kevin McCarthy, Operations Manager
    Jay Bonogofsky, Chief Operator, The Dalles Fishway Project

Subject: Replacement of Forklift at The Dalles Fishway Project

In September 2017, project staff identified an operational safety issue with the forklift at The Dalles Fishway Project. Staff experienced difficulty braking (stopping) the forklift while moving materials around the project site. The root cause of the problem was not associated with the brakes, rather it is symptomatic of use of a forklift on uneven and graded surfaces. Forklifts are generally restricted to use on level, flat surfaces. The forklift was frequently used to move heavy objects – metal fabrications, drums, pallets, etc. – between the storage containers below the intake to the powerhouse. The elevation change is about 20’ over a 200’ run (10% grade).

Staff developed a recommendation that the forklift be replaced with a small tractor that has fork and other attachments. The utility of a small tractor (e.g. Kubota) will go beyond that of the forklift. Snow removal and movement proved difficult last year with only a snow blower. A tractor will make quick work of snow removal. Other materials can be easily moved in the bucket of a tractor.

Small Kubota tractors are available through Sheppards in Hood River under the Oregon State Procurement program (ORPIN) at a pre-negotiated discount of approximately 22%. Staff proposes to purchase a Kubota Model # D1803-CR-E4-LB3 (36.3 HP diesel 4WD) for approximately $25,000 including all attachments, assembly, freight and delivery.

Staff seeks a motion and approval to purchase this tractor for The Dalles Fishway Hydro Project. Staff would like to take receipt of the equipment as soon as possible.
Northern Wasco PUD

Updated Cost of Service Analysis Results

November 14, 2017

Presented by:

Steve Andersen, Manager
EES Consulting

A registered professional engineering corporation with offices in the Seattle and Portland metropolitan areas
Telephone (425) 889-2700 Facsimile (425) 889-2725
www.eesconsulting.com
Study Assumptions – Forecast Diversified Loads

* Includes distribution system losses of 3.7% on secondary system and 2% on primary system. “Other” includes irrigation and lighting.
Study Assumptions – Load Forecast including Data Center Loads

- Includes distribution system losses of 3.7% on secondary system and 2% on primary system. "Other" includes irrigation and lighting.
- Customer A load low load growth assumed; Customer B load assumes no load growth.

![Projected Loads @ Input by Customer Class (aMW)](image)

- Residential
- Small Commercial
- Large Commercial
- Industrial Primary
- Other
- Customer B
- Customer A
Study Assumptions – Diversified Load Power Supply Costs

- Data center power supply costs will vary with loads and are a direct pass-through → no impact on NWCPUD financials
- Projected power supply costs for diversified load are 46% of projected 2018 expenses
- BPA’s BP-18 rates are effective October 2017 through September 2019
- Power costs shown below are for diversified load service only

<table>
<thead>
<tr>
<th>Power Supply Costs (millions)</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>BPA Power Purchases</td>
<td>$8.5</td>
<td>$8.7</td>
<td>$8.9</td>
<td>$9.1</td>
</tr>
<tr>
<td>Hydro O&amp;M</td>
<td>$1.2</td>
<td>$1.3</td>
<td>$1.3</td>
<td>$1.3</td>
</tr>
<tr>
<td>Transmission</td>
<td>$1.4</td>
<td>$1.5</td>
<td>$1.6</td>
<td>$1.6</td>
</tr>
<tr>
<td>The Dalles Hydro Revenue</td>
<td>($0.9)</td>
<td>($0.9)</td>
<td>($1.0)</td>
<td>($1.0)</td>
</tr>
<tr>
<td>Total</td>
<td>$10.3</td>
<td>$10.5</td>
<td>$10.8</td>
<td>$11.0</td>
</tr>
<tr>
<td>$/MWh</td>
<td>35.8</td>
<td>36.5</td>
<td>37.3</td>
<td>38.0</td>
</tr>
</tbody>
</table>
Data Center Delivery Charge

- Data center delivery charge allows the utility to recover a portion of its delivery system costs from the data center including:
  - Transmission O&M
  - Customer accounting
  - Administrative and general
  - Conservation
  - Taxes (other than tax recovery charge)
  - Debt service
- Above costs allocated to data centers using the same allocation methods applied to all classes of customers
- Delivery charge may be re-calculated annually – varies with data center load projections
## Summary of 2018-19 Diversified Load Revenue Requirement

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Retail Revenue</strong> (1)</td>
<td>$22,374,037</td>
<td>$22,997,383</td>
</tr>
<tr>
<td><strong>Other Income</strong></td>
<td>629,802</td>
<td>638,846</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$23,003,839</td>
<td>$23,636,229</td>
</tr>
<tr>
<td><strong>Power Supply</strong></td>
<td>$10,490,994</td>
<td>$10,652,254</td>
</tr>
<tr>
<td><strong>Transmission</strong> (2)</td>
<td>163,759</td>
<td>168,672</td>
</tr>
<tr>
<td><strong>Distribution</strong> (2)</td>
<td>3,117,983</td>
<td>3,211,522</td>
</tr>
<tr>
<td><strong>Customer Accounts and Services</strong> (2)</td>
<td>1,520,456</td>
<td>1,566,069</td>
</tr>
<tr>
<td><strong>Administration and General</strong> (2)</td>
<td>3,446,423</td>
<td>3,549,816</td>
</tr>
<tr>
<td><strong>Taxes</strong></td>
<td>350,000</td>
<td>360,500</td>
</tr>
<tr>
<td><strong>Franchise Fees</strong></td>
<td>1,210,000</td>
<td>1,354,663</td>
</tr>
<tr>
<td><strong>Interest &amp; Debt Service Amortization</strong></td>
<td>476,313</td>
<td>791,313</td>
</tr>
<tr>
<td><strong>Rate Funded Capital Projects</strong></td>
<td>2,239,000</td>
<td>2,395,730</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$23,014,927</td>
<td>$24,050,539</td>
</tr>
<tr>
<td><strong>Surplus/(Deficiency)</strong></td>
<td>($11,088)</td>
<td>($414,311)</td>
</tr>
<tr>
<td><strong>Required Retail Rate Change</strong> (3)</td>
<td>0.1%</td>
<td>2.3%</td>
</tr>
</tbody>
</table>

1) Retail revenue based on retail rates that became effective 5/1/17. Includes data center revenue from District Delivery Charge and Tax Recovery Charge.
2) Includes 3 percent annual escalation rate.
3) Rate changes shown are not cumulative.
# Functionalized COSA Results – CY18

## Summary of Functionalized Cost of Service – CY18

<table>
<thead>
<tr>
<th></th>
<th>Power Supply Related</th>
<th>Transmission Related</th>
<th>Distribution Related</th>
<th>Customer Related</th>
<th>Direct Assignment</th>
<th>Net Revenue Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>$5,722,450</td>
<td>$79,987</td>
<td>$1,691,372</td>
<td>$2,205,031</td>
<td>$0</td>
<td>$9,698,841</td>
</tr>
<tr>
<td>Small Commercial</td>
<td>795,682</td>
<td>14,676</td>
<td>254,530</td>
<td>166,747</td>
<td>0</td>
<td>$1,231,636</td>
</tr>
<tr>
<td>Large Commercial</td>
<td>3,056,034</td>
<td>56,910</td>
<td>819,349</td>
<td>120,606</td>
<td>0</td>
<td>$4,052,898</td>
</tr>
<tr>
<td>Industrial Primary</td>
<td>2,006,864</td>
<td>43,049</td>
<td>478,414</td>
<td>22,079</td>
<td>0</td>
<td>$2,550,406</td>
</tr>
<tr>
<td>Irrigation</td>
<td>147,785</td>
<td>4,909</td>
<td>103,187</td>
<td>29,135</td>
<td>0</td>
<td>$285,016</td>
</tr>
<tr>
<td>Street Lighting</td>
<td>17,714</td>
<td>195</td>
<td>11,702</td>
<td>424</td>
<td>108,163</td>
<td>$138,199</td>
</tr>
<tr>
<td>Security Lighting</td>
<td>49,212</td>
<td>894</td>
<td>15,772</td>
<td>199,371</td>
<td>0</td>
<td>$265,249</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$11,795,741</strong></td>
<td><strong>$200,621</strong></td>
<td><strong>$3,374,325</strong></td>
<td><strong>$2,743,394</strong></td>
<td><strong>$108,163</strong></td>
<td><strong>$18,222,244</strong></td>
</tr>
</tbody>
</table>

* Net Revenue Requirement = Total Expenses less Other Revenue
## Allocated COSA Results – CY18

### Summary of Allocated Cost of Service – CY18

<table>
<thead>
<tr>
<th></th>
<th>Present Rate Revenues</th>
<th>Net Revenue Requirement</th>
<th>Surplus/ (Deficiency)</th>
<th>Rate Increase/ (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>$9,815,884</td>
<td>$9,698,841</td>
<td>$117,043</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Small Commercial</td>
<td>1,255,965</td>
<td>1,231,636</td>
<td>24,329</td>
<td>-1.9%</td>
</tr>
<tr>
<td>Large Commercial</td>
<td>3,986,219</td>
<td>4,052,898</td>
<td>(66,680)</td>
<td>1.7%</td>
</tr>
<tr>
<td>Industrial Primary</td>
<td>2,442,072</td>
<td>2,550,406</td>
<td>(108,334)</td>
<td>4.4%</td>
</tr>
<tr>
<td>Irrigation</td>
<td>263,950</td>
<td>285,016</td>
<td>(21,066)</td>
<td>8.0%</td>
</tr>
<tr>
<td>Street Lighting</td>
<td>126,839</td>
<td>138,199</td>
<td>(11,359)</td>
<td>9.0%</td>
</tr>
<tr>
<td>Security Lighting</td>
<td>320,228</td>
<td>265,249</td>
<td>54,979</td>
<td>-17.2%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$18,211,156</strong></td>
<td><strong>$18,222,244</strong></td>
<td><strong>($11,088)</strong></td>
<td><strong>0.1%</strong></td>
</tr>
</tbody>
</table>

* Irrigation and Lighting account for less than 3% of total revenue
Goal is to have all customers within +/-10% of system-wide increase (red bar = +10% and green bar = -10%)
## Current Rates vs COSA Rates – Residential

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>COSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities Charge ($/month)</td>
<td>$20</td>
<td>$19.74</td>
</tr>
<tr>
<td>Energy Charge (cents/kWh)</td>
<td>5.49</td>
<td>5.43</td>
</tr>
<tr>
<td>Rate Change over Current</td>
<td></td>
<td>-1.2%</td>
</tr>
</tbody>
</table>

- Demand-related costs included in energy charge
- Break-out of COSA energy charges shown above:
  - Energy rate = 3.65 cents/kWh
  - Demand rate = $3.20/kW-mo
Current Rates vs COSA Rates – Small Commercial

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>COSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities Charge ($/month)</td>
<td>$44</td>
<td>$30.71</td>
</tr>
<tr>
<td>Energy Charge (cents/kWh)</td>
<td>5.70</td>
<td>5.97</td>
</tr>
</tbody>
</table>

*Rate Change over Current* -1.9%

- Demand-related costs included in energy charge
- Break-out of COSA energy charges shown above:
  - Energy rate = 3.55 cents/kWh
  - Demand rate = $6.62/kW-mo
## Current Rates vs COSA Rates – Large Commercial

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>COSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities Charge ($/month)</td>
<td>$94</td>
<td>$61</td>
</tr>
<tr>
<td>Energy Charge (cents/kWh)</td>
<td>3.72</td>
<td>3.45</td>
</tr>
<tr>
<td>Demand Charge ($/kW-mo)</td>
<td>6.30</td>
<td>7.89</td>
</tr>
<tr>
<td>Rate Change over Current</td>
<td></td>
<td>1.7%</td>
</tr>
</tbody>
</table>
## Current Rates vs COSA Rates – Industrial Primary

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>COSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities Charge ($/month)</td>
<td>$530</td>
<td>$307</td>
</tr>
<tr>
<td>Energy Charge (cents/kWh)</td>
<td>3.61</td>
<td>3.29</td>
</tr>
<tr>
<td>Demand Charge ($/kW-mo)</td>
<td>5.55</td>
<td>7.38</td>
</tr>
<tr>
<td>Rate Change over Current</td>
<td></td>
<td>4.4%</td>
</tr>
</tbody>
</table>
Rate Design Considerations

- **Consider Making Rate Adjustments**
  - Only security lighting is outside of +/-10% of total system rate change
    - Security lighting is 1.8% of total revenue

- **Consider Making Changes to Rate Structures**
  - How much revenue is collected through base, energy and demand charges?

- **COSA suggests the following:**
  - COSA-recommended Residential monthly charge is $19.74 compared to current monthly charge of $20 (very close)
  - Increase amount of Large Commercial and Industrial Primary revenue collected via demand charges (rather than energy charges)
  - Increase data center delivery charge
COSA indicates that more revenue should be collected through demand and monthly charges and less through energy charges.

* Retail revenue from diversified load.

* Revenue requirement allocations to diversified load.
2018 Overview Session

2018 Budget

November 14, 2017
AGENDA

Overview of the District’s Strategic Direction as it relates to 2018

Review of major work activity drivers in 2018
  Capital Work
  Operation and Maintenance Work

Preview of 2018 Preliminary Proposed Budget

Board’s View Questions and Discussion
2015 STRATEGIC PLAN OPERATING STRATEGIES

• Customer Service – “Customer Service is a relationship that is built on trust, courtesy and professionalism.”

• Financial – “High value financial metrics and benchmarks for the electric industry are the District’s foundation that provides the most affordable power and energy.”

• Legislative and Regulatory – “Effective involvement and meaningful participation in legislative and regulatory matters that are essential to the District’s ability to properly manage change and its impact.”

• Staff, Board and Workforce Development – “Successful hiring is the first step towards career and workforce development. Continuous learning and employee training provides the opportunity for developing skills, accountability and professionalism.”

• Power Resources, Delivery System and Infrastructure – “Strength, flexibility and reliability are the hallmark characteristics in design, construction and operation of the District’s generation, transmission and distribution system.”
OVERVIEW

NORTHERN WASCO COUNTY PUD STRATEGIC DIRECTION

**Reinvest**
Operate, maintain and renew infrastructure based on sound asset management discipline and industry practices to ensure our systems are safe, reliable and resilient now and into the future.

**Reposition**
To best meet the demands of:
- System Growth
- Changing Customer Expectations
- Disruptive Technology
- An Evolving Security & Regulatory Climate

**Remain**
A key community asset by providing the varied benefits of Public Power and competitively priced energy.
Proposed changes to:

• Rates 110 & 135: Extend from November-March to Year Round – Financial Impact is reduced Residential Revenue by $40,000 per year.
  • Background – Rates 110 & 135 are a 10% and 35% temporary reduction during the winter season for eligible disabled and senior customers. This change better supports our at-risk communities.

• Customer Credit Card Transaction Fees: Eliminate the fee – Financial Impact is $24,000 to Other Operating Revenue
  • Background – This would incentivize easier customer payment options by credit card, eliminate $300 charge limits, and create opportunities for new customer programs like pre-paid metering. Supports ongoing desire to support our customers and lets them do business with us in an easier manner more current to today’s societal expectations.
2018 BUDGET REVIEW: O&M EXPENSE

Changes from October 24, 2017 Presentation

Revenue (Reduced $2,335,604)
- Reduced Primary Revenue by $2,271,604 (Change in load forecast)
- Reduced Residential Revenue by $40,000 (Reflect Year Round Rates 110 & 135)
- Reduced Other Operating Revenue by $24,000 (Eliminated Customer Credit Card Transaction Fees)

Expenses (Reduced $2,227,104)
- Increased Labor by $36,000 for increases (Board Fees and Per Diem change)
- Increased Computer & Software by $44,950 (Annual license for PLC-CADD)
- Decreased Purchased Power by $1,951,903 (Reflecting reduced Load)
- Decreased Transmission costs by $530,151 (Reflecting reduced Load)
- Increased Taxes by $174,000 (Reflecting increased asset base)

NET 2018 Budget Impact:
$108,500 reduction to Net Income from $244,530 to $136,030.
2018 BUDGET REVIEW

This assumes:
- 2.5% Inflation rate for Non-Labor
- 3.0% Inflation rate for Labor
- No rate change

<table>
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<tbody>
<tr>
<td>REVENUE/REIMBURSEMENTS</td>
</tr>
<tr>
<td>O&amp;M LABOR</td>
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</tr>
<tr>
<td>OVERHEAD &amp; BENEFIT TO SPREAD</td>
</tr>
<tr>
<td>TOTAL LOSS / (GAIN)</td>
</tr>
</tbody>
</table>
REVIEW
MAJOR ACTIVITY DRIVERS FOR 2018

Purchased Power
BPA Rate Increase (Power and Transmission)

Capital Work
McNary Elevator
The Dalles Juvenal Fish Sampling Facility
AMI
Tygh Valley Substation and Reconductor work
230 kV Line
Lone Pine Development
Marina
Tokela
UPN Servers – Testing and Meter Data Management

O&M Work
UPN Reset and Futura
Electric Ops System Inspection and repair (capital and O&M)
Training and Development
# 2018 Budget Review: O&M Expense

<table>
<thead>
<tr>
<th>O&amp;M Labor</th>
<th>3,679,722</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor &amp; Miscellaneous Earnings</td>
<td>3,679,722</td>
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</table>

<table>
<thead>
<tr>
<th>O&amp;M Non-Labor</th>
<th>42,310,973</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer Support &amp; Supplies</td>
<td>241,807</td>
</tr>
<tr>
<td>Depreciation, Amortization &amp; Interest Expense</td>
<td>2,907,674</td>
</tr>
<tr>
<td>Dues, Memberships &amp; Subscriptions</td>
<td>242,039</td>
</tr>
<tr>
<td>Education, Training &amp; Travel</td>
<td>255,600</td>
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<tr>
<td>Employer Paid Benefits</td>
<td>2,359,065</td>
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<tr>
<td>Facilities Maintenance</td>
<td>90,700</td>
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<tr>
<td>Fleet Maintenance</td>
<td>291,600</td>
</tr>
<tr>
<td>Fees, Licenses &amp; Permits</td>
<td>160,050</td>
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<tr>
<td>Miscellaneous Expenses</td>
<td>175,006</td>
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<tr>
<td>Outside Services Employed</td>
<td>1,710,856</td>
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<tr>
<td>Overheads &amp; Benefits Applied</td>
<td>2,634,979</td>
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<tr>
<td>Postage</td>
<td>49,237</td>
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<tr>
<td>Property &amp; Liability Insurance</td>
<td>201,105</td>
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<tr>
<td>Property Rent</td>
<td>3,550</td>
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<tr>
<td>Power Purchased</td>
<td>24,707,001</td>
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<tr>
<td>Public Relations &amp; Marketing</td>
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<td>Rebate Programs</td>
<td>1,015,992</td>
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<tr>
<td>Safety Program</td>
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<td>Supplies, Materials and Tools</td>
<td>175,422</td>
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<tr>
<td>Taxes</td>
<td>1,694,000</td>
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<tr>
<td>Transmission Costs</td>
<td>3,067,186</td>
</tr>
<tr>
<td>Utilities</td>
<td>41,205</td>
</tr>
</tbody>
</table>

**Overhead & Benefits Spread to Other Departments** (3,525,646)

**Overhead & Benefits Spread** (3,525,646)

**Total Operation and Maintenance** 42,465,050
## 2018 BUDGET REVIEW

<table>
<thead>
<tr>
<th>Description</th>
<th>2018 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue/Reimbursements</td>
<td>(42,601,080)</td>
</tr>
<tr>
<td>O&amp;M Labor</td>
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<td>Overhead &amp; Benefit to Spread</td>
<td>(3,525,646)</td>
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<tr>
<td><strong>Total Loss / (Gain)</strong></td>
<td><strong>(136,030)</strong></td>
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</tbody>
</table>
2018 BUDGET REVIEW: REVENUE

Revenue by Class 2016-18 COMPARE

- Single Phase
- Three Phase
- Demand
- Primary Service
- Rivertrail Rental
- Irrigation
- Misc. Income
- The Dalles Hydro

2016 Actuals
2017 Act/Proj
2018 Budget
2018 BUDGET REVIEW: REVENUE

2018 Budgeted Revenue by Class

- Primary Service: 58%
- Single Phase: 24%
- Three Phase: 3%
- Demand: 10%
- The Dalles Hydro: 2%
- Rivertrail Rental: 1%
- Irrigation: 1%
- Misc. Income: 1%
OVERVIEW
NORTHERN WASCO COUNTY PUD STRATEGIC DIRECTION

Strategic Dials

Key Strategic Dials – The art of finding the optimal balance

- Rates
- Reliability
- Risk
- Revenue
- Regulatory Compliance
BOARD’S VIEW

QUESTIONS AND DISCUSSION
2018 Overview Session

2018 Budget

November 14, 2017
AGENDA

Overview of the District’s Strategic Direction as it relates to 2018

Review of major work activity drivers in 2018
  Capital Work
  Operation and Maintenance Work

Preview of 2018 Preliminary Proposed Budget

Board’s View Questions and Discussion
2015 STRATEGIC PLAN OPERATING STRATEGIES

- Customer Service – “Customer Service is a relationship that is built on trust, courtesy and professionalism.”

- Financial – “High value financial metrics and benchmarks for the electric industry are the District’s foundation that provides the most affordable power and energy.”

- Legislative and Regulatory – “Effective involvement and meaningful participation in legislative and regulatory matters that are essential to the District’s ability to properly manage change and its impact.”

- Staff, Board and Workforce Development – “Successful hiring is the first step towards career and workforce development. Continuous learning and employee training provides the opportunity for developing skills, accountability and professionalism.”

- Power Resources, Delivery System and Infrastructure – “Strength, flexibility and reliability are the hallmark characteristics in design, construction and operation of the District’s generation, transmission and distribution system.”
OVERVIEW

NORTHERN WASCO COUNTY PUD STRATEGIC DIRECTION

Reinvest
Operate, maintain and renew infrastructure based on sound asset management discipline and industry practices to ensure our systems are safe, reliable and resilient now and into the future.

Reposition
To best meet the demands of:
  System Growth
  Changing Customer Expectations
  Disruptive Technology
  An Evolving Security & Regulatory Climate

Remain
A key community asset by providing the varied benefits of Public Power and competitively priced energy.
2018 BUDGET REVIEW: O&M EXPENSE

Proposed changes to:

• Rates 110 & 135: Extend from November-March to Year Round – Financial Impact is reduced Residential Revenue by $40,000 per year.
  • Background – Rates 110 & 135 are a 10% and 35% temporary reduction during the winter season for eligible disabled and senior customers. This change better supports our at-risk communities.

• Customer Credit Card Transaction Fees: Eliminate the fee – Financial Impact is $24,000 to Other Operating Revenue
  • Background – This would incentivize easier customer payment options by credit card, eliminate $300 charge limits, and create opportunities for new customer programs like pre-paid metering. Supports ongoing desire to support our customers and lets them do business with us in an easier manner more current to today’s societal expectations.
2018 BUDGET REVIEW: O&M EXPENSE

Changes from October 24, 2017 Presentation

Revenue (Reduced $2,335,604)
- Reduced Primary Revenue by $2,271,604 (Change in load forecast)
- Reduced Residential Revenue by $40,000 (Reflect Year Round Rates 110 & 135)
- Reduced Other Operating Revenue by $24,000 (Eliminated Customer Credit Card Transaction Fees)

Expenses (Reduced $2,215,104)
- Increased Labor by $24,000 for increases (Board Fees and Per Diem change)
- Increased Computer & Software by $44,950 (Annual license for PLC-CADD)
- Decreased Purchased Power by $1,951,903 (Reflecting reduced Load)
- Decreased Transmission costs by $530,151 (Reflecting reduced Load)
- Increased Taxes by $174,000 (Reflecting increased asset base)

NET 2018 Budget Impact:
$96,500 reduction to Net Income from $244,530 to $148,030.
## 2018 BUDGET REVIEW

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