

December 16, 2011

**2012**

**WORK PLAN**

**&**

**OPERATING**

**BUDGET**

Approved by \_\_\_\_\_  
President

# 2012 WORK PLAN & OPERATING BUDGET

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## INTRODUCTION

Annual budgets are prepared to guide the Cooperative through the coming year. By nature they are merely

**The Work Plan and Operating Budget has three basic parts:**

1) Operating Budget (pages 4 through 17):

This part of the budget shows revenues, expenses, and margins to conform to the Federal Energy

2) Cash Budget (pages 18 through 20):

This part of the budget shows items that affect cash position, but are not classified as revenues or expenses. It includes a schedule of additions and replacements of distribution plant, headquarters, and a schedule of work equipment and miscellaneous capital expenditures.

3) Appendix's A through c (pages 21 through 23):

- a) Summary of Liability Insurance
- b) 4 Year Capital Plan
- c) Employee Travel, Meetings & Education

## Okanogan County Electric Cooperative

	2011 <u>Budget</u>	2011 <u>Projection</u>	2012 <u>Budget Projection</u>	<u>Percent Change</u>
OPERATING REVENUE	\$4,841,511	\$4,849,841	<b>\$4,849,841</b>	0.0%
COST OF POWER	\$1,999,745	\$2,120,179	<b>\$2,366,659</b>	11.6%
<b>GROSS MARGINS</b>	<b>\$2,841,766</b>	<b>\$2,729,662</b>	<b>\$2,483,182</b>	-9.0%
<b>OPERATING EXPENSES:</b>				
Operations	\$79,496	\$61,196	<b>\$68,907</b>	12.6%
Maintenance	\$701,761	\$691,375	<b>\$659,417</b>	-4.6%
Consumer Accounting	\$250,509	\$240,073	<b>\$243,000</b>	1.2%
Consumer Service/Information	\$22,119	\$22,900	<b>\$18,100</b>	-21.0%
Sales Expense	\$0	\$0	<b>\$0</b>	#DIV/0!
Administrative & General Exp.	\$619,896	\$760,510	<b>\$636,642</b>	-16.3%
<b>TOTAL OPERATING EXP.</b>	<b>\$1,673,781</b>	<b>\$1,776,053</b>	<b>\$1,626,066</b>	-8.4%
Other Capital				
<b>FIXED EXPENSES:</b>				
Depreciation Expense	\$298,228	\$319,290	<b>\$325,290</b>	1.9%
Taxes-Property	\$26,744	\$31,481	<b>\$31,481</b>	0.0%
Taxes-Other	\$146,697	\$149,165	<b>\$149,165</b>	0.0%
Interest Expense	\$264,453	\$264,104	<b>\$270,484</b>	2.4%
<b>TOTAL FIXED EXPENSES</b>	<b>\$736,122</b>	<b>\$764,040</b>	<b>\$776,420</b>	1.6%
<b>TOTAL EXPENSES</b>	<b>\$2,409,903</b>	<b>\$2,540,094</b>	<b>\$2,402,486</b>	-5.4%
<b>OPERATING MARGINS</b>	<b>\$431,863</b>	<b>\$189,568</b>	<b>\$80,696</b>	-57.4%
<b>NON OPERATING MARGINS:</b>				
Interest Income	\$23,713	\$33,855	<b>\$29,195</b>	-13.8%
Patronage Capital	\$23,171	\$17,900	<b>\$17,900</b>	0.0%
	\$0	\$0	<b>\$0</b>	0.0%
<b>TOTAL NON OPERATING MARGINS</b>	<b>\$46,884</b>	<b>\$51,755</b>	<b>\$47,095</b>	-9.0%
<b>NET MARGINS</b>	<b>\$478,747</b>	<b>\$241,324</b>	<b>\$127,791</b>	-47.0%
Times Interest Earned Ratio (TIER)	<b>2.81</b>	<b>1.91</b>	<b>1.47</b>	-23.1%

**This version reflects no rate increase for 2012**

OKANOGAN COUNTY ELECTRIC COOPERATIVE  
2012 WORK PLAN/BUDGET

A. OPERATING REVENUE..... **\$4,849,841**

2012

KWH sales budgeted for 2012 using 2011 projected KWH Sales.

	Budgeted 2011 KWH Sales	Projected 2011 KWH Sales	Budgeted 2012 KWH Sales	Percent Change
Residential	23,253,949	23,541,172	23,541,172	0.00%
Seasonal	10,932,986	12,616,431	12,616,431	0.00%
Irrigation	1,996,551	1,312,663	1,312,663	0.00%
Small Commercial	8,963,127	8,934,725	8,934,725	0.00%
Large Power	8,119,664	8,584,972	8,584,972	0.00%
Street Lighting	49,056	48,180	48,180	0.0%
Cooperative's Use	90,032	96,468	96,468	0.0%
<b>Total KWH Usage</b>	<b>53,405,365</b>	<b>55,134,611</b>	<b>55,134,611</b>	<b>0.0%</b>

2. MEMBER REVENUE ..... **\$4,782,268**

No rate increase or decrease is forecast at this time for 2012.

A. KWH Sales	2011 Budget	2011 Projected	2012 Budget Projection	Percent Change
Residential	\$892,951	\$903,981	\$903,981	0.00%
Seasonal	\$432,496	\$484,470	\$484,470	0.00%
Irrigation	\$75,908	\$47,255	\$47,255	0.00%
Small Commercial	\$357,416	\$343,093	\$343,093	0.00%
Large Power	\$318,641	\$329,663	\$329,663	0.00%
Street Lighting	\$5,376	\$5,280	\$5,280	0.00%
Idle Services	\$13,979	\$14,463	\$14,463	0.00%
<b>Total</b>	<b>\$2,096,767</b>	<b>\$2,128,205</b>	<b>\$2,128,205</b>	<b>0.00%</b>

**OKANOGAN COUNTY ELECTRIC COOPERATIVE  
2012 WORK PLAN/BUDGET**

	2011 <u>Budgeted</u>	2011 <u>Projected</u>	<b>2012 Budget Projection</b>	
<b>B. Base Charge Revenue</b>				
Residential	\$727,840	\$718,080	<b>\$718,080</b>	0.00%
Seasonal	\$678,920	\$673,680	<b>\$673,680</b>	0.00%
Irrigation	\$47,760	\$38,720	<b>\$38,720</b>	0.00%
Small Commerical	\$138,240	\$137,680	<b>\$137,680</b>	0.00%
Large Power	\$18,600	\$18,600	<b>\$18,600</b>	0.00%
<b>Total</b>	<b>\$1,611,360</b>	<b>\$1,586,760</b>	<b>\$1,586,760</b>	<b>0.00%</b>

	2011 <u>Budget</u>	2011 <u>Projected</u>	<b>2012 Budget Projection</b>	
<b>C. KW/Capacity Revenue</b>				
Residential	\$520,823	\$522,295	<b>\$522,295</b>	0.00%
Seasonal	\$328,524	\$345,725	<b>\$345,725</b>	0.00%
Irrigation	\$18,302	\$14,276	<b>\$14,276</b>	0.00%
Small Commerical	\$117,946	\$118,242	<b>\$118,242</b>	0.00%
Large Power	\$60,501	\$66,765	<b>\$66,765</b>	0.00%
<b>Total</b>	<b>\$1,046,096</b>	<b>\$1,067,303</b>	<b>\$1,067,303</b>	<b>0.00%</b>

**3. OTHER ELECTRIC REVENUE**

	2011 <u>Budget</u>	2011 <u>Projected</u>	<b>2012 Budget Projection</b>	<u>Percent Change</u>
Pole Contacts	\$29,588	\$12,839	<b>\$12,839</b>	0.00%
Memberships	\$13,000	\$13,000	<b>\$13,000</b>	0.00%
OCEI Rent	\$12,000	\$12,000	<b>\$12,000</b>	0.00%
Connect/Disconnect Fees	\$32,700	\$29,734	<b>\$29,734</b>	0.00%
<b>Total Other Revenue</b>	<b>\$87,288</b>	<b>\$67,573</b>	<b>\$67,573</b>	<b>0.00%</b>

OKANOGAN COUNTY ELECTRIC COOPERATIVE  
2012 WORK PLAN/BUDGET

**B. COST OF POWER..... \$2,366,659**

Based on KWH sales of 56,818,648 and office usage of 93,490 kwh's, and a 7.00% line loss, power requirements are estimated at 56,912,138 KWH. Average annual KWH cost is forecasted to be \$0.03867 per KWH.

	2011 <u>Budget</u>	2011 <u>Projected</u>	2012 <b>Budget Projection</b>	Percent <u>Change</u>
Purchased Power - Kwh	57,513,527	59,544,940	<b>61,196,000</b>	2.77%
Power Costs	\$1,999,745	\$2,120,179	<b>\$2,366,659</b>	11.63%
Cost per kwh	\$0.03477	0.035606371	<b>\$0.03867</b>	8.61%
Tier 1			<b>\$1,656,711</b>	
Tier 2			<b>\$204,716</b>	
<b>Total Power</b>			<b>\$1,861,427</b>	
Transmission			<b>\$350,279</b>	
PNGC Services			<b>\$154,953</b>	
<b>Total All IN Power</b>	<b>\$1,999,745</b>	<b>\$2,120,179</b>	<b>\$2,366,659</b>	

**C. OPERATING EXPENSES..... \$1,626,066**

**1. DISTRIBUTION EXPENSE..... \$728,324**

	2011 <u>Budget</u>	2011 <u>Projected</u>	2012 <b>Budget Projection</b>	Percent <u>Change</u>
OPERATING EXPENSES	\$79,496	\$61,196	<b>\$68,907</b>	12.6%
MAINTENANCE EXPENSE	\$701,761	\$691,375	<b>\$659,417</b>	-4.62%
<b>TOTAL DISTRIBUTION EXPENSE</b>	<b>\$781,257</b>	<b>\$752,570</b>	<b>\$728,324</b>	-3%

**OKANOGAN COUNTY ELECTRIC COOPERATIVE  
2012 WORK PLAN/BUDGET**

Okanogan County Electric Cooperative owns approximately 500 miles of distribution lines. Operating expenses include inspections of distribution equipment, voltage control, connect and disconnect services, distribution record keeping, underground cable locates, giving out estimates, etc. Other operations expenses provide for small tool replacement and vehicle repair. Maintenance includes right-of-way work, response to outages, PCB transformer disposal and other repairs and preventive maintenance.

A well-maintained right-of-way minimizes outages caused by tree damage, especially during severe weather. The 2012 Work plan includes right-of-way work in various areas of the system. We are continuing a cycle of pole inspections this year.

	<u>2011 Budget</u>	<u>2011 Projected</u>	<b>2012 Budget Projection</b>	<u>Percent Change</u>
<b><u>OPERATIONS:</u></b>				
(580's) Labor, Transportation, Overhead	\$10,043	\$11,593	<b>\$11,941</b>	3.0%
(588) Equipment Expenses	\$13,425	\$17,103	<b>\$17,616</b>	3.0%
(931.1) FR Clothing	\$2,500	\$2,500	<b>\$2,500</b>	0.0%
(587) Meter Software & Communications	\$15,057	\$5,000	<b>\$5,150</b>	3.0%
(588.1) Standby Time Expense	\$20,971	\$25,000	<b>\$26,700</b>	6.8%
(587) Materials and Supplies	\$17,500	\$0	<b>\$5,000</b>	#DIV/0!
<b><u>Total Operations Expense</u></b>	<b>\$79,496</b>	<b>\$61,196</b>	<b>\$68,907</b>	<b>12.6%</b>
<b><u>MAINTENANCE:</u></b>				
<b>Right-of-Way:</b>				
(593.1) Labor, Transportation, Overhead	\$221,834	\$190,838	<b>\$196,563</b>	3.0%
Contractors	\$5,000	\$0	<b>\$5,000</b>	49999900.0%
<b>Total Right-of-Way</b>	<b>\$226,834</b>	<b>\$190,838</b>	<b>\$201,563</b>	<b>5.6%</b>
<b>Other Maintenance:</b>				
Labor, Transportation, Overhead	\$126,073	\$160,622	<b>\$165,441</b>	3.0%
Materials, Supplies	\$17,308	\$17,000	<b>\$17,510</b>	3%
(597) Meter Maintenance	\$159,688	\$129,991	<b>\$133,890</b>	3%
(592) Equipment Maintenance	\$5,000	\$3,450	<b>\$3,556</b>	3%
(591) Facilities Maintenance	\$78,858	\$70,000	<b>\$15,000</b>	-79%
Pole Inspections	\$20,000	\$20,000	<b>\$20,000</b>	0%
(590) System Mapping	\$68,000	\$99,473	<b>\$102,457</b>	3.0%
<b><u>Total other Maintenance:</u></b>	<b>\$474,927</b>	<b>\$500,537</b>	<b>\$457,854</b>	<b>-8.5%</b>
<b><u>Total Maintenance Expense</u></b>	<b>\$701,761</b>	<b>\$691,375</b>	<b>\$659,417</b>	<b>-4.6%</b>

**2. CONSUMER ACCOUNTING..... \$243,000**

Member accounting includes reading meters, preparing customer bills, receiving payments, credits and collections, maintaining member files, answering member billing inquiries, and related functions.

	2011 <u>Budget</u>	2011 <u>Projected</u>	<b>2012 Budget Projection</b>	Percent Change
Meter Reading	\$500	\$0	<b>\$500</b>	499900.0%
Records & Collections	\$249,709	\$239,073	<b>\$240,000</b>	0.4%
Un-collectibles	\$300	\$1,000	<b>\$2,500</b>	150.0%
<b>TOTAL</b>	<b>\$250,509</b>	<b>\$240,073</b>	<b>\$243,000</b>	1.22%

**3. CONSUMER SERVICE & INFORMATION..... \$18,100**

Member services activities that encourage the safe, efficient and economical use of electricity are included in this budget classification. Ruralite magazine was a major cost item in this category which was removed and will be delegated to Public outreach.

	2011 <u>Budget</u>	2011 <u>Projected</u>	<b>2012 Budget Projection</b>	Percent Change
Touchstone	\$2,100	\$2,100	<b>\$2,100</b>	0.00%
Ruralite Magazine	\$19,869	\$20,800	<b>\$0</b>	-100.00%
Public Outreach	\$0	\$0	<b>\$16,000</b>	100.00%
<b>TOTAL</b>	<b>\$21,969</b>	<b>\$22,900</b>	<b>\$18,100</b>	-21.0%

**4. SALES EXPENSE..... \$0**

Fixing member caused outages or damage and sales of material.

	2011 <u>Budget</u>	2011 <u>Projected</u>	<b>2012 Budget Projection</b>	Percent Change
Labor, Transportation, Overhead	\$2,735	\$5,378	<b>\$1,500</b>	-72.11%
Revenue from Repairs	(\$3,263)	(\$5,778)	<b>(\$2,000)</b>	65.39%
Miscellaneous	\$528	\$400	<b>\$500</b>	25.00%
<b>TOTAL</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	#DIV/0!

**5. ADMINISTRATIVE AND GENERAL EXPENSE..... \$636,642**

A summary of the Administrative and General Expenses budget is shown below. More information on each line item is shown on the following pages. (links to pages 10 - 15)

	<u>2011 Budget</u>	<u>2011 Projected</u>	<b>2012 Budget Projection</b>	<u>Percent Change</u>
a) Salaries	\$192,238	\$249,331	<b>\$256,811</b>	3.0%
b) Conservation	\$103,800	\$61,600	<b>\$6,000</b>	-90.3%
c) PNGC Management	\$34,934	\$33,000	<b>\$35,106</b>	6.4%
d) Office	\$103,501	\$104,295	<b>\$107,880</b>	3.4%
e) Civic	\$3,300	\$3,300	<b>\$0</b>	-100.0%
f) Special Services	\$70,770	\$184,386	<b>\$97,800</b>	-47.0%
g) Dues to Affiliate Organizations	\$15,799	\$15,799	<b>\$15,799</b>	0.0%
h) Directors Fees & Expenses	\$47,000	\$56,511	<b>\$27,720</b>	-50.9%
i) Employee Education & Training	\$34,926	\$35,188	<b>\$43,526</b>	23.7%
j) General Plant	\$13,628	\$17,100	<b>\$46,000</b>	169.0%
<b>TOTAL</b>	<b>\$619,896</b>	<b>\$760,510</b>	<b>\$636,642</b>	<b>-16.3%</b>

**a) Salaries..... \$256,811**

The administrative services required are secretarial, accounting, budgeting, financial planning and other forecasting, general management, as well as, informing the members of the general operation and procedures.

	<u>2011 Budget</u>	<u>2011 Projected</u>	<b>2012 Budget Projection</b>	<u>Percent Change</u>
Labor, Transportation, Overhead	\$192,238	\$249,331	<b>\$256,811</b>	3.0%

OKANOGAN COUNTY ELECTRIC COOPERATIVE  
2012 WORK PLAN/BUDGET

b) Conservation Expense..... \$6,000

BPA's conservation program has changed from Conservation Rate Credit (CRC) to Energy Efficiency Incentive (EEI). Our allocation to this program is \$64,456.38 through PNGC's pool. This is pass thru dollars and should not impact the Budget. The OCEC Conservation program continues to target low income weatherization.

	<u>2011 Budget</u>	<u>2011 Projected</u>	<b>2012 Budget Projection</b>	<u>Percent Change</u>
Conservation Program	\$75,000	\$32,800	\$6,000	-81.7%
BPA's EEI program	\$28,800	\$28,800	\$0	-100.0%
<b>TOTAL</b>	<b>\$28,800</b>	<b>\$61,600</b>	<b>\$6,000</b>	<b>-90.3%</b>

c) PNGC Management Expense..... \$35,106

The labor time, travel costs, board and room for attending PNGC meetings and business.

	<u>2011 Budget</u>	<u>2011 Projected</u>	<b>2012 Budget Projection</b>	<u>Percent Change</u>
Labor	\$16,017	\$17,000	\$19,106	12.4%
Transportation, board & room	\$18,917	\$16,000	\$16,000	0.0%
<b>TOTAL</b>	<b>\$34,934</b>	<b>\$33,000</b>	<b>\$35,106</b>	<b>6.4%</b>

OKANOGAN COUNTY ELECTRIC COOPERATIVE  
2012 WORK PLAN/BUDGET

d) Office Expenses..... \$107,880

Office expenses include supplies, telephones, garbage, answering service, propane, copy machine and software fees.

	2011 <u>Budget</u>	2011 <u>Projected</u>	2012 <u>Budget Projection</u>	Percent <u>Change</u>
Office Supplies	\$10,208	\$6,804	\$6,800	-0.1%
Telephones	\$9,321	\$13,868	\$13,800	-0.5%
Postage	\$16,500	\$17,651	\$16,500	-6.5%
Garbage	\$2,163	\$2,312	\$2,500	8.1%
Answering Service	\$2,089	\$2,080	\$2,080	0.0%
Propane	\$1,795	\$2,009	\$2,000	-0.46%
Copy Machine & materials	\$11,425	\$14,570	\$15,000	2.9%
Software fees	\$50,000	\$45,000	\$49,200	9.3%
<b>Total</b>	<b>\$103,501</b>	<b>\$104,295</b>	<b>\$107,880</b>	<b>3.44%</b>

e) Civic Expenses..... \$0

Donations in general are targeted to youth. All donations removed from 2012 budget.

	2011 <u>Budget</u>	2011 <u>Projected</u>	2012 <u>Budget Projection</u>	Percent <u>Change</u>
Labor, Transportation, Overhead	\$0	\$0	\$0	0.0%
<b><u>Donations/Civic Expenses:</u></b>				
4-H Auction	\$400	\$400	\$0	-100.0%
Coats for Kids	\$500	\$500	\$0	-100.0%
Methow Valley Education	\$2,000	\$2,000	\$0	-100.0%
Methow Arts Alliance	\$400	\$400	\$0	-100.0%
<b>TOTAL</b>	<b>\$3,300</b>	<b>\$3,300</b>	<b>\$0</b>	<b>-100.0%</b>

**OKANOGAN COUNTY ELECTRIC COOPERATIVE  
2012 WORK PLAN/BUDGET**

**f) Special Services..... \$97,800**

The outside services include auditor, legal services and public outreach. Engineering services will be for payment of a PUD Merger Assessment from a consultant. David is able to fill in the general engineering services that are usually contracted out. Legal services could increase for July 2012 Labor negotiations.

	<u>2011 Budget</u>	<u>2011 Projected</u>	<b>2012 Budget Projection</b>	<u>Percent Change</u>
Audit & Accounting	\$21,650	\$21,650	<b>\$22,180</b>	2.4%
NWPPA Wage Survey	\$620	\$620	<b>\$620</b>	0.0%
Cost of Service Analysis	\$35,000	\$40,000	<b>\$20,000</b>	-50.0%
General Legal	\$15,000	\$92,638	<b>\$35,000</b>	-62.2%
Legal seminar – Attorney	\$0	\$0	<b>\$0</b>	0.0%
Engineering Services	\$28,000	\$29,478	<b>\$20,000</b>	-32.2%
<b>TOTAL</b>	<b>\$100,270</b>	<b>\$184,386</b>	<b>\$97,800</b>	<b>-46.96%</b>

**g) Dues to Affiliate Organizations..... \$15,799**

Membership in associated organizations is beneficial to the Cooperative for many reasons. They provide information on State, Regional, and National issues. They develop educational seminars for board members and employees. They provide a means by which the Cooperative can cooperate with other utilities and community organizations for mutual benefit.

	<u>2011 Budget</u>	<u>2011 Projected</u>	<b>2012 Budget Projection</b>	<u>Percent Change</u>
NRECA	\$5,120	\$5,120	<b>\$5,120</b>	0.00%
WRECA	\$3,476	\$3,476	<b>\$3,476</b>	0.00%
NWPPA	\$3,149	\$3,149	<b>\$3,149</b>	0.00%
Okanogan TV District	\$35	\$35	<b>\$35</b>	0.00%
Winthrop Chamber	\$100	\$100	<b>\$100</b>	0.00%
PPC	\$3,100	\$3,100	<b>\$3,100</b>	0.00%
Clearing Up News Letter	\$563	\$563	<b>\$563</b>	0.00%
QLC (Employee Asst. Program)	\$256	\$256	<b>\$256</b>	0.00%
<b>Total</b>	<b>\$15,799</b>	<b>\$15,799</b>	<b>\$15,799</b>	<b>0.00%</b>

**h) Director's Fees & Expenses..... \$27,720**

The fees and expenses for the monthly board meeting are included in this item. Directors attend meetings and educational programs of associated organizations to keep abreast of current developments. The topic of director fees has come up. The Finance Committee recommends \$100.00 plus mileage for all monthly board meetings and Annual meeting, no pay for special or committee meetings.

	<u>2011 Budget</u>	<u>2011 Projected</u>	<b>2012 Budget Projection</b>	<u>Percent Change</u>
Board Meeting Fees	\$32,000	\$41,511	<b>\$12,720</b>	-69.4%
Meetings & Educational	\$15,000	\$15,000	<b>\$15,000</b>	0.0%
<b>TOTAL</b>	<b>\$47,000</b>	<b>\$56,511</b>	<b>\$27,720</b>	<b>-50.9%</b>

**i) Employee Travel & Education..... \$43,526**

See Appendix C, page 23

	<u>2011 Budget</u>	<u>2011 Projected</u>	<b>2012 Budget Projection</b>	<u>Percent Change</u>
ESCI Safety & Training	\$14,976	\$14,976	<b>\$14,976</b>	0.0%
Apprenticeship Training	\$1,200	\$550	<b>\$6,000</b>	990.9%
QLC	\$750	\$750	<b>\$750</b>	0.0%
Benefits Training	\$0	\$0	<b>\$1,800</b>	1799900%
Education Reimbursement Policy	\$0	\$0	<b>\$10,000</b>	#DIV/0!
NWPPA and Other	\$18,000	\$18,912	<b>\$10,000</b>	-47.1%
<b>TOTAL</b>	<b>\$34,926</b>	<b>\$35,188</b>	<b>\$43,526</b>	<b>23.7%</b>

**j) Maintenance of General Plant..... \$46,000**

This budget item includes the supplies and services needed to maintain and repair the buildings, grounds and equipment. Headquarters and other general plant. Building maintenance includes painting and heating system maintenance. Landscaping and grounds maintenance includes lawn mowing, weed control.

	<u>2011 Budget</u>	<u>2011 Projected</u>	<b>2012 Budget Projection</b>	<u>Percent Change</u>
Grounds Maintenance	\$10,000	\$10,000	<b>\$10,000</b>	0.0%
Janitorial & Building maintenance	\$0	\$4,500	<b>\$18,000</b>	300.0%
Painting	\$0	\$0	<b>\$15,000</b>	14999900.0%
Snow Plowing	\$3,628	\$2,600	<b>\$3,000</b>	15.4%
<b>TOTAL</b>	<b>\$13,628</b>	<b>\$17,100</b>	<b>\$46,000</b>	<b>169.0%</b>

**D. FIXED EXPENSES..... \$776,420**

**1. DEPRECIATION EXPENSE..... \$325,290**

Depreciation expense represents the allocation of the cost of the plant as a deduction against margins over the estimated useful life of the plant. Depreciation expense does not require an outlay of cash because general funds were used at the time the plant was acquired.

	<u>2011 Budget</u>	<u>2011 Projected</u>	<b>2012 Budget Projection</b>	<u>Percent Change</u>
Distribution Plant	\$218,439	\$228,992	<b>\$234,992</b>	2.6%
General Plant	\$79,789	\$90,298	<b>\$90,298</b>	0.0%
<b>Total</b>	<b>\$298,228</b>	<b>\$319,290</b>	<b>\$325,290</b>	<b>1.9%</b>

OKANOGAN COUNTY ELECTRIC COOPERATIVE  
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**2. TAXES - PROPERTY..... \$31,481**

	<u>2011 Budget</u>	<u>2011 Projected</u>	<b>2012 Budget Projection</b>	<u>Percent Change</u>
Property Taxes	\$26,744	\$31,481	\$31,481	0.0%
<b>Total</b>	<b>\$26,744</b>	<b>\$31,481</b>	<b>\$31,481</b>	<b>0.0%</b>

**3. TAXES - OTHER (States Excise)..... \$149,165**

	<u>2011 Budget</u>	<u>2011 Projected</u>	<b>2012 Budget Projection</b>	<u>Percent Change</u>
Washington State Excise Tax	\$146,697	\$149,165	\$149,165	0.0%
<b>Total</b>	<b>\$146,697</b>	<b>\$149,165</b>	<b>\$149,165</b>	<b>0.0%</b>

The Cooperative collects 6.0% tax on all sales within the City of Winthrop which is paid to the city in a form of franchise tax. This is collected as revenue and expensed out showing a zero balance. The cooperative collected approximately \$53,570 in 2010 in taxes for the City of Winthrop through electric energy sales.

**4. INTEREST EXPENSE..... \$270,484**

CFC Interest reflects estimated interest on 2012 loans.

	<u>2011 Budget</u>	<u>2011 Projected</u>	<b>2012 Budget Projection</b>	<u>Percent Change</u>
Property Interest	\$7,500	\$7,000	\$4,572	-34.7%
CFC	\$256,953	\$257,104	\$265,912	3.4%
<b>Total</b>	<b>\$264,453</b>	<b>\$264,104</b>	<b>\$270,484</b>	<b>2.4%</b>

**E. NON-OPERATING MARGINS..... \$47,095**

**1. Interest Income..... \$29,195**

PNGC CTC's reduced from \$242,462.20 to \$138,460.00

	<u>2011 Budget</u>	<u>2011 Projected</u>	<b>2012 Budget Projection</b>	<u>Percent Change</u>
Medicine Wheel	\$5,000	\$5,499	<b>\$4,900</b>	-10.9%
RLF Interest	\$2,806	\$8,200	<b>\$8,000</b>	-2.4%
PNGC & CFC CTC's	\$28,841	\$20,156	<b>\$16,295</b>	-19.2%
<b>Total</b>	<b>\$36,647</b>	<b>\$33,855</b>	<b>\$29,195</b>	<b>-13.8%</b>

**2. Patronage Capital Allocations..... \$17,900**

	<u>2011 Budget</u>	<u>2011 Projected</u>	<b>2012 Budget Projection</b>	<u>Percent Change</u>
CFC	\$23,868	\$17,900	<b>\$17,900</b>	0.00%
<b>Total</b>	<b>\$23,868</b>	<b>\$17,900</b>	<b>\$17,900</b>	<b>0.00%</b>

**3. Other Non-Operating Margins..... \$0**

	<u>2011 Budget</u>	<u>2011 Projected</u>	<b>2012 Budget Projection</b>	<u>Percent Change</u>
Other Non-Operating Margins	\$0	\$0	<b>\$0</b>	0.00%

## 2012 CASH BUDGET SUMMARY

The following cash flow projection shows the changes in cash beginning with margins and adjusting for cash flow items not reflected in margins.

**Beginning Cash and Equivalents - January 1, 2012** **\$ 230,000**

**Sources of Cash:**

Margins – Cash Basis Adjusted	\$453,082
Loan Advances – CFC	\$327,700
System Access Charges	<u>\$24,000</u>
<b>Total Sources of Cash</b>	<b>\$804,782</b>

**Uses of Cash:**

Distribution Plant	\$423,000
Miscellaneous Capital Expenditures	\$28,500
Principal Payment on debt	\$133,164
Yard Expansion Property Payoff	\$115,700
Retirement of Patronage Capital	<u>\$66,806</u>
<b>Total Uses of Cash</b>	<b>\$767,171</b>

Net Increase (Decrease) in Cash \$37,611

**Projected Cash – End of Year** **\$ 267,611**

**SOURCES OF CASH**

1. **ESTIMATED BEGINNING CASH**..... **\$230,000**

This amount has been projected as the Cooperative's January 1, 2012, cash balance available for operations.

2. **MARGINS - CASH BASIS**..... **\$453,082**

Budgeted Margins	\$127,791
Add Back Non-Cash Deductions:	0
Depreciation	<u>\$325,290</u>
Total Cash Basis Margins	<b>\$453,082</b>

3. **LOAN ADVANCES - CFC**..... **\$327,700**

<u>Date of Loan</u>	<u>Amount</u>
When needed	\$327,700

4. **SYSTEM ACCESS CHARGES**..... **\$24,000**

**USES OF CASH**

1. **DISTRIBUTION PLANT IMPROVEMENTS**..... **\$423,000**

A summary of the projected 2012 costs for additions, replacements, and retirements of electric distribution plant is shown below.

**SUMMARY OF COSTS:**

Labor (3,200 hours)	\$180,000
General Overhead	\$15,000
Materials	\$183,000
Vehicles Costs (30,000 miles)	<u>\$45,000</u>
<b>TOTAL</b>	<b>\$423,000</b>

**SCHEDULE OF WORK PLANNED:**

a. Underground primary cable replacement	\$30,000
b. Pole replacements (10)	\$50,000
c. Rebuild of Regulators (3)	\$10,000
d. Transformer Replacements	\$30,000
e. Meter Replacements	\$10,000
f. Goat Crk - 303 & Weeman Bridge carry over Urd Upgrade - Mazama Feeder	\$30,000
g. Wolf Creek Rebuild - 301 Part 1	\$170,000
h. Spare 5 MVA transformer Mazama Feeder	\$68,000
i. 750kva transformer -School Replacement	\$15,000
j. Pole Inspections	<u>\$10,000</u>
<b>TOTAL</b>	<b>\$423,000</b>

**2. OTHER CAPITAL EXPENDITURES..... \$28,500**

Digger Derek \$220,000 will be ordered in 2012 , received and paid for in the 2013 budget. See Appendix B page 22 for 4 year Capital Plan.

Replace Digger Derek	\$0
Engineering Trimble Unit Replacement (GPS)	\$2,500
Front Office Equipment	\$2,500
Fire Wall (IT Security)	\$2,500
Replace Rock Drill	\$6,000
Small Tool Replacement	\$5,000
Radio Narrow banding	\$10,000
<b>TOTAL</b>	<b>\$28,500</b>

**3. PRINCIPLE PAYMENTS ON DEBT..... \$133,164**

This item includes the principal paid on long-term debt and estimated 2012 loan principal.

<b>TOTAL</b>	<b>\$133,164</b>
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**4. PATRONAGE CAPITAL REQUIREMENTS..... \$66,806**

Retire 2% of balance using FIFO Method	\$66,806
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**APPENDIX A**

**SUMMARY OF LIABILITY INSURANCE**

Okanogan County Electric Cooperative has a general liability policy of \$2 million dollars with an umbrella of \$13 million for a total of \$15 million dollars of liability coverage per incident. DOM of \$2 million aggregated for the year. We are in the process of getting quotes for increasing the Director & Manager Liability expected in February of 2012. These costs are spread throughout different accounts in the budget.

	<u>2011 Budget</u>	<u>2011 Projected</u>	<b>2012 Budget Projection</b>	<u>Percent Change</u>
Directors & Manager Liability	\$6,233	\$6,433	<b>\$6,433</b>	0.0%
Property Liability	\$27,171	\$27,230	<b>\$27,230</b>	0.0%
Umbrella	\$14,631	\$12,032	<b>\$12,032</b>	0.0%
<b>TOTAL</b>	<b>\$48,035</b>	<b>\$45,695</b>	<b>\$45,695</b>	0.0%

OKANOGAN COUNTY ELECTRIC COOPERATIVE  
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**APPENDIX B**

**4 YEAR CAPITAL PLAN**

**2013**

Digger Derek	\$220,000
Small Tool Replacement	\$5,000
Wolf Creek Rebuild Part 2	\$100,000
Pole Inspections	\$20,000
Pole Replacements	\$50,000
System Improvements	\$50,000
Transformer Replacements	\$30,000
URD Replacements	\$30,000
Replace Truck #9	\$28,000
TOTAL	\$533,000

**2014**

Small Tool Replacement	\$5,000
Pole Inspections	\$20,000
URD Replacements	\$30,000
Pole Replacements	\$50,000
Ranger 800 4x4	\$24,800
Transformer Replacements	\$30,000
System Improvements	\$150,000
Replace GM Vehicle	\$40,000
Replace Truck #5	\$60,000
TOTAL	\$409,800

**2015**

Small Tool Replacement	\$5,000
Pole Inspections	\$20,000
URD Replacement	\$30,000
System Improvements	\$200,000
Pole Replacements	\$50,000
Transformer Replacements	\$30,000
Replace Truck #2	\$60,000
TOTAL	\$395,000

**2016**

Small Tool Replacement	\$5,000
Pole Inspections	\$20,000
URD Replacement	\$30,000
System Improvements	\$150,000
Pole Replacements	\$50,000
Transformer Replacements	\$30,000
Replace Truck #2	\$180,000
TOTAL	\$465,000

**OKANOGAN COUNTY ELECTRIC COOPERATIVE  
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**APPENDIX C**

**EMPLOYEE TRAVEL, MEETINGS & EDUCATION**

Required safety & training program, one apprentice to Camp Rilea, employee assistance program, Teri to attend benefits training, Mark and Deanna education reimbursement and NWPPA classes.

**Class or Meetings Description**

ESCI Safety & Training	\$14,976
Apprenticeship Training	\$6,000
QCL	\$750
Benefits Training	\$1,800
Education Reimbursement Policy	\$10,000
General Classes	\$10,000
<b>TOTAL</b>	<b><u>\$43,526</u></b>

**BOARD TRAVEL, MEETINGS & EDUCATION**

Cost of Ron & Ardis to attend WRECA meetings, 2 Board Certifications and cost of unplanned meetings attended by board members.

**Class or Meetings Description**

**Cost**

WRECA Meetings	\$3,000
Board Certification (2)	\$6,000
Miscellaneous	\$6,000
<b>TOTAL</b>	<b><u>\$15,000</u></b>