

BOARD OF DIRECTORS MEETING

January 22, 2018 at **3:00 PM**



AGENDA

1. Meeting Called to Order
2. Determination of Quorum
3. Approval of Agenda
4. Approval of Consent Agenda **(Tab 2)**
 - a) Minutes from December 18, 2017
 - b) New Members
 - c) December 2017 – Form 7
 - d) Statement of Operations
 - e) Cash Flow
 - f) Capital Expenditures by Project
 - g) Cap Ex / O&M Labor Distribution
 - h) Revolving Loan Fund
 - i) Power & Service Data
 - j) Outage Report
5. Committee Reports
 - Audit Committee
 - Governance Committee
6. Meetings Attended
 - a) PNGC Monthly Meeting – January 3rd – By Conference Call – David **(Tab 3)**
 - b) Meeting with Auditor – January 19th - Board and Staff
7. Meetings to Attend
 - a) OCEC Nomination Committee – January 26th - David

- b) PNGC Monthly Meeting – February 6th - Portland – David
- c) WRECA Board Meeting and Meeting with State Legislators from 7th and 12th Districts - February 19th and 20th – Olympia – David **(Tab 4)**
- d) WRECA Annual Meeting - June 5 and 6th - Wenatchee

8. General Managers Report (Tab 5)

- 1) Office Update
- 2) Operations Update
- 3) Propane Update

ITEMS OF BUSINESS

- 1) Review of 2017 Balanced Scorecard Goals **(Tab 6)**
- 2) Annual Meeting Member Gift Update
- 3) Appoint Nomination Committee **(Tab 7)**
- 4) Report from the Audit Committee
- 5) Discussion of the Strategy of Using Additional Leverage in Equity Management **(Tab 8)**

MEMBER COMMUNICATIONS

EXECUTIVE SESSION

- 1) Review of Subsidiary 2017 Pre-Audit Financial Results.
- 2) Review of Management 2017 Goals and Development of 2018 Goals
- 3) Discussion of Certain By-laws



BOARD MEETING
December 18, 2017

Present: Curtis Edwards, Ray Peterson, Dale Sekijima, Sara Carlberg, John Kirner and Chuck Armstrong and Alan Watson.

Attending: David Gottula; General Manager, Lynn Northcott; Office Manager/CFO, Tracy McCabe; OCEI Manager, Glenn Huber; Operations Manager and Teri Parker; Office Staff.

Members in Attendance: None

PRELIMINARY

1. MEETING CALLED TO ORDER

President Curtis Edwards called the meeting of the Board of Directors of Okanogan County Electric Cooperative, Inc. (OCEC) to order at 3:00 pm.

2. DETERMINATION OF QUORUM

A quorum was present.

3. APPROVAL OF AGENDA

Agenda approved by Board consensus.

4. APPROVAL OF CONSENT AGENDA ITEMS

Consent Agenda approved by Board consensus.

5. COMMITTEE REPORT

Governance: Capital Credit Discussion.

John Kirner, Governance Committee Chair, led the discussion noting that the main question from the meeting involves the finance committee. Items to consider include:

- Long term and short term payout goals. OCEC is currently at 17-years. Study a long term goal of 25-years rotation for payout.
- What would be the effects of reducing the payout time? What is the fairest scenario for retiring capital credits?

The Board discussed different scenarios and the effects on OCEC's financial stability: borrowing vs. member equity. The board will continue to look at payout scenarios and consider what's best for the cooperative. No changes are suggested at this time.

6. MEETINGS ATTENDED

a. PNGC Monthly Meeting – Dec 6th – Portland - David

Governance issues pertaining to how to implement blended rates were discussed. The PNGC Board asked that members come to the January meeting ready to declare if they are in favor of or opposed to the proposal.

b. D.C Trip with Methow Headwaters – Dec 10th – 14th – (Expenses paid by Methow Headwaters) - David

David reported this was a very positive meeting and the group returned to the Methow with workable results.

c. WRECA Quarterly Board Meeting – Dec 12th – Spokane – Alan Watson

Alan Watson attended as the Alternate Representative. He reported it was an active and interesting meeting. He summarized the results;

- The job description for WRECA CEO will be revised and updated
- At least one larger member is leaving WRECA – the effect of that action would be an increase in membership costs.

Alan noted that an alternate to attend meetings need to be appointed.

Under Items of Business, Item 4 - Director Attendance at Outside Meetings;

Curtis Edwards moved to appoint Sara Carlberg as WRECA Alternate. Seconded.
Motion carried.

7. MEETINGS TO ATTEND

- a. PNGC Monthly Meeting – January 2, 2018 – Portland - David

8. GENERAL MANAGERS REPORT - VERBAL

David gave a report on OCEC margins and finances. He noted the cost of OCEC's breaker for the PUD transmission line is in the proposed PUD 2018 budget. This cost does not need to be in OCEC's long term financial plan. Glenn will see if he can determine if the breaker has been ordered.

In other business, David told the Board that he has officially rotated off the Winthrop Chamber of Commerce after completing his third term as Chamber President.

1. Office Update

Lynn reported the Capital Credit Checks were mailed December 15th and some members have already received them. Capital credits for 1996 and a portion of 1997 were returned to members who had patronage for those years.

2. Operations Update

Glenn Huber reported:

- Capital projects for 2017 are finished and closed.
- The East County Road project is completed.
- Inventory is in progress.
- Tree trimming will be scheduled in January, weather permitting.
- Glenn gave an update on the break-in and security updates.

3. OCEI Propane Update

Tracy reported the crew is still busy with deliveries and service work, she is booking appointments into January. OCEI won the Bid for the Fire District and installed tanks and generators at the departments.

ITEMS OF BUSINESS

1. Approval of 2018 Budget

Items discussed were:

- Rate setting and budget setting processes need to be reviewed and tweaked for accuracy.
- Consider a short-term budget vs. the current long-term budget setting process.
- Value of moving the budget approval to February so actual previous year's numbers can be used in budget setting instead of estimated numbers.
- Define the purpose of OCEC's budget: a guideline tool vs. a tool to govern exact spending.

Also discussed were the Operation and Maintenance spending increase and approval of a new truck purchase in 2018. It was suggested that the board could move to accept line items from the proposed budget or go ahead and approve the capital portion of the budget while waiting for actual, audited numbers to complete and accept the remainder of the 2018 budget.

Alan Watson moved to approve the Capital Budget portion of the 2018 budget, with the remainder of the budget to be put off until the February or March 2018 Board meeting. Seconded. Motion carried.

2. Discussion of Conservation Project

David presented a program for a smart thermostat purchase by members. Ace Hardware will carry the Nest Brand thermostat (qualified by BPA). A member can apply for a \$100.00 - \$125.00 Visa Gift-Card Co-op rebate when the approved smart thermostat is purchased within the set guidelines. Eligibility requirements on the handout will be clarified.

The rebate funds are part of the BPA conservation program and is fully reimbursed by BPA.

3. Write Offs

2017 Write offs totaled \$88.61.

Dale Sekijima moved to capture discounted capital credits and accept the 2017 write offs in the amount of \$88.61. Seconded. Motion carried.

4. Director Attendance at Outside Meetings

Curtis opened the discussion by asking attending Board members if they felt the amount of meetings attended by them was sufficient or if anyone felt they needed to increase attendance to outside meetings such as WRECA, NRECA or PNGC meetings.

The Board discussed the value of various meetings regarding the costs of attending. Board consensus is they are generally satisfied with the number of meetings they attend.

Sara Carlberg noted she would like to attend the WRECA Annual meeting and Chuck Armstrong would like to attend PNGC meetings.

5. Annual Meeting Planning

- a. Confirm date of Monday, April 16, 2018

Sara Carlberg moved to accept Monday, April 16, 2018 as the Annual Meeting date. Seconded. Motion carried.

- b. Brainstorm Possible Program Ideas

Ray Peterson agreed to speak on the Smart Thermostat program.

- c. Brainstorm Ideas for Giveaways to Member, if any

Suggestions included: raffle a thermostat, light bulbs, or a surge suppressor cord with USB ports. Staff will look into costs.

MEMBER COMMUNICATION

No members present.

Meeting adjourned to executive session at 4:36 pm.

EXECUTIVE SESSION

- 1. Personnel Issue**
- 2. Board Self Evaluation**

Alan Watson, Secretary

New Members

January 22, 2018

Reinstate

1.

New Members

- | | |
|------------------------------------|--------|
| 1. LEIGHTON, ALEX & SHANNON | 117174 |
| 2. PACKARD, KENNETH | 117175 |
| 3. MELHORN, CAITLYN & QUINN | 117176 |
| 4. ARDUSSI, SEAN & SAYERS, SUSAN | 117177 |
| 5. MARTENS, MATTHEW & MARLA | 117178 |
| 6. DAMONTE, PIERA & WOLFMAN, SONIA | 117179 |
| 7. VRACIN, WYLIE & VIRGINIA | 117180 |



Pr. Audit

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	Okanogan County Electric Coop Inc
	BORROWER DESIGNATION	WA032
	ENDING DATE	12/31/2017

Submit one electronic copy and one signed hard copy to CFC. Round all numbers to the nearest dollar.

CERTIFICATION	BALANCE CHECK RESULTS	AUTHORIZATION CHOICES
We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.		A. NRECA uses rural electric system data for legislative, regulatory and other purposes. May we provide this report from your system to NRECA?
Signature of Office Manager or Accountant <i>[Signature]</i> Date <i>1/10/18</i>		<input checked="" type="radio"/> YES <input type="radio"/> NO
Signature of Manager <i>[Signature]</i> Date <i>1-10-18</i>		B. Will you authorize CFC to share your data with other cooperatives?
		<input checked="" type="radio"/> YES <input type="radio"/> NO

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR	THIS YEAR	BUDGET	
	(a)	(b)	(c)	
1. Operating Revenue and Patronage Capital	5,369,253	5,863,669	5,261,039	711,517
2. Power Production Expense	0	0	0	0
3. Cost of Purchased Power	2,461,983	2,726,275	2,399,421	339,203
4. Transmission Expense	0	0	0	0
5. Regional Market Operations Expense	0	0	0	0
6. Distribution Expense - Operation	60,501	68,122	64,306	4,535
7. Distribution Expense - Maintenance	461,637	538,686	469,869	33,463
8. Consumer Accounts Expense	340,096	280,954	308,694	22,136
9. Customer Service and Informational Expense	(18,624)	5,046	5,700	514
10. Sales Expense	1,624	1,193	0	(7)
11. Administrative and General Expense	667,756	734,229	671,512	53,436
12. Total Operation & Maintenance Expense (2 thru 11)	3,974,972	4,354,506	3,919,502	453,280
13. Depreciation & Amortization Expense	377,627	370,491	394,680	30,978
14. Tax Expense - Property & Gross Receipts	38,606	43,124	42,858	3,628
15. Tax Expense - Other	168,932	183,405	156,664	22,198
16. Interest on Long-Term Debt	217,879	209,411	223,707	16,507
17. Interest Charged to Construction (Credit)	0	0	0	0
18. Interest Expense - Other	0	0	0	0
19. Other Deductions	0	0	0	0
20. Total Cost of Electric Service (12 thru 19)	4,778,016	5,160,937	4,737,411	526,591
21. Patronage Capital & Operating Margins (1 minus 20)	591,237	702,732	523,628	184,927
22. Non Operating Margins - Interest	10,675	15,531	8,400	3,459
23. Allowance for Funds Used During Construction	0	0	0	0
24. Income (Loss) from Equity Investments	125,872	51,662	17,900	16,240
25. Non Operating Margins - Other	18,000	18,000	0	1,500
26. Generation & Transmission Capital Credits	0	0	0	0
27. Other Capital Credits & Patronage Dividends	0	0	0	0
28. Extraordinary Items	0	0	0	0
29. Patronage Capital or Margins (21 thru 28)	745,783	787,925	549,928	206,126

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR	THIS YEAR		LAST YEAR	THIS YEAR
	(a)	(b)		(a)	(b)
1. New Services Connected	62	72	5. Miles Transmission	0	0
2. Services Retired	3	8	6. Miles Distribution Overhead	301	302
3. Total Services In Place	3,671	3,735	7. Miles Distribution Underground	210	212
4. Idle Services (Exclude Seasonal)	110	105	8. Total Miles Energized (5+6+7)	511	514



NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	Okanogan County
	BORROWER DESIGNATION	WA032
	ENDING DATE	12/31/2017

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	13,390,730	29. Memberships	15,910
2. Construction Work in Progress	418,979	30. Patronage Capital	6,626,172
3. Total Utility Plant (1+2)	13,809,709	31. Operating Margins - Prior Years	745,783
4. Accum. Provision for Depreciation and Amort	4,387,473	32. Operating Margins - Current Year	769,925
5. Net Utility Plant (3-4)	9,422,236	33. Non-Operating Margins	18,000
6. Nonutility Property - Net	0	34. Other Margins & Equities	474,492
7. Investment in Subsidiary Companies	546,240	35. Total Margins & Equities (29 thru 34)	8,650,282
8. Invest. in Assoc. Org. - Patronage Capital	340,254	36. Long-Term Debt CFC (Net)	0
9. Invest. in Assoc. Org. - Other - General Funds	0	37. Long-Term Debt - Other (Net)	3,499,464
10. Invest in Assoc. Org. - Other - Nongeneral Funds	147,383	38. Total Long-Term Debt (36 + 37)	3,499,464
11. Investments in Economic Development Projects	0	39. Obligations Under Capital Leases - Non current	0
12. Other Investments	13,500	40. Accumulated Operating Provisions - Asset Retirement Obligations	0
13. Special Funds	0	41. Total Other Noncurrent Liabilities (39+40)	0
14. Total Other Property & Investments (6 thru 13)	1,047,377	42. Notes Payable	0
15. Cash-General Funds	570,393	43. Accounts Payable	464,388
16. Cash-Construction Funds-Trustee	0	44. Consumers Deposits	148,527
17. Special Deposits	100,241	45. Current Maturities Long-Term Debt	0
18. Temporary Investments	138,460	46. Current Maturities Long-Term Debt-Economic Dev.	0
19. Notes Receivable - Net	0	47. Current Maturities Capital Leases	0
20. Accounts Receivable - Net Sales of Energy	736,929	48. Other Current & Accrued Liabilities	268,372
21. Accounts Receivable - Net Other	767,368	49. Total Current & Accrued Liabilities (42 thru 48)	881,288
22. Renewable Energy Credits	0	50. Deferred Credits	0
23. Materials & Supplies - Electric and Other	247,065	51. Total Liabilities & Other Credits (35+38+41+49+50)	13,031,034
24. Prepayments	0	ESTIMATED CONTRIBUTION-IN-AID-OF-CONSTRUCTION	
25. Other Current & Accrued Assets	966	Balance Beginning of Year	0
26. Total Current & Accrued Assets (15 thru 25)	2,561,421	Amounts Received This Year (Net)	445,993
27. Deferred Debits	(0)	TOTAL Contributions-In-Aid-Of-Construction	445,993
28. Total Assets & Other Debits (5+14+26+27)	13,031,034		

PART D. THE SPACE BELOW IS PROVIDED FOR IMPORTANT NOTES REGARDING THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT.

OKANOGAN COUNTY ELECTRIC COOPERATIVE, INC.

STATEMENT OF OPERATIONS

December 31, 2017

	ANNUAL BUDGET	Y-T-D BUDGET	Y-T-D ACTUAL	MONTH BUDGET	MONTH ACTUAL
OPERATING REVENUE	\$5,261,039	\$5,261,039	\$5,863,669	\$613,486	\$711,517
COST OF POWER	\$2,399,421	\$2,399,421	\$2,726,275	\$292,421	\$339,203
GROSS MARGINS	\$2,861,618	\$2,861,618	\$3,137,394	\$321,065	\$372,314
OPERATING EXPENSES:					
DISTRIBUTION OPERATIONS	\$64,306	\$64,306	\$68,122	\$5,947	\$4,535
DISTRIBUTION MAINTENANCE	\$469,869	\$469,869	\$538,686	\$39,215	\$33,463
CONSUMER ACCOUNTING	\$308,694	\$308,694	\$280,954	\$24,735	\$22,136
CONSUMER SERVICE & INFO	\$5,700	\$5,700	\$5,046	\$362	\$514
SALES EXPENSE	\$0	\$0	\$1,193	\$0	-\$7
ADMIN & GENERAL	\$671,512	\$671,512	\$734,229	\$43,628	\$53,436
TOTAL OPERATING EXPENSES	\$1,520,081	\$1,520,081	\$1,628,231	\$113,887	\$114,077
FIXED EXPENSES:					
DEPRECIATION	\$394,680	\$394,680	\$370,491	\$32,890	\$30,978
TAXES-PROPERTY	\$42,858	\$42,858	\$43,124	\$3,566	\$3,628
TAXES-OTHER	\$156,663	\$156,663	\$183,405	\$13,059	\$22,198
INTEREST	\$223,707	\$223,707	\$209,411	\$18,394	\$16,507
OTHER DEDUCTIONS	\$0	\$0	\$0	\$0	\$0
TOTAL FIXED EXPENSES	\$817,908	\$817,908	\$806,432	\$67,909	\$73,311
TOTAL EXPENSES	\$2,337,989	\$2,337,989	\$2,434,662	\$181,796	\$187,388
OPERATING MARGINS	\$523,630	\$523,630	\$702,732	\$139,269	\$184,926
NONOPERATING MARGINS:					
INTEREST	\$8,400	\$8,400	\$15,531	\$700	\$3,459
OTHER	\$17,900	\$17,900	\$69,662	\$17,900	\$17,740
NET MARGINS	\$549,930	\$549,930	\$787,925	\$157,869	\$206,126
T.I.E.R.	3.46	3.46	4.76	9.58	13.49

Okanogan County Electric Cooperative Inc

Budget Year: 2017

[Go to Home Worksheet](#)

	Nov - Dec 2016	Budget year Jan - Dec 2017	Actual January	Actual February	Actual March	Actual April	Actual May	Actual June	Actual July	Actual August	Actual September	Actual October	Actual November	Actual December
Patronage Capital or Margins	\$240,145	\$549,930	\$82,696	\$61,156	\$49,912	\$8,530	\$40,048	(\$15,341)	\$43,244	\$37,868	\$58,718	\$59,206	\$155,764	\$206,126
Plus Depreciation Expense	\$65,780	\$394,680	\$30,756	\$30,688	\$30,636	\$30,633	\$30,869	\$30,785	\$30,800	\$30,823	\$31,272	\$31,134	\$31,117	\$30,978
Less Capital Credit Allocations	\$0	\$0	(\$811)	(\$1,308)	(\$1,817)	(\$174)	\$0	\$120	(\$357)	(\$1,264)	(\$404)	\$0	\$0	(\$160,870)
Plus FAS 158 Amortization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total (Funds From Operations)	\$305,925	\$944,610	\$112,641	\$90,536	\$78,731	\$38,989	\$70,917	\$15,563	\$73,687	\$67,427	\$89,586	\$90,341	\$186,881	\$76,233
Cash Construction Funds - Trustee	\$0	\$0												
Special Deposit	(\$11,817)	(\$5,898)	\$28,092	\$26,169	(\$6,838)	(\$6,275)	(\$5,310)	(\$6,117)	(\$6,033)	(\$5,200)	(\$5,616)	(\$5,117)	\$90,294	(\$7,742)
Temporary Investment	\$0	\$0												
Accounts Receivable - Sale of Energy (Net)	(\$217,781)	(\$17,342)	(\$136,089)	\$119,737	\$132,898	\$77,438	\$84,421	\$5,441	(\$28,441)	\$12,070	(\$4,032)	(\$19,940)	(\$93,079)	(\$210,852)
Accounts Receivable - Other (Net)	\$13,793	\$89,260	(\$26,580)	(\$25,250)	\$7,948	\$7,408	\$6,308	\$7,363	\$6,967	(\$346,919)	\$10,448	\$6,165	(\$89,252)	(\$17,446)
Regulatory Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Deferred Debits	(\$1)	\$0	\$0	(\$6,376)	(\$17,487)	(\$6,807)	(\$2,602)	\$3,436	\$3,601	\$10,478	\$15,757	(\$0)	(\$51)	\$51
Prepayments	\$6,226	\$0	(\$34,843)	\$3,167	\$3,168	\$3,168	\$3,167	\$3,168	\$3,167	\$3,168	\$3,167	\$3,168	\$3,167	\$3,168
Other Current & Accrued Asset	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(Increase)/Decrease in Operating Assets	(\$209,580)	\$66,020	(\$169,420)	\$117,447	\$119,689	\$74,932	\$85,984	\$13,291	(\$20,739)	(\$326,403)	\$19,724	(\$15,724)	(\$88,921)	(\$232,821)
Notes Payable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accounts Payable	\$295,905	\$6,499	\$100,209	(\$142,160)	(\$87,777)	(\$16,645)	(\$6,740)	(\$59,829)	\$60,830	(\$9,402)	\$18,327	\$7,776	(\$24,144)	\$166,217
Accumulated Operating Provisions	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Regulatory Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Deferred Credits	\$0	\$0	\$45,575	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Current and Accrued Liabilities	(\$35,187)	\$0	\$32,077	\$38,279	(\$17,441)	(\$18,454)	\$25,690	(\$31,942)	\$13,167	\$35,980	(\$40,963)	(\$43,503)	\$31,808	(\$41,673)
Increase/(Decrease) in Operating Liabilities	\$260,718	\$6,499	\$177,862	(\$103,881)	(\$105,218)	(\$35,099)	\$18,950	(\$91,771)	\$73,997	\$26,578	(\$22,636)	(\$35,726)	\$7,664	\$124,544
CASH FROM OPERATING ACTIVITIES	\$357,064	\$1,017,129	\$121,083	\$104,102	\$93,202	\$78,822	\$175,851	(\$62,917)	\$126,945	(\$232,398)	\$86,674	\$38,890	\$105,624	(\$32,044)
INVESTMENT ACTIVITIES														
Total Utility Plant	(\$75,000)	(\$900,456)	(\$35,538)	\$0	(\$1,125)	\$0	(\$110,155)	\$16,140	(\$23,769)	(\$11,123)	(\$88,082)	(\$33,251)	\$36,768	\$3,654
Cost to Retire Utility Plant	\$0	\$0	(\$611)	\$8,258	\$7,077	\$5,833	\$5,446	\$6,747	\$5,351	\$5,488	(\$21,704)	(\$5,173)	(\$2,296)	(\$20,088)
Construction Work-in-Progress	(\$7,000)	\$0	(\$4,149)	(\$8,107)	(\$11,080)	(\$54,435)	(\$17,589)	(\$61,759)	(\$66,933)	(\$116,216)	(\$62,037)	(\$42,563)	(\$148,489)	(\$76,918)
Contributions in aid of construction (CIAC)	\$0	\$220,532	\$5,136	\$900	\$823	\$46,525	\$66,033	\$77,695	\$39,474	\$45,398	\$46,351	\$60,089	\$60,582	(\$3,013)
Total Other Property and Investments	(\$30,000)	\$0	\$0	\$0	(\$3,930)	\$0	\$0	\$0	\$0	\$0	(\$13,765)	\$0	\$0	(\$14,435)
Materials & Supplies - Electric and Other	(\$25,000)	\$0	(\$903)	(\$2,346)	\$3,609	(\$2,276)	(\$50,494)	\$7,238	\$2,531	\$15,246	\$10,102	\$786	\$835	\$40,912
Notes Receivable (Net)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CASH FROM INVESTMENT ACTIVITIES	(\$137,000)	(\$679,924)	(\$36,065)	(\$1,295)	(\$4,626)	(\$4,353)	(\$106,759)	\$46,061	(\$43,346)	(\$61,207)	(\$129,135)	(\$20,111)	(\$52,600)	(\$69,887)
FINANCING ACTIVITIES														
Margins & Equities	(\$185,749)	(\$169,000)												\$0
LT Debt - Additional Debt		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
LT Debt - Debt Service Payment		(\$136,470)	\$0	\$0	(\$33,444)	\$0	\$0	(\$33,931)	\$0	(\$15,613)	(\$31,356)	\$0	\$0	(\$31,833)
LT Debt - Other		\$0										\$0	\$0	
Total LT Debt	(\$32,949)	(\$136,470)	\$0	(\$33,444)	(\$33,444)	(\$33,931)	(\$33,931)	(\$15,613)	(\$31,356)	(\$15,613)	(\$31,356)	\$0	\$0	(\$31,833)
LT Debt - Payments Unapplied	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
LT Debt - Current maturities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Consumer Membership	\$0	\$0	\$5	\$20	\$0	\$25	\$25	\$60	\$40	\$0	\$0	\$75	\$50	\$0
Consumers Deposits	\$0	\$0	(\$600)	(\$250)	\$800	\$850	\$850	\$2,250	\$3,350	(\$300)	\$1,500	\$5,050	\$1,800	(\$350)
CASH FROM FINANCING ACTIVITIES	(\$218,698)	(\$305,470)	(\$595)	(\$230)	(\$32,644)	\$875	\$875	(\$31,621)	\$3,390	(\$15,913)	(\$29,856)	\$5,125	\$1,850	(\$32,183)
CASH FROM ALL ACTIVITIES	\$1,366	\$31,734	\$84,423	\$102,577	\$55,932	\$75,344	\$69,967	(\$48,477)	\$86,989	(\$309,518)	(\$72,317)	\$23,905	\$54,874	(\$134,113)
TOTAL CASH BEGINNING OF PERIOD	\$641,756	\$643,122	\$580,809	\$665,232	\$767,809	\$823,741	\$899,085	\$969,051	\$920,574	\$1,007,564	\$698,046	\$625,728	\$649,633	\$704,507
TOTAL CASH END OF PERIOD	\$643,122	\$674,856	\$665,232	\$767,809	\$823,741	\$899,085	\$969,051	\$920,574	\$1,007,564	\$698,046	\$625,728	\$649,633	\$704,507	\$570,393

Okanogan County Electric Cooperative Inc
 Capital Expenditures by Project
 Dec-17

	Actual	Current Month Budget	Variance	Actual	Year to Date Budget	Variance	Annual Budget	Annual Balance
Member Requested Facilities	12,759.95	11,292.00	(1,467.95)	302,518.41	180,764.00	(121,754.41)	180,764.00	(121,754.41)
Replacements (Pole and Transformers)	26,036.50	5,127.00	(20,909.50)	208,572.83	136,764.00	(71,808.83)	136,764.00	(71,808.83)
Consultants	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Replace 1975' of URD at Stud Horse	0.00	0.00	0.00	26,050.35	58,133.00	32,082.65	58,133.00	32,082.65
Replace 2000' of URD at Edelweiss	0.00	0.00	0.00	1,853.67	88,555.00	86,701.33	88,555.00	86,701.33
Upgrade Bear Creek Rd	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Metering Projects-Upgrades	0.00	0.00	0.00	11,814.53	10,000.00	(1,814.53)	10,000.00	(1,814.53)
Misc URD/OH Replacement Projects	55,734.43	9,512.00	(46,222.43)	151,647.23	71,296.00	(80,351.23)	71,296.00	(80,351.23)
Pole Inspections	0.00	0.00	0.00	13,104.75	10,000.00	(3,104.75)	10,000.00	(3,104.75)
Fire Retardant/Treatment on Poles	0.00	0.00	0.00	9,122.86	19,345.00	10,222.14	19,345.00	10,222.14
New Transformer Rack System	0.00	0.00	0.00	12,700.96	15,000.00	2,299.04	15,000.00	2,299.04
Redo Asphalt in front & back, fix drain	0.00	0.00	0.00	0.00	25,000.00	25,000.00	25,000.00	25,000.00
Replace Sub/Sun Mt Regulator	0.00	0.00	0.00	51,059.01	75,518.00	24,458.99	75,518.00	24,458.99
Misc Tools	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Storms	0.00	0.00	0.00	21,379.68	0.00	(21,379.68)	0.00	(21,379.68)
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
subtotal	94,530.88	25,931.00	(68,599.88)	809,824.28	690,375.00	(119,449.28)	690,375.00	(119,449.28)
Less Regulators Directly Capitalized	0.00			(45,176.64)				
subtotal	94,530.88			764,647.64				
Un Allocated Overhead	0.00			0.00	0.00	0.00		
Member CIAC	CIAC	3,013.00	(11,292.00)	14,305.00	* (456,184.55)	(180,764.00)	(275,420.55)	(220,532.00) 235,652.55
Total less CIAC		97,543.88		308,463.09				

* \$10,359.65 holding in CIAC 12/31/17

Meters Purchases	0.00	0.00	0.00	2,213.93	20,000.00	17,786.07	20,000.00	17,786.07
Computers & Software Upgrades	0.00	0.00	0.00	7,160.10	20,000.00	12,839.90	20,000.00	12,839.90
Transformers Purchases	0.00	0.00	0.00	70,046.64	60,000.00	(10,046.64)	60,000.00	(10,046.64)
Vehicle Replacement	0.00	0.00	0.00	32,906.72	35,000.00	2,093.28	35,000.00	2,093.28
Total	97,543.88	14,639.00		420,790.48	624,611.00		135,000.00	22,672.61

Total Capital Budget less CIAC

604,843.00 184,052.52

* Note

	Line Crew Direct Labor	Materials	107.25 Labor	Consultants Contractors	Transportation	Benefits	Total	
January	647.53	0.00	1,000.00	0.00	637.74	559.90	2,845.17	
February	135.71	0.00	300.00	0.00	155.52	103.30	694.53	
March	992.19	3,720.45	1,000.00	0.00	0.00	616.54	6,329.18	
April	3,342.34	945.94	4,543.40	35,566.42	1,186.36	2,366.82	47,951.28	
May	10,566.45	6,099.02	10,500.00	15,037.62	4,590.00	6,396.71	53,189.80	
June	10,337.30	10,852.17	15,000.00	2,802.89	3,921.85	6,982.64	49,896.85	
July	11,850.46	9,848.32	20,000.00	0.00	11,499.35	11,320.12	64,518.25	
August	17,567.63	31,130.57	30,100.00	10,000.00	18,517.08	11,316.08	118,631.36	
September	20,164.20	15,691.27	28,909.44	27,349.74	20,604.60	15,663.18	128,382.43	
October	19,585.66	5,399.22	20,000.00	9,721.00	9,989.10	12,403.12	77,098.10	
November	16,023.11	51,665.12	27,564.38	0.00	10,642.95	14,414.25	120,309.81	
December	10,259.40	52,503.74	9,243.76	0.00	13,205.66	9,318.32	94,530.88	
	121,471.98	187,855.82	168,160.98	100,477.67	94,950.21	0.00	91,460.98	764,377.64

* Note: 107.25 is Capitalized Labor that includes: cost estimates, line staking, development & research for construction projects that no work order has been established. Along with Stores account 163.00 material stocking.

CApEx/O&M Labor Distribution

Labor is split between Capital and O&M based on work performed. The following is a comparison between how labor was split.

1) YTD Actual 2017 2) YTD Budget 2017 3) YTD Actual 2016

Labor Capitalized	Capitalization in Percentage													YTD
	Jan	Feb	March	April	May	June	July	August	September	October	November	December		
2017 Actual	1%	1%	2%	8%	22%	29%	35%	49%	55%	41%	43%	12%	25%	
2017 Budget	17%	20%	14%	42%	40%	43%	40%	37%	35%	14%	23%	15%	28%	
2016 Actual	19%	19%	36%	30%	31%	29%	30%	32%	35%	31%	27%	18%	28%	

Capitalization in Dollars	Capitalization in Dollars													YTD
	Jan	Feb	March	April	May	June	July	August	September	October	November	December		
2017 Work Order Actual	\$ 1,648	\$ 436	\$ 1,992	\$ 6,742	\$ 21,066	\$ 25,337	\$ 31,850	\$ 47,668	\$ 49,075	\$ 39,586	\$ 39,459	\$ 10,259	\$ 275,119	
2017 Budget	\$ 16,093	\$ 18,820	\$ 13,638	\$ 39,277	\$ 38,186	\$ 40,368	\$ 38,186	\$ 34,913	\$ 30,248	\$ 13,479	\$ 21,722	\$ 14,065	\$ 318,995	
2016 Actual	\$ 16,051	\$ 20,637	\$ 31,092	\$ 25,140	\$ 26,931	\$ 25,897	\$ 25,820	\$ 29,336	\$ 30,622	\$ 27,649	\$ 23,950	\$ 15,733	\$ 298,858	

O&M Labor Expensed	O&M Expense in Percentage													YTD
	Jan	Feb	March	April	May	June	July	August	September	October	November	December		
2017 Actual	99%	99%	98%	92%	78%	71%	65%	51%	45%	59%	77%	88%	77%	
2017 Budget	83%	80%	86%	58%	60%	57%	60%	63%	65%	86%	77%	85%	72%	
2016 Actual	81%	81%	64%	70%	69%	71%	70%	68%	65%	69%	73%	82%	72%	

O&M Labor Expensed	O&M Expense in Dollars													YTD
	Jan	Feb	March	April	May	June	July	August	September	October	November	December		
2017 Actual	\$ 125,143	\$ 82,097	\$ 88,798	\$ 77,316	\$ 74,643	\$ 60,689	\$ 58,310	\$ 48,695	\$ 39,823	\$ 56,821	\$ 52,041	\$ 77,734	\$ 842,110	
2017 Budget	\$ 69,894	\$ 61,615	\$ 115,323	\$ 41,779	\$ 49,676	\$ 45,028	\$ 46,403	\$ 56,541	\$ 56,176	\$ 82,800	\$ 72,722	\$ 79,700	\$ 777,657	
2016 Actual	\$ 70,627	\$ 88,693	\$ 65,442	\$ 59,103	\$ 60,821	\$ 61,964	\$ 59,896	\$ 62,285	\$ 55,779	\$ 61,864	\$ 63,203	\$ 71,491	\$ 781,167	

Total Labor YTD	2017	\$ 126,790	\$ 82,533	\$ 90,790	\$ 84,058	\$ 95,709	\$ 86,026	\$ 90,161	\$ 96,363	\$ 88,898	\$ 96,407	\$ 91,500	\$ 87,993	\$ 1,117,229
Total Labor YTD	2016	\$ 86,678	\$ 109,330	\$ 96,534	\$ 84,243	\$ 87,752	\$ 87,860	\$ 85,716	\$ 91,620	\$ 86,401	\$ 89,514	\$ 87,153	\$ 87,224	\$ 1,080,025

Notes:

Labor Capitalization has been 17% less than budgeted (\$115,526.02). Tree trimming is the O&M Labor along with training Expense.

"Management Internship, E&O Conference, Leadership Skills Classes #2 & #4, Specialty Engineering Training, Regulator School"

**OKANOGAN COUNTY ELECTRIC COOPERATIVE INC
REVOLVING LOAN FUND #1
MONTHLY REPORT**

**For the Month Ending
December 31, 2017**

Beginning RLF Balance		\$47,620.32
LOUP LOUP SKI ED FOUNDATION LOAN #2		
PAYOFF AUGUST 01, 2019	MONTH	TO DATE
PAYMENTS RECEIVED	\$425.00	\$45,150.36
ADMINISTRATIVE FEE (1%)	\$8.33	\$2,650.02
PRINCIPLE PAYMENT TO LOAN	\$416.67	\$42,500.33
ORIGINAL AMOUNT OF LOAN		\$50,000.00
BALANCE REMAINING ON LOANS		\$7,499.67
LOUP LOUP SKI ED FOUNDATION LOAN #3		
PAYOFF OCTOBER 01, 2024	MONTH	TO DATE
PAYMENTS RECEIVED	\$445.83	\$17,620.83
ADMINISTRATIVE FEE (1%)	\$29.16	\$1,370.70
PRINCIPLE PAYMENT TO LOAN	\$416.67	\$16,250.13
ORIGINAL AMOUNT OF LOAN		\$50,000.00
BALANCE REMAINING ON LOANS		\$33,749.87
TOWN OF TWISP		
PAYOFF AUGUST 01, 2019	MONTH	TO DATE
PAYMENTS RECEIVED	\$79.05	\$6,978.79
ADMINISTRATIVE FEE (1%)	\$2.30	\$453.74
PRINCIPLE PAYMENT TO LOAN	\$76.75	\$6,523.51
ORIGINAL AMOUNT OF LOAN		\$9,210.00
BALANCE REMAINING ON LOANS		\$2,686.49
MVSTA LOAN #2		
PAYOFF JULY 01, 2022	MONTH	TO DATE
PAYMENTS RECEIVED	\$875.00	\$60,979.72
ADMINISTRATIVE FEE (1%)	\$41.67	\$4,313.28
PRINCIPLE PAYMENT TO LOAN	\$833.33	\$55,833.11
ORIGINAL AMOUNT OF LOAN		\$100,000.00
BALANCE REMAINING ON LOANS		\$44,166.89
MEDICINE WHEEL WEB DESIGN		
PAYOFF OCTOBER 01, 2024	MONTH	TO DATE
PAYMENTS RECEIVED	\$510.00	\$20,240.00
ADMINISTRATIVE FEE (1%)	\$10.00	\$750.00
PRINCIPLE PAYMENT TO LOAN	\$500.00	\$19,500.00
ORIGINAL AMOUNT OF LOAN		\$30,000.00
BALANCE REMAINING ON LOANS		\$10,500.00
TOWN OF WINTHROP		
PAYOFF NOVEMBER 01, 2027	MONTH	TO DATE
PAYMENTS RECEIVED	\$870.83	\$870.83
ADMINISTRATIVE FEE (1%)	\$79.17	\$79.17
PRINCIPLE PAYMENT TO LOAN	\$791.67	\$791.67
ORIGINAL AMOUNT OF LOAN		\$95,000.00
BALANCE REMAINING ON LOANS		\$94,208.33
TOTAL BALANCE REMAINING ON LOANS		\$192,811.25
ENDING RLF BALANCE		\$51,988.75

OKANOGAN COUNTY ELECTRIC COOPERATIVE INC

REVOLVING LOAN FUND #2

MONTHLY REPORT

**For the Month Ending
December 31, 2017**

Beginning RLF Balance		\$44,878.95
AERO RESCUE		
PAYOFF NOVEMBER 01, 2020	MONTH	TO DATE
PAYMENTS RECEIVED	\$2,060.00	\$183,880.00
ADMINISTRATIVE FEE (1%)	\$60.00	\$11,880.00
PRINCIPLE PAYMENT TO LOAN	\$2,000.00	\$172,000.00
ORIGINAL AMOUNT OF LOAN		\$240,000.00
BALANCE REMAINING ON LOANS		\$68,000.00
TOWN OF WINTHROP LOAN #2		
PAYOFF JUNE 01, 2022	MONTH	TO DATE
PAYMENTS RECEIVED	\$179.37	\$12,146.10
ADMINISTRATIVE FEE (1%)	\$8.54	\$871.32
PRINCIPLE PAYMENT TO LOAN	\$170.83	\$11,274.78
ORIGINAL AMOUNT OF LOAN		\$20,500.00
BALANCE REMAINING ON LOANS		\$9,225.22
MVSTA LOAN #3		
PAYOFF OCTOBER 01, 2024	MONTH	TO DATE
PAYMENTS RECEIVED	\$630.00	\$24,608.73
ADMINISTRATIVE FEE (1%)	\$46.67	\$2,024.18
PRINCIPLE PAYMENT TO LOAN	\$583.33	\$22,749.87
ORIGINAL AMOUNT OF LOAN		\$70,000.00
BALANCE REMAINING ON LOANS		\$47,250.13
PINETOOTH CREATIVE		
PAYOFF July 01, 2026	MONTH	TO DATE
PAYMENTS RECEIVED	\$84.25	\$1,444.01
ADMINISTRATIVE FEE (1%)	\$6.96	\$129.10
PRINCIPLE PAYMENT TO LOAN	\$77.29	\$1,314.91
ORIGINAL AMOUNT OF LOAN		\$9,275.00
BALANCE REMAINING ON LOANS		\$7,960.09
EQPD		
PAYOFF February 01, 2027	MONTH	TO DATE
PAYMENTS RECEIVED	\$297.92	\$2,979.20
ADMINISTRATIVE FEE (1%)	\$27.08	\$270.82
PRINCIPLE PAYMENT TO LOAN	\$270.84	\$2,708.38
ORIGINAL AMOUNT OF LOAN		\$32,500.00
BALANCE REMAINING ON LOANS		\$29,791.62
Little Star Montessorri School		
PAYOFF February 01, 2027	MONTH	TO DATE
PAYMENTS RECEIVED	\$297.92	\$3,277.12
ADMINISTRATIVE FEE (1%)	\$27.09	\$297.99
PRINCIPLE PAYMENT TO LOAN	\$270.83	\$2,979.13
ORIGINAL AMOUNT OF LOAN		\$32,500.00
BALANCE REMAINING ON LOANS		\$29,520.87
ENDING RLF BALANCE		\$48,252.07

OKANOGAN COUNTY ELECTRIC COOPERATIVE, INC.

POWER & SERVICE DATA
December-17

	September 2017	October 2017	November 2017	December 2017	December 2016
POWER DATA:					
COST OF POWER	\$187,040	\$199,417	\$184,186	\$339,203	\$354,871
KWH PURCHASED	3,574,580	4,617,495	6,039,500	8,870,180	9,195,205
KWH SOLD & OCEC USE	3,383,268	4,255,720	5,526,863	8,348,306	8,659,163
KWH LOST	191,312	361,775	512,637	521,874	536,042
LINE LOSS %	5.35%	7.83%	8.49%	5.88%	5.83%
COST PER KWH	\$0.0523	\$0.0432	\$0.0305	\$0.0382	\$0.0386
BILLING DATA:					
ACCOUNTS BILLED	3,715	3,729	3,545	3,537	3,474
AVG. KWH/CONSUMER	911	1,141	1,559	2,360	2,493
BILLING REVENUE	\$366,793	\$425,706	\$510,769	\$708,947	\$727,739
AVERAGE BILL	\$98.73	\$114.16	\$144.08	\$200.44	\$209.48
REVENUE/KWH SOLD	\$0.1084	\$0.1000	\$0.0924	\$0.0849	\$0.0840
SERVICE DATA:					
NEW	10	9	11	4	1
RETIRED	1	0	0	4	1
TOTAL END OF MONTH	3715	3724	3735	3735	3671
IDLE SERVICES	105	105	105	105	110
TRANSPORTATION:					
TOTAL MILES	5,681	6,465	5,824	4,659	4,792
COST OF OPERATION	\$16,127	\$19,785	\$18,906	\$21,429	\$22,472
AVG. COST PER MILE	\$2.839	\$3.060	\$3.246	\$4.599	\$4.689
MATERIALS:					
ISSUES	\$14,873	\$3,759	\$31,710	\$55,335	\$1,859
INVENTORY	\$289,598	\$288,812	\$287,977	\$247,065	\$272,305

OCEC 2017 Outage
Summary

Substation	Power Supply Int.	Major	Planned Int.	All Other Int.	Feeder Total Hours Out	% of Total	Total # of Meters	# of Meters w/ outage	SAIDI	SAIFI	CAIDI
Winthrop Substation (1)	-	-	-	12,859	1,613	48.9%	2958	6682	0.545	2.259	1.924
Feeder 1 = Chewuch	-	-	-	1,672	1,672	50.7%	590	885	2.834	1.500	1.889
Feeder 2 = Mazama	-	-	-	6,672	6,672	202.4%	941	3558	7.091	3.781	1.875
Feeder 3 = Sun Mtn	-	-	-	2,805	2,805	85.1%	746	1437	3.760	1.926	1.952
Feeder 4 = Winthrop	-	-	-	1,710	1,710	51.9%	681	802	2.511	1.178	2.132
Twisp Substation (2)	-	-	-	1,684	1,684	51.1%	614	1041	2.743	1.695	1.618
Feeder 1 = Airport	-	-	-	24	24	0.7%	28	28	0.867	1.000	0.867
Feeder 2 = Loup	-	-	-	207	207	6.3%	194	121	1.066	0.624	1.710
Feeder 3 = Twisp	-	-	-	1,453	1,453	44.1%	392	892	3.707	2.276	1.629
Totals					3,297		3572	7723	0.923	2.162	1.88
CFC Summary	-	-	-	244.29							

SAIDI = Defined as sum of customer interruption durations divided by the total # of customers served
SAIFI = Defined as total number of customers interrupted divided by the total numbers of customers served
CAIDI = Defined as the average amount of time that a customer is without power for a typical interruption
ASAI = Total minutes during reported time frame divided by total minutes power was available

NUMBER OF OUTAGES = 97

Interruption: a loss of electricity for any period longer than 5 minutes
Power supply interruption: any interruption originating from the transmission system, sub-transmission system, or the substation regardless of ownership
Planned interruption: any interruption scheduled by the distribution system to safely perform routine maintenance
All other interruptions: all excluding power supply, major event, and those that are planned

Major Event: an interruption or group of interruptions caused by conditions that exceed the design & operational limits of a system. (IEEE 1366-2003 / RUS 1730a - Exhibit E).

OCEC 2017 Outage
Summary By Cause

SUMMARY BY CAUSE														
POWER SUPPLY	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	
LARGE SCALE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OK PUD	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OCEC SUB	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PLANNED													TOTAL	
CONSTRUCTION	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MAINTENANCE	-	-	-	-	-	-	-	-	-	-	38	-	-	38
OTHER PLANNED	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EQUIPMENT OR INSTALLATION DESIGN													TOTAL	
MATERIAL OR EQUIP FAILURE	-	-	-	1	17	-	40	2,360	-	52	574	381	-	3,426
INSTALLATION FAULT	-	-	-	-	-	-	1	-	-	3	-	-	-	4
CONDUCTOR SAG OR INADEGUATE CLEARANCE	-	-	-	-	-	-	45	-	-	-	-	-	-	45
OVERLOAD	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MISCOORDINATION OF PROTECTION DEVICES	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHER EQUIPMENT INSTALLATION / DESIGN	-	-	-	-	-	-	-	-	-	-	39	-	-	39
MAINTENANCE													TOTAL	
DECAY / AGE OF MATERIAL / EQUIP	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORROSION / ABRASION OR MATERIAL / EQUIPMENT	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TREE GROWTH	-	-	-	-	-	-	-	-	-	2	-	-	-	2
TREE FAILURE FROM OVERHAND OR DEAD TREE WITHOUT	-	-	-	-	-	-	942	-	-	-	-	-	-	942
TREES WITH ICE / SNOW	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CONTAMINATION (LEAKING / EXTERNAL)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MOISTURE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OCEC CREW CUTS TREE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MAINTENANCE, OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WEATHER													TOTAL	
LIGHTNING	-	-	-	-	0	57	-	-	-	-	-	-	-	57
WIND NOT TREE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ICE, SLEET, FROST, NOT TREE	10	-	24	-	-	-	-	-	-	6	69	41	-	151
FLOOD	-	-	-	-	83	-	-	-	-	-	-	-	-	83
WEATHER OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ANIMALS													TOTAL	
SMALL ANIMAL / BIRD	-	-	-	-	-	-	1	0	10	-	-	-	-	12
LARGE ANIMAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ANIMAL DAMAGE - GNAW OR BORE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ANIMAL , OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-	-

OCEC 2017 Outage
Summary By Cause

SUMMARY BY CAUSE														
PUBLIC													TOTAL	
CUSTOMER CAUSED	-	-	-	7,813	-	-	-	-	-	-	-	-	-	7,813
MOTOR VEHICLE	-	-	-	-	-	-	-	-	-	208	24	-	-	232
AIRCRAFT	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FIRE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PUBLIC CUTS TREE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VANDALISM	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SWITCHING ERROR OR CAUSED BY CONSTRUCTION / MAINTENANCE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PUBLIC, OTHER	-	-	-	-	-	-	-	-	-	-	-	5	-	5
OTHER													TOTAL	
OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNKNOWN													TOTAL	
CAUSE UNKNOWN	2	31	1,343	100	56	4	36	75	39	10	-	-	-	1,696

****Cause listing shows total number of HOURS for all members out of power:
(minutes of outage * number of members effected)/60**

MEMORANDUM

To: PNGC Board
Cc:
From: Beth Looney
Date: 01/08/18
RE: Blended Rate Updated Plan

At the January 3rd, 2018 PNGC board meeting I disclosed to the board that in my inquiry calls prior to the board meeting at least one PNGC member cooperative indicated that they are not interested in moving forward with a new wholesale power contract with blended rates (B-WPC) prior to the conclusion of the current PNGC member contract (MRPPA). Because the decision is not unanimous amongst the membership, PNGC will not move forward with replacing the current MRPPA with a new B-WPC.

Despite the minority opinion, an overwhelming majority of the membership does want to move forward with exploring the blended rate model and contract. In an effort to (1) meet the desires of these majority members, (2) define the future PNGC business model, (3) effectively plan for post-2028 power supply, (4) better prepare for BPA contract negotiations with post-2028 members, and (5) have a completed model to use to attract new PNGC members, I introduced a new path forward at the January 3rd, 2018 board meeting. The direction received from the board was for staff to move forward with developing the concept as presented.

The concept introduced is as follows. PNGC will take the input received by the interested B-WPC members and the term sheet concepts presented in December 2017 and compile them into a draft post-2028 B-WPC. I anticipate this initial drafting effort will take us through May / June 2018. At that time PNGC will distribute this draft B-WPC to those interested members for feedback. Once feedback is received (July / August 2018), PNGC will compile comments and redlines and schedule meetings with those interested members and their counsel to work through the draft, comments, and redlines. I anticipate this process will take us through November / December 2018. Once the interested members and PNGC are satisfied with the new B-WPC, those members and PNGC will execute the new B-WPC with an effective date of October 1, 2028. Since the members will be executing this agreement approximately 9-10 years in advance of its effective date, one term of the agreement will include the option for termination prior to the effective date with notice provided by October 1, 2023.

This pre-signing of this new B-WPC, enables PNGC to achieve the objectives listed in paragraph two above. The early termination provision enables the signing members the ability to change their mind about being a PNGC member past the term of the current MRPPA up until October 1, 2023.

In addition to the plan as described above, I also introduced the idea of interested members achieving a blended rate billing structure prior to October 1, 2028 through a separate billing structure agreement (Billing Contract) between those members who want to enter into such an

arrangement. In this arrangement, PNGC would calculate the bill for all PNGC members under the current MRPPA as it does today. PNGC would then bill those members not a part of the Billing Contract. Those members who are part of the Billing Contract, PNGC would put those members' revenue obligations into a blended revenue requirement and recalculate those members' bills based on a blended rate structure. PNGC would issue the blended rate bills to these members along with a calculation of what their bill would have been if not blended.

This Billing Contract would enable current members to experience blended rates under the current MRPPA prior to the new B-WPC being effective. This concept is intended to help members get comfortable with the concept before a larger commitment is necessary.

I hope this memo provides the board with some clarity on what we discussed. Please keep in mind that these are concepts that require fuller development and analysis. This development is expected to actively include input from the interested members.



WRECA

Washington's Electric Cooperatives

PO Box 7219
Olympia, WA 98507
360.357.6048
www.wreca.coop

Your Touchstone Energy® Partner 

WRECA Carbon Pricing Statement

WRECA and its member-owned electric cooperatives seek to collaborate with legislators and stakeholders to shape energy policy so that it recognizes the value of the Northwest's clean and predominantly carbon-free electricity resources and avoid shifting the costs of carbon pollution mitigation to cooperatives that do not use carbon emitting resources. WRECA will only support carbon mitigation policies which do not adversely impact rural electric cooperative jobs in Washington State or place our businesses at a competitive disadvantage.

Background Assumptions

- Carbon legislation is expected to accelerate new kWh sales via electrification of heating and transportation sectors.
- Our environment benefits from dramatically less carbon in the atmosphere.
- Our cooperative members benefit because electricity is more efficient than fossil fuels and will decrease their total energy expense.

The WRECA members have identified specific principles that any carbon mitigation legislation must address:

1. Policies and regulations should be complementary, across all sectors, toward achieving the primary goal of carbon reduction, which in turn will promote new renewable resources, energy efficiency, and new energy technologies.
2. Electric system reliability must be the cornerstone of any carbon mitigation policy.
3. The timing and scale of investments in new resources and technologies should be aligned with each utility's needs for resources.
4. State policies should regulate carbon uniformly at the broadest scale possible and be technology neutral while providing compliance flexibility for utilities that pursue cross-sector carbon reductions.
5. State policies should allocate allowances or distribute revenues associated with carbon regulation in a way that fairly allocates costs and distributes benefits to the areas with the most needs and sustainability; specifically, back to utilities for renewable development, beneficial electrification of transportation sector and to rural communities for broadband expansion.

As carbon mitigation legislation is developed, WRECA members believe that to meet the principles listed above, the legislation must meet the following requirements:

1. Focus on the transportation sector since it is responsible for the largest percentage of carbon emissions in Washington. According to the U.S. Energy Information Administration, the transportation sector accounted for over 50 percent of the carbon emissions in Washington.
2. Exempt power purchases from the Bonneville Power Administration since the electric cooperatives and mutual electric companies have no control over the power resources that BPA uses to fulfill its wholesale power requirements. In any given year, less than seven percent of the average electric cooperative and mutual electric company generation portfolio includes resources that emit carbon. If the goal is to reduce carbon emissions, then it is counterproductive to exact a payment from a utility that cannot do anything about carbon emissions associated with its wholesale power portfolio. The costs would simply be passed on to the retail consumers.
3. Include a cap on the price of carbon to provide economic certainty to the sectors of the economy that would be subject to a carbon pricing mechanism.
4. If there is a carbon price levied on the sale of electricity by the electric cooperatives and mutual electric companies, then at least 70% of the funds collected must be retained by the utility to use at its discretion on carbon mitigation measures by the utility and its member/ratepayers.
5. Funds generated from carbon legislation support further carbon reduction efforts and/or assist reaching carbon reduction goals of our lower income members.

For more information, contact Kent Lopez, 360-357-6048, klopez@wreca.coop.



Washington Rural Electric
Cooperative Association

Update

To: WRECA Members

January 12, 2018

From: Kent Lopez, General Manager

The first week of the 2018 legislative session has been very busy – The legislature began its work last Monday with the Democrats in control of both chambers. Because of that, the official word is that the legislature will be able to complete its work in the 60 days allocated for the Regular Session and will adjourn on time. Then there are the “private” opinions on whether the legislature will be able to complete all that has been promised in time. The deadlines for the Regular Session are in the calendar at the end of this UPDATE.

The legislature didn’t waste any time in getting to bills that are of interest to WRECA

- **Allowing federal incremental hydropower to count in the RPS** – Our bill in the Senate, SB 5232, was heard in during a public hearing before the Senate Energy, Environment and Technology Committee on Wednesday. John Francisco, Chief of Energy Resources at Inland



Power and Light, led the discussion with testimony about the impacts on the members of Inland Power due to the extra costs incurred because Inland Power is not able to use federal incremental power for compliance with the RPS.

While there were a few who testified in opposition to the bill, the majority of those testifying encouraged the passage of SB 5232. In addition, there is a strong coalition of utilities who did not provide oral testimony, but did sign in during the hearing indicating that they supported the bill’s passage. WRECA also signed in supporting passage. The next step will be for the Senate EET Committee to vote to recommend passage of the bill by the full senate. That vote hasn’t been scheduled as of this morning.

- **The deduction for B&O taxes paid on CFC loan interest** – Our bill to re-instate the deduction for the B&O tax assessed on the interest paid to CFC has been introduced in the House as bill HB 2577. This is a new bill and Rep. Lytton, who chairs the House Finance Committee, is once again the prime sponsor. It has not been scheduled for a hearing as of this morning. We will have a companion bill in the Senate as early as next week. While the total amount of the deduction isn’t a lot of income to the state (relatively speaking), it is a significant expense to the electric cooperatives and their members in Washington.

- **The establishment of community solar gardens** – This is one of two bills that I testified on this week. This bill, HB 2280, would require all utilities to create a plan for marketing and accommodating the creation of community solar gardens in their service territories. A community solar garden is a solar installation that is established by an entity that then sells portions of the installation to customers of the utility. The owner of the solar garden then informs the utility the amount of electricity generated by the installation and how much net metered electricity should be credited to each participant. The net metered credit is at the utility’s retail rate. Any power generated by the installation that is not subscribed for by a participant must be purchased by the utility at its avoided cost.

In testimony before the House Technology & Economic Development Committee, I cited a couple of reasons why WRECA opposes this bill. First of all, the bill would make the Dept. of Commerce the regulator for the utility’s community solar garden program, including determining the appropriate rates to pay for the power. I explained that electric cooperatives are regulated by their local governing boards and that we opposed making the Commerce Dept. our regulator.

Another reason that I cited for opposing the bill was the provision that made it mandatory that every utility establish a program for accommodating community solar gardens. I noted that many electric cooperatives were small utilities that didn’t have the resources to draft their community solar programs and deal with the Commerce Dept.’s regulatory burden. Committee staff reported that the intent was to make the program voluntary and we expect to see an amendment to make that change.

- **A bill to make changes to the solar incentive program** – This was another bill I testified on before the House TED Committee expressing concerns for several provisions. The primary concern we have is that it would change the total amount of incentive a current participant would be eligible for and require the utility to limit the payments to the participant. I explained that we didn’t like changing the rules in the middle of the program for our long-term participants, especially changes that make our co-op members unhappy. While the payments that the utility gives to the program participants are money from the state, and the state is making the rules, our concern is that program participants have dealt with the local utility while they were in the program and they would certainly blame the utility for the unexpected reduction in payments.

Carbon tax legislation continues to be a major topic of discussion among the stakeholders – We now have some actual proposals to review. Earlier this week, the governor’s proposal for a carbon tax was introduced in the Senate as SB 6203. We’re still reviewing all of the details and talking with stakeholders about it, but one provision that caught our attention was the “utility retention” section.

Initial review of the utility retention provision looks like it allows a utility to keep the tax that it would otherwise pay to the state for the carbon content in the electricity it sells if the utility uses that revenue for specific purposes – specifically to reduce carbon. Some of this would be done through energy conservation/efficiency programs for lower income consumers. Other options would be electrification of transportation, or system upgrades that could demonstrate to reduce the carbon emissions associated with the utility’s electric service.

The utility would have to file reports and keep auditable records in order to qualify for the retention.

While there are other provisions of the bill that cause us some concern, the utility retention provision is a step in the right direction.

Other bills that we are keeping an eye on:

- **HB 2294** – A bill by Rep. Slatter that would align Washington’s greenhouse gas emissions standards with those established by the federal government’s commitment to the 2015 Paris climate change accord. This bill was heard in a hearing before the House Environment Committee and we signed in as opposed.
- **HB 2413** – A bill that would allow utility customers to select where they wanted their electricity to come from if the generation was certain types of renewable generation. This is similar to the old “green power” program, but would be significantly more burdensome to the utility since the customer would specify the specific source of the power and the utility would be responsible for purchasing and delivering the power to the customer. This bill is scheduled for a hearing in the House TED Committee next week.
- **SB 6038** – A bill by Sen. Pedersen that would create a new kind of cooperative association, known as a “limited cooperative association” or LCA. An LCA would look like a normal cooperative, except that it could have “outside” or non-member investors who would be eligible for positions on the LCA’s board of directors. Sen. Pedersen, at our request, included provisions in the bill that would “carve out” entities in the electric utility sector from being organized as an LCA. This substitute was the subject of a public hearing this week and it is scheduled to be voted on by the Senate Law & Justice Committee next week.
- **SB 6081** – A bill that would eliminate the minimum requirement that a utility accept net metering request and credit the net metered customer at the retail rate until the utility’s net metered load equals 0.5% of total load. In other words, utilities would be required to accept all requests for retail net metered connections and credit them at the retail rate. This bill is scheduled for a public hearing this coming week before the Senate EET Committee and we intend to oppose it.

It’s time to schedule your visits with your legislators here in Olympia – Besides the board from Inland Power board, which is visiting legislators in Olympia on January 23 – 25, representatives from Okanogan County EC and Nespelem Valley EC have their visits all lined up. You must get on your legislators’ schedules as soon as possible. When it is a short session such as this year, the calendars fill up fast.

It’s also time to register for the NRECA Legislative Conference – which is the second week of April this year. Sunday, April 8, is travel day for most of us. Monday’s schedule includes a number of presentations on the hot federal topics and meetings with administration officials. Tuesday is when we’ll visit the Washington delegation on Capitol Hill, and then travel home on Wednesday.

To register for the 2018 NRECA Legislative Conference, go to <https://www.cooperative.com/conferences-education/conferences/legislative/Pages/default.aspx> and click on the 2018 Legislative Conference registration button.

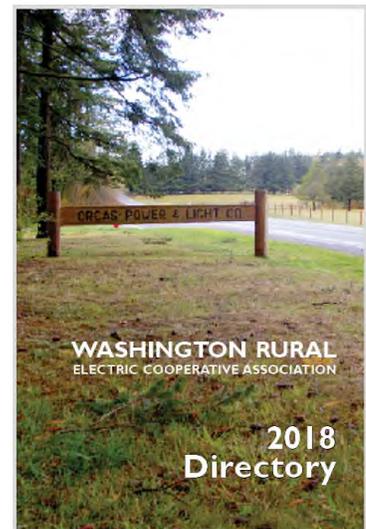
Registrations for the NRECA Annual Meeting are about to get more expensive – This coming Wednesday is the deadline for registering for the NRECA Annual Meeting at the discounted “early bird” rate. That’s also the deadline for reserving a room in the NRECA room blocks.

The NRECA Annual Meeting is Feb. 25 through Mar. 1 in Nashville. More information is available at www.cooperative.com.

Finally, thanks to everyone for your help with the 2018 WRECA Membership Directory – We are in the final stages of doing the final proofing and it should go to press in the next week. We will have it ready for distribution by the end of the month. Thanks for your help.

Important dates – please put the following on your calendars:

- Feb. 2 – Policy Committee Cutoff in House of Origin
- Feb. 6 – Fiscal Committee Cutoff in House of Origin
- Feb. 14 – Cutoff in House of Origin
- Feb. 20 – WRECA Board of Directors, Olympia, WA
- Feb. 23 – Policy Committee Cutoff in Opposite House
- Feb. 25 – Mar. 1 – NRECA Annual Meeting, Nashville, TN
- Feb. 26 – Fiscal Committee Cutoff in Opposite House
- Mar. 2 – Cutoff in Opposite House
- Mar. 8 – Sine Die
- Apr. 8-11 – NRECA Legislative Conference, Washington, DC
- Jun. 4 – WRECA Board of Directors, Wenatchee, WA
- Jun. 4 – Annual WECAPAC Golf Tournament, Wenatchee, WA
- Jun. 5-6 – WRECA Annual Meeting, Wenatchee, WA



Please let me know if you have any questions. – Kent

General Manager's Report to the Board – January 2018

General Discussion:

- Propane sales for 2017 were over 1,000,000 gallons for the first time. A cold winter and a concerted effort by propane staff to reach this goal are the main reasons for achieving this milestone.
- The expanded solar incentive program is being rolled out in February. The February newsletter will ask for members who are interested in the expanded program to contact OCEC to express interest. From here, applicants will go through the state to apply. For one reason or another, the potential community solar projects do not seem viable at this time. We should have room to accommodate existing solar projects not in the current program and potential new installations.
- The smart thermostat energy efficiency program will also be rolled out in February. This was discussed at the last Board meeting.
- As carbon legislation is a priority at the legislature this session, WRECA has developed a position paper for this topic. The member cooperatives hope to push electrification of vehicles as a way to both reduce carbon and increase electrical sales. This position paper is in the board packet.
- We are working on an energy efficiency lighting project for one of the local business.

Financial Discussion

- For year ending 2017, gross margins were \$108,000 over budget and \$230,000 over 2016 actuals.
- Operating expenses were \$108,000 (or 7%) over budget.
- Total capital expenses were \$161,380 (or 34%) under budget.
- Equity ratio for December 2017 without including 2017 propane margins is 66.4%. Equity ratio for December 2016 including 2016 propane margins was 64.2%.
- The above numbers are pre-audit.

**Okanogan County Electric Cooperative
Okanogan County Energy Incorporated
2017 Balanced Scorecard Goals - Final**

2017 Goals

Strategic Objective	Operational Performance	Percent of Award	YTD Results	2017 Goals			Comments	Bonus Tally
				Minimum	Target	Maximum		
Increase Subsidiary Revenue and Operational Efficiencies	1) Propane Sales (in Thousands)	15%	1,015	725	840	Open	Total propane gallons sold. For every 5,000 gallons sold over target, and additional \$5 is added to bonus.	\$325.00
	2) Electric Year-end Inventory Audit Adjustments	5%	\$6,275	\$ 7,237	\$ 6,031	Open	Target is calculated from adding together both the positive and the negative differences of the inventory adjustments without regards to whether they are positive or negative adjustments. Target is 50% of 2016 value of \$12,063.. Max and min values are + 20% of target respectively. The goal is to reduce both positive and negative inventory adjustments. There is a \$10 increase in bonus for every \$1,000 less than target.	\$47.47
	3) Propane Year-end Inventory Audit Adjustments	5%	5499	\$ 5,656	\$ 4,713	Open	See Electric Inventory Audit above for description.	\$39.61
	4) Installed coop-owned propane tanks - net	15%	106	30	50	Open	Target is a net increase in coop owned tanks. For every net tank over target, an additional \$5 added to bonus.	\$430.00
Maintain Public and Employee Safety	1) Employee Safety - Total OSHA Recordable Accidents	10%	1	1	*	0	Use definition of OSHA recordable accidents as a basis for this goal. There were no OSHA recordable accidents in 2015. If there are no OSHA recordable accidents, then max award is achieved. If there is one, minimum award is earned. If more than one, then no award is earned.	\$75.00
	2) Perform Arc Demos for Community	5%	5	3	5	6	Acr Demos performed multiple times at one location at the same time count as one arc demo.	\$50.00
	3) Facility Safety Inspection and Remedies	5%	7	6	7	8	Safety committee has inspected facilities and noted 8 problems. The goal in to resolve these problems by December 1st.	\$50.00
Increase Reliability	1) Number of Electric Outages	10%	93	120	101	Open	Target is based on average of 2014 to 2016 total number of outages. For every 10 less outages than target, the bonus will increase by \$5.	\$100.00
Satisfied, Well informed Members	1) Increase number of members that can be texted to update on outages, ect. .	10%	697	500	600	Open	Our opted-in "Text Outage Alert" count is at 14. The year-end target is 600 members. The maximum amount is open-ended. For every 50 additional, the incentive comp is increased by \$5.	\$105.00
	2) Follow-up calls for both propane and electric site visits to gauge customer satisfaction.	10%	75	50	60	75	Follow-up calls are made by the front office to both propane customers and electric co-op members who just had work performed on their property. A series of questions are asked to ascertain their level of customer satisfaction. This goal is for achieving certain quantity of survey calls.	\$125.00
Develop Employees	All employees involved in either an off-site or on-line training activity.	10%	100%	*	100%	*	The goal is for all employees to take at least one off-site or on-line training. Only make goal if ALL employees have training .	\$100.00

100%

- Notes:**
- 1) Target Incentive Compensation award for each employee is \$1000 and the maximum awarded is \$1,500. .
 - 2)"Percent Award" is the base contribution of each particular component to the total incentive award.
 - 3) Unless otherwise noted, "Maximum" and "Minimum" for each component provides a method to calculate the range of performance for each component.
 - 4) For each component unless otherwise noted, achieving a "Maximum" contributes 125% of target and achieving a "Minimum" contributes 75% of target.
 - 5) Any component performance below "Minimum" target does not contribute anything to the Incentive Compensation.
 - 6) All Incentive Compensation awards are subject to approval of the Board of Directors before payout and may be adjusted at their prerogative.
 - 7) All components subject to audit and may be adjusted after audit.
- \$1,447.08

2018 Nomination Committee

The proposed 2018 Nomination Committee is as follows:

- Ed Surette
- Duncan Bronson
- David Ashcom (Chair)

Debt and Equity

1. Assets must be financed by a mix of debt and equity. For a given level of assets, less debt means more equity and vice versa.
2. Debt and equity both have costs: interest payments by OCEC for debt (and included in rates), and foregone interest and use of money by members while OCEC retains their share of patronage capital.
3. Most businesses finance their assets with a mix of debt and equity, but it is difficult to determine a precise optimum balance between the two.
4. Utilities are typically able to carry fairly high debt ratios (low equity ratios) because their revenues are relatively stable and predictable, so that lenders can be confident of getting repaid.

Borrowing Principles

1. Debt should be used primarily to fund things that benefit the Co-Op over the long term, so that interest payments approximate the annual costs.
2. Debt should secondarily be used for infrequent emergencies, including unexpected expenses or revenue shortfalls.
3. Debt should not be used to fund operations or to postpone rate increases.
4. OCEC members don't like debt, but responsible leadership might require us to educate them about the benefits as well as costs of debt and of equity.

OCEC Debt

1. At 11/30/17 long-term debt was \$3.5 million, current liabilities were \$0.8 million, total assets were \$12.9 million, and equity was \$8.6 million. OCEC's equity ratio was 66.7%. (The national CFC median equity ratio in 2016 was 45%. Regional IOU ratios include Avista 31%, Portland General 31%, Puget Sound Energy 29%).
2. Long-term debt consists of 22 different loans from CFC, with maturities ranging from 2018 to 2040. Some but not all have repricing options before maturity. Each loan is structured like a mortgage, with constant payments each consisting of principal and interest. As each loan approaches maturity and the principal declines, the interest component of the constant payment decreases while the principal component increases.
3. Principal repayment in 2017 will total about \$130 thousand.
4. Interest expense in 2017 will total about \$210 thousand, meaning that about 4% of customer bills goes to debt service.
5. TIER is close to 4. MDSC was 2.57 in 2016, almost double CFC's minimum of 1.34. We could increase debt by 40% without going below the national average of 1.83, and by 90% without going below CFC's minimum.
6. Interest rates on new CFC debt are significantly lower than the average of OCEC's existing debt. Interest rates on most of our existing debt are between 6% and 7.5%. On new borrowing from

CFC we would pay close to 4.5% (depending on term to maturity). Of course interest rates on new debt might be higher in the future.

7. Summary: OCEC's financial situation is very healthy and we have the capacity for significant additional borrowing. Carrying low debt, as we do now, gives us the ability to borrow significant amounts in the future, which might be necessary in the event of another large fire without FEMA funding.

Possible Borrowing Strategies

1. No Additional Borrowing
 - a. This strategy is the status quo. We continue to pay down debt as it matures.
 - b. Revenue from rates covers operations, capital expenditures, capital credit payouts, and debt repayment.
 - c. Our equity ratio continues to increase until reaching 100% at the end of 2040.
2. Roll Over Maturing Debt
 - a. Each year we borrow an amount equal to the amount of principal paid that year.
 - b. Revenue from rates covers operations, capital expenditures, and capital credit payouts, but not debt reduction.
 - c. Borrowed funds (around \$130 thousand per year) are used first to maintain cash reserves and second to increase capital credit payouts.
 - d. Total debt remains constant, and the equity ratio rises slowly as assets increase (due to a combination of inflation and growth).
3. Borrow for Asset Growth
 - a. Each year we borrow an amount equal to capital expenditure less CIAC and less depreciation (Cap Ex reduces cash, CIAC and depreciation each increase cash) plus principal payments on existing debt.
 - b. Borrowed funds (around \$285 thousand in 2017, using actuals through November and budget for December) cover the increase in the book value of capital assets.
 - c. Revenue from rates covers operations plus depreciation, and capital credit payouts.
4. Borrow for Constant Capital Credit Retention
 - a. Borrow each year the amount of patronage capital due from net margins 20 years earlier.
 - b. Annual borrowing amount varies from year to year.
 - c. Cash from borrowing pays for capital credit payouts.
 - d. Rates cover operations, capital expenditures, and debt repayment.

Implications for Rate Setting and Cash Balances

1. If we continue to base rates on TIER, additional funds from borrowing will not affect rates (other than gradual changes in interest expense).
2. Additional cash as a consequence of borrowing would go first to ensure adequate cash reserves, and second to help pay down capital credits.

Borrowing Effect on Cash Flow, in \$ Thousands, based on 2017

	<u>no additional</u>	<u>debt rollover</u>	<u>asset growth</u>	<u>cap credit</u>
Net margins	550	550	550	550
Depreciation	395	395	395	395
Operating Asset	66	66	66	66
Operating Liabilities	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>
Cash from Operations	1,017	1,017	1,017	1,017
Capital Expenditure	(900)	(900)	(900)	(900)
CIAC	<u>220</u>	<u>220</u>	<u>220</u>	<u>220</u>
Cash from Investments	(680)	(680)	(680)	(680)
Capital Credit Payouts	(169)	(169)	(169)	(169)
New Borrowing *	0	136	285	169
Principal repayment	<u>(136)</u>	<u>(136)</u>	<u>(136)</u>	<u>(136)</u>
Cash from Financing	<u>(305)</u>	<u>(169)</u>	<u>(20)</u>	<u>(136)</u>
Net cash flow	<u><u>32</u></u>	<u><u>168</u></u>	<u><u>317</u></u>	<u><u>201</u></u>

* New Borrowing Amounts

No additional:	none
Debt rollover:	equal to principal repayment
Asset growth:	equal to net of capital expenditure, CIAC, and depreciation
Capital credits:	equal to capital credit payouts