

Presented for Board Approval

2019/20 Proposed Budget - Preview December 12, 2018

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2019/20 Budget Considerations

- Overall budget will reflect the 2017 actuals and 2018 trends, plus appropriate contingencies.
- Continue to seek operational efficiencies.
- Actual operating costs continue to decline, but are nearing an equilibrium in the range of \$2.5M.

2019/20 Proposed Budget - Preview

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| Revenues | Actuals | Forecasted | Proposed | Proposed |
|--------------|--------------------|-----------------------------|--------------------|-----------------------|
| | 2017 Annual Rpt | 2018 Treas Rpt PE Nov 30 | 2019 | 2020 2019 + 3% CPI |
| Corp. | 773,924 | 708,924 | 794,460 | 818,294 |
| PEFA | 1,816,018 | 1,728,351 | 1,984,577 | 2,044,114 |
| Total | \$2,589,942 | \$2,437,275 | \$2,779,037 | \$2,862,408 |
| Order 1000* | \$50,000 | \$50,000 | \$50,000 | \$50,000 |

2019 is the focus of this presentation; 2019 will be the first year of a new 2-Year Funding Cycle for Corp. & Payment Cycle for PEFA for comparison against the MTFO/MTPO.

Previously Approved Budgets

| | As approved Dec. 2017 | |
|--------------|-----------------------|---------------------|
| Corp. | 1,039,322 | 886,947 |
| PEFA | 2,243,414 | 2,084,637 |
| Total | \$3,282,736 | \$ 2,971,584 |

ColumbiaGrid sets budgets on a 2-yr rolling cycle; on Dec. 12, 2018 the ColumbiaGrid Board will be requested to approve the budgets for 2019 & 2020, resulting in an *updated* budget for 2019 and an initial budget for 2020; PEFA funding is evergreen, but subject to withdrawal provisions, whereas the Fifth Funding Agreement runs through December 31, 2020.

* Order 1000 costs are billed to Avista & PSE and credited to PEFA





ColumbiaGrid

2019 PROPOSED BUDGET

PEFA

Year to Year Comparisons

Treasurer's Report
for PE 11-30-18 **PROPOSED**

| | ACTUALS Total 2015 | ACTUALS Total 2016 | ACTUALS Total 2017 | BUDGET Total 2018 | FORECAST Total 2018 | BUDGET Total 2019 |
|-------------------------------|--------------------------|--------------------------|--------------------------|-------------------------|---------------------------|-------------------------|
| Salaries / other comp. | \$ 590,745 | \$ 569,649 | \$ 702,899 | \$ 727,660 | \$ 728,424 | \$ 764,075 |
| Payroll taxes & benefits | 193,646 | 203,765 | 225,150 | 250,544 | 232,882 | 257,290 |
| Consulting | - | 3,761 | - | 2,500 | 208 | 2,500 |
| Legal expense | 101,652 | 11,390 | 6,448 | 15,000 | 2,381 | 7,800 |
| Dues, subscrip., conferences | 35,823 | 37,502 | 44,405 | 50,600 | 32,095 | 36,000 |
| Meeting facilities & catering | 8,482 | 4,639 | 12,583 | 6,000 | 5,473 | 6,000 |
| Office lease / Rent | 65,326 | 66,312 | 82,087 | 93,819 | 66,185 | 62,768 |
| Building services | 187 | 858 | 947 | 1,200 | 2,717 | 1,800 |
| Phones & data lines | 18,132 | 15,870 | 16,746 | 18,000 | 13,320 | 15,600 |
| Computer maint / website | 13,859 | 15,193 | 16,150 | 18,000 | 14,953 | 18,000 |
| Office supplies | 2,397 | 2,763 | 2,579 | 3,000 | 2,367 | 3,000 |
| Printing & copier | 7,903 | 8,138 | 7,361 | 7,800 | 3,292 | 7,500 |
| Travel expense (air/hotel) | 24,569 | 28,732 | 16,023 | 23,000 | 25,848 | 23,000 |
| Meals expense | 1,882 | 2,914 | 3,094 | 3,600 | 4,036 | 3,600 |
| Mileage expense | 550 | 706 | 684 | 1,500 | 625 | 1,200 |
| Liability Insurance | 36,227 | 36,943 | 32,216 | 33,000 | 35,026 | 36,777 |
| Staff Recruiting & Hiring | 922 | 930 | - | 500 | 42 | 500 |
| Employee training/ recogn. | 7,277 | 1,159 | 1,628 | 1,200 | 2,892 | 2,400 |
| Equipment (Computer/Office) | - | 1,881 | - | 6,000 | 5,991 | 6,000 |
| Engineering Software | 62,094 | 77,083 | 126,157 | 90,500 | 91,494 | 96,069 |
| Misc / Budget Contingency | - | - | - | 135,000 | - | 101,391 |
| Total direct costs | \$ 1,171,671 | 1,090,189 | \$ 1,297,156 | \$ 1,488,423 | \$ 1,270,251 | \$ 1,453,269 |
| Plus: Corp. cost allocation | 468,668 | 436,076 | 518,862 | 595,369 | 508,100 | 581,308 |
| Order 1000 reimbursement* | (75,000) | (75,000) | (50,000) | (50,000) | (50,000) | (50,000) |
| Total | \$ 1,565,339 | \$ 1,451,265 | \$ 1,766,018 | \$ 2,033,793 | \$ 1,728,351 | \$ 1,984,577 |

* Per Section 3 of the Order 1000 Functional Agreement, Avista, PSE, and MATL (which withdrew from the Order 1000 FA effective March 31, 2016) paid the two-year Base Payment Obligation totalling \$150,000 which was amortized as a \$75,000 yearly credit to PEFA for 2015 & 2016. Beginning in 2017, Avista and PSE are billed monthly for Order 1000 costs, with those same costs credited to PEFA at \$50,000 total (\$25,000 annually for each Order 1000 enrolled party).

General Comment:

The Draft 2019 PEFA budget is less than the current year 2018 budget by \$50k. This is the second budget year where we include a new line item called Misc / Budget Contingency (at 7.5% of direct budgeted costs), rather than including contingency in individual line items.



2019 PROPOSED BUDGET

**Fifth Funding / Corporate
Year to Year Comparisons**

Treasurer's Report
for PE 11-30-18

PROPOSED

| | ACTUALS Total 2015 | ACTUALS Total 2016 | ACTUALS Total 2017 | BUDGET Total 2018 | FORECAST Total 2018 | BUDGET Total 2019 |
|--------------------------------|--------------------------|--------------------------|--------------------------|-------------------------|---------------------------|-------------------------|
| Directors' base comp. | \$ 179,225 | \$ 179,936 | \$ 185,536 | \$ 186,045 | \$ 186,045 | \$ 197,208 |
| Directors' meetings | 78,884 | 55,589 | 41,287 | 20,000 | 18,829 | 20,000 |
| Directors' expenses | 24,733 | 11,424 | 6,261 | 10,000 | 7,945 | 10,000 |
| Salaries / other comp. | 714,919 | 701,031 | 607,733 | 634,104 | 598,841 | 619,817 |
| Payroll taxes & benefits | 211,487 | 215,777 | 193,836 | 213,905 | 187,331 | 209,270 |
| Consulting - Regular | 2,080 | 11,060 | 1,050 | 2,000 | 2,029 | 3,600 |
| Consulting - Development | - | - | - | - | - | - |
| Member Services | - | - | - | - | - | - |
| Legal expense | 73,987 | 50,712 | 22,247 | 50,000 | 11,400 | 18,000 |
| Payroll & Retirement fees | 16,652 | 16,853 | 17,772 | 17,500 | 21,157 | 18,750 |
| Dues, subscrip., conferences | 70,136 | 43,694 | 14,845 | 6,500 | 2,837 | 5,350 |
| Meeting facilities & catering | 18,899 | 14,428 | 6,060 | 7,000 | 6,165 | 7,000 |
| Office lease / Rent | 72,924 | 75,688 | 75,211 | 86,129 | 54,761 | 46,401 |
| Building services | 1,164 | 2,513 | 2,142 | 2,000 | 4,446 | 2,400 |
| Phones & data lines | 16,203 | 17,783 | 13,573 | 15,000 | 12,485 | 15,000 |
| Computer maint./ website | 17,227 | 20,247 | 12,110 | 22,000 | 12,857 | 18,000 |
| Office supplies | 8,130 | 7,962 | 6,672 | 7,500 | 6,041 | 7,500 |
| Bank service charge | 1,166 | 1,230 | 1,285 | 2,000 | 1,114 | 1,800 |
| Printing & copier | 8,423 | 4,857 | 4,101 | 6,000 | 1,814 | 4,000 |
| Travel expense (air/hotel) | 20,817 | 15,618 | 8,960 | 12,000 | 4,160 | 12,000 |
| Meals expense | 3,871 | 2,511 | 2,194 | 2,500 | 1,547 | 2,500 |
| Mileage expense | 1,594 | 1,292 | 1,368 | 1,500 | 525 | 1,500 |
| Wash B&O Tax / Fees | 24,370 | 24,409 | 22,752 | 25,000 | 21,119 | 23,400 |
| Computers, Equipmnt, Software | 29,277 | 27,060 | 1,168 | 6,000 | 500 | 6,000 |
| Audit & tax preparation | 6,800 | 6,500 | 7,500 | 7,800 | 7,000 | 7,100 |
| Liability insurance | 48,293 | 47,131 | 51,565 | 52,000 | 47,474 | 50,792 |
| Staff recruiting & hiring | - | 11,264 | 208 | 500 | 42 | 500 |
| Employee training /recogn. | 2,600 | 1,151 | 1,084 | 500 | 2,973 | 3,225 |
| Office Furniture | 1,642 | - | - | - | - | - |
| Misc / Budget Contingency | - | - | - | 70,000 | - | 65,556 |
| Total direct costs | 1,655,501 | 1,567,720 | 1,308,520 | 1,465,483 | 1,221,437 | 1,376,668 |
| Less: Corp. cost allocation | (504,575) | (452,567) | (530,278) | (595,369) | (508,100) | (581,308) |
| Less: Sources of other revenue | (5,685) | (6,819) | (4,319) | (4,800) | (4,413) | (900) |
| Total | 1,145,241 | \$ 1,108,333 | \$ 773,923 | 865,314 | 708,924 | 794,460 |

General Comments:

The draft 2019 budget for corporate expenses is a \$71k decrease from the current year 2018 budget. This is the second year for including a Budget contingency @ 5% of direct costs.



2019 Proposed PEFA and FUNDING BUDGETS ALLOCATED

| | Total | | PEFA | | Funding Agr. | |
|--------------|---------------------|--|---------------------|----------------|-------------------|----------------|
| Avista* | \$ 269,798 | | \$ 192,338 | 9.69% | \$ 77,460 | 9.75% |
| BPA | 1,349,480 | | 990,304 | 49.90% | 359,175 | 45.21% |
| Chelan | 86,925 | | 49,188 | 2.48% | 37,737 | 4.75% |
| Cowlitz** | - | | - | 0.00% | - | N/A |
| Douglas | 36,576 | | 36,576 | 1.84% | - | N/A |
| Grant | 125,406 | | 79,248 | 3.99% | 46,158 | 5.81% |
| Puget* | 480,912 | | 357,770 | 18.03% | 123,141 | 15.50% |
| Seattle | 177,705 | | 120,027 | 6.05% | 57,678 | 7.26% |
| Snohomish | 132,829 | | 84,923 | 4.28% | 47,906 | 6.03% |
| Tacoma | 119,407 | | 74,203 | 3.74% | 45,205 | 5.69% |
| Total | \$ 2,779,038 | | \$ 1,984,577 | 100.00% | \$ 794,460 | 100.00% |

Member & Participant allocation percentages reflected in the above amounts are based on year-end 2017 Net Transmission Investment and Control Area Load. In early May of each year, ColumbiaGrid recalculates percentages based on the most recently available data, e.g., in May 2019, we will calculate percentages for 2019 billings, utilizing year-end 2018 amounts.

* Order 1000: Beginning January, 2017, *Enrolled Parties*, Avista and PSE, are each billed \$2,083 /mo. (\$25,000 /yr.) which is credited to PEFA. This credit totaling \$50,000 is included in the PEFA total above. For Avista and PSE the overall total when including \$25,000 /ea. is:

Avista: \$ 294,798 Puget: \$505,912

** Cowlitz submitted a notice to withdraw from PEFA. Their withdrawal will be effective January 1, 2019; therefore, their PEFA percentage, which was previously 2.8%, will be reduced to zero and reallocated to the other participants. BPA's percentage is already capped @ 49.9%.