

# 2020 Budget Presentation

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Our plan for delivering value to our customers



Powering our way of life.

# Topics covered

1. 2020 Budget Highlights
2. Load Forecast Update
3. Major Capital Projects
4. Labor and O&M
5. Next Steps



# 01 2020 Budget Highlights





## Key Takeaways:

- Dedicated to increasing value for Grant PUD customers.
- Improved financial health provides the opportunity to reduce future rate trajectory.
- Preserving and improving financial health increases value for current and future customers:
  - Investment in assets to maintain low-cost, reliable power.
  - Investment in technology is key to future delivering efficiencies.
  - Continued focus on containing controllable costs.



## Major Updates:

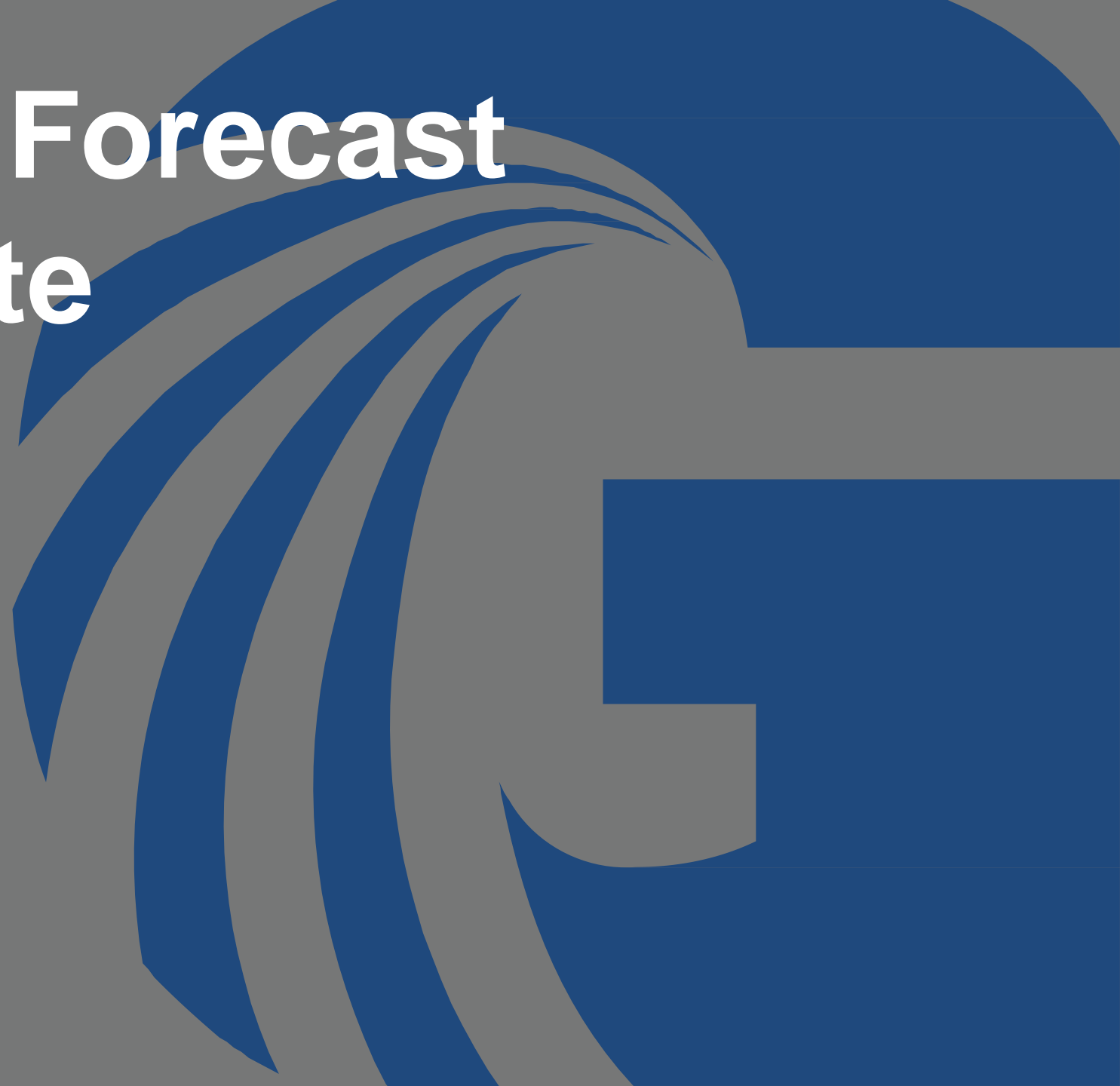
1. Funding for:
  - Fiber Buildout in Five Years
  - Quincy Transmission Expansion Plan
2. Key Financial Metrics - Delivered
  - Minimizing Potential Rate Increases
3. Detailed 10-year Budget View/Increased Granularity

# Financial Performance

		Plan on Plan Comparison	
Category		2020	2021+
Financials	Retail Revenues	Decrease	Decrease until 2022   Increase from 2023+
	Net Wholesale Revenues	Increase	Increase
	Operations and Maintenance Exp	Increase	Increase
	Financing Costs	Unchanged	Decrease
	Capital Costs	Decrease	Unchanged to Decrease
Key Metrics	Overall	Increase	Increase
	Debt Service Coverage	Increase	Increase
	Debt to Net Plant	Increase	Increase
	Operating Ratio	Increase	Increase
	Return on Net Assets	Increase	Increase

**02**

# **Load Forecast Update**



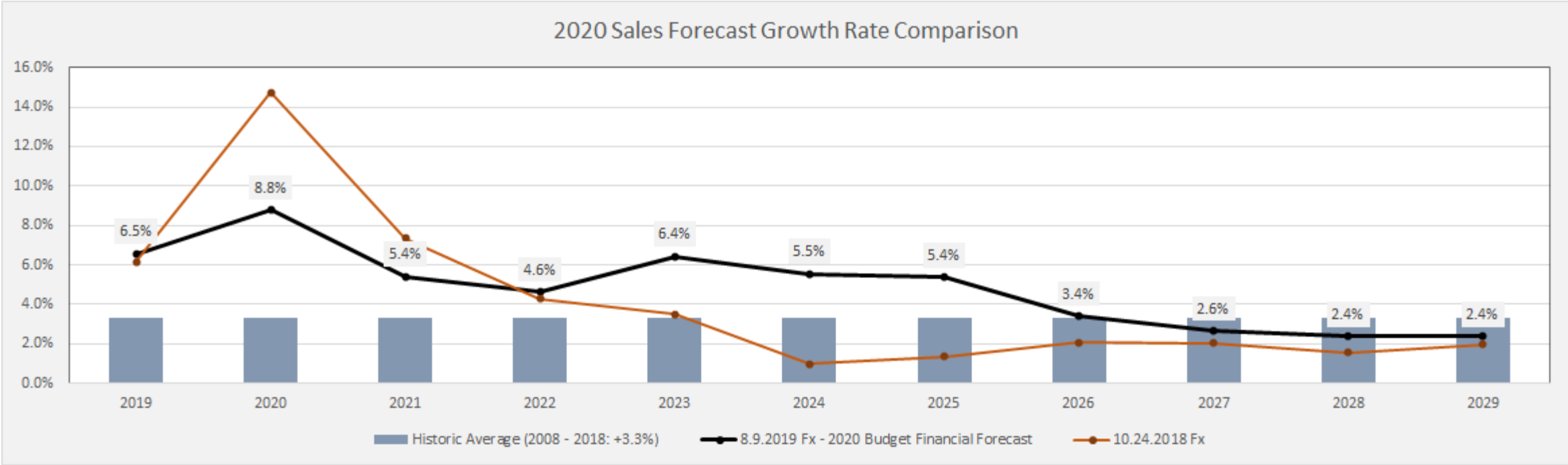
# 2020 Budget Sales & Loads Forecast vs 2019 Forecast

		Current YR	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	<u>2020 - 2029</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
<b>8.9.2019 Fx - 2020 Budget Financial Forecast</b>												
Growth Rate %	4.7%	6.5%	8.8%	5.4%	4.6%	6.4%	5.5%	5.4%	3.4%	2.6%	2.4%	2.4%
GWh Sales	6,808	5,017	5,457	5,753	6,019	6,405	6,759	7,122	7,364	7,558	7,736	7,919
GWh Loads (7.75% Loss Rate)	7,336	5,380	5,880	6,198	6,485	6,901	7,283	7,674	7,934	8,144	8,336	8,532
aMW Financial Reserve	(86.8)	-	-	-	(13.5)	(35.4)	(79.5)	(86.6)	(104.3)	(118.7)	(130.9)	(125.2)
<b>10.24.2018 Fx</b>												
Growth Rate %	4.0%	6.1%	14.7%	7.3%	4.3%	3.5%	1.0%	1.3%	2.0%	2.0%	1.6%	2.0%
GWh Sales	6,725	5,017	5,756	6,179	6,444	6,669	6,735	6,825	6,965	7,106	7,216	7,358
GWh Loads (7.24% Loss Rate)	7,211	5,380	6,173	6,627	6,911	7,152	7,222	7,319	7,469	7,620	7,739	7,891
<b>2020 Budget vs 2019 Budget</b>												
Growth Rate %	0.7%	0.4%	-6.0%	-1.9%	0.3%	2.9%	4.5%	4.0%	1.3%	0.6%	0.8%	0.4%
GWh Sales	84	-	(299)	(427)	(425)	(264)	25	297	399	452	520	561
GWh Loads	125	-	(293)	(428)	(425)	(250)	61	354	465	524	597	642
<b>Historic Average (2008 - 2018: +3.3%)</b>	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%

## Projected Sales Grow Forecast over Forecast

- For all Rate Classes this is an annual increase of ~125 GWh
  - New Large Industrial Customers are driving the growth
- Load Financial Reserve Moderates the growth – It acts as a prudence adjustment

# 2020 Budget Sales & Loads Forecast vs 2019 Forecast



## Projected Sales Grow Forecast over Forecast

- Forecast over Forecast, The Growth Rate increases by 0.7% for 2020-2029, 2020-2024 = -0.1% / 2025-2029 = 1.4%
- 2020-2022: Growth Rates Fall relative to the 2019 Forecast
- 2023-2025: Growth Rate Increase – Associated with New Large Customers

# 03 Major Capital Projects





# Electric System Capital:

**\$43** Million in 2020


Largest projects:

1. Transmission/Distribution Upgrades & Expansion (\$13.1M)
2. Fiber Expansion (\$12.2M)
3. Enterprise Technology (\$5.2M)
4. Fiber Customer Connection (\$4.1M)
5. Fleet replacement program (\$3.5M)

Note: Individual project costs exclude Internal Labor

# 2020 Electric System Capital Plan – T&D and Technology Projects

- **Transmission/Distribution Upgrades & Expansion (\$13.1M)**
  - Substations:
    - Burke Substation #2 – Rebuild of existing and build-out of Lineup #2
    - Cyruss One Substation
    - Quincy Plains – Build-out of Lineup #2
  - Transmission:
    - Quincy Transmission Expansion Plan
      - Mountain View Breaker
      - Mountain View 230kV Line
      - Mountain View Capacitor Bank
    - Rocky Ford to BPA 230kV Line
    - Red Rock Transmission Line
  
- **Technology (\$5.2M)**
  - Oracle CCB.C2M Upgrade – Customer Solutions
  - ESRI ArcGIS Implementation – Power Delivery Engineering
  - Access Control and Video Management System – Security
  - Energy Management System Replacement – Power Delivery Control Systems
  - Network Core Replacements – IT Operations
  - Data Management and Modeling – IT
  - Maximo Upgrade – IT

A large circular turbine component, likely a generator or turbine housing, is being lowered into a powerhouse by a crane. The component is suspended by cables and is positioned above a large circular opening in the floor. The powerhouse interior is brightly lit, and the walls are white with a grid pattern. The ceiling is red with various mechanical components and lights visible.

# Priest Rapids Project Capital:

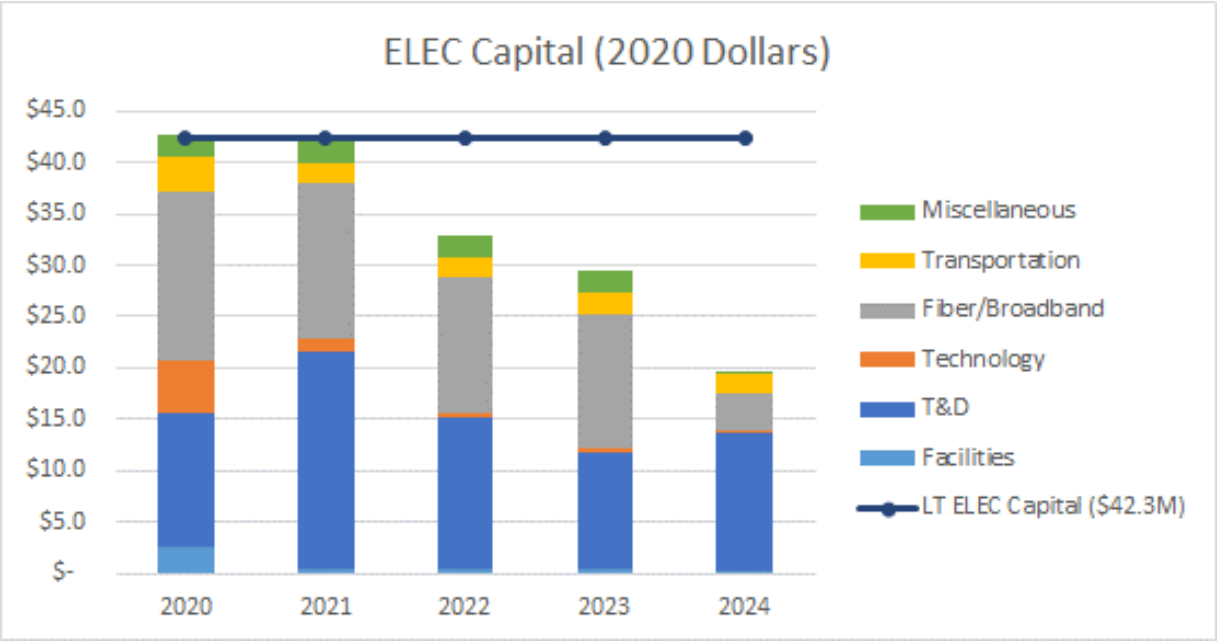
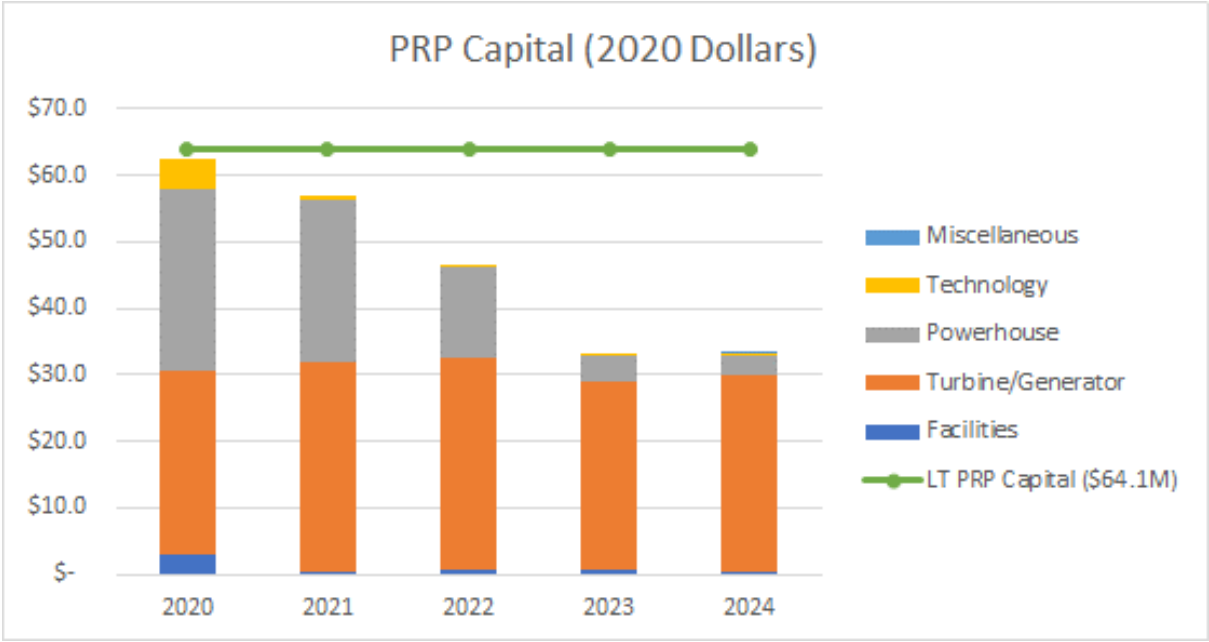
**\$63** Million in 2020.

Largest projects:

1. Priest Rapids Embankment Improvements (\$20.6M)
2. Priest Rapids Turbine Upgrade (\$20.0M)
3. Wanapum & Priest Rapids Generator Upgrade (\$7.6M)
4. Wanapum & Priest Rapids Powerhouse Improvements (\$3.3M)
5. Priest Rapids Spillway Improvements (\$1.9M)

Note: Individual project costs exclude Internal Labor

# 5-Year Capital Plan by System



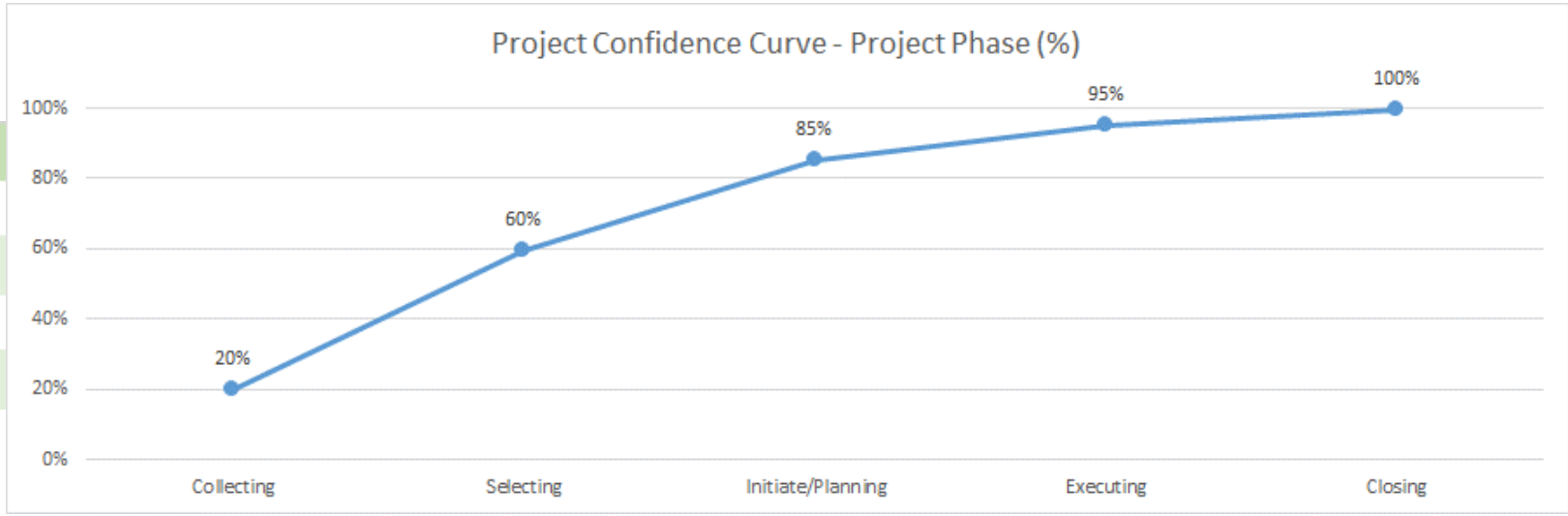
2020-2024 Capital Expenditure (Directs \$M)	
<b>Use of Funds</b>	
Facilities (2%)	\$ 4.7
Turbine/Generator (64%)	\$ 149.0
Powerhouse (31%)	\$ 72.4
Technology (3%)	\$ 6.4
Miscellaneous (%)	\$ 0.0
<b>TOTAL</b>	<b>\$ 232.4</b>

2020-2024 Capital Expenditure (Directs \$M)	
<b>Use of Funds</b>	
Facilities (2%)	\$ 3.8
T&D (44%)	\$ 73.9
Technology (5%)	\$ 7.6
Fiber/Broadband (37%)	\$ 61.5
Transportation (7%)	\$ 11.2
Miscellaneous (5%)	\$ 8.7
<b>TOTAL</b>	<b>\$ 166.7</b>

Note: T&D Category is NOT adjusted for estimated CIAC to reflect PUD portion of cost, \$'s reflect direct Costs excludes capitalized labor

# 2020 Capital Plan and EPPM

- The Scope of EPPM is all Projects
  - The 2020 Planning Cycle will only include Capital Projects
  
- The Project Portfolio encompasses ALL parts of the Project Life-Cycle from Collection to Close
  - EPPM will Utilize a Stage-Gate Process to Evaluate, Approve, and Release Resources (Similar to the Tech Roadmap)
  - Capital Plan Dollar Estimates are based on the Confidence Level associated with the Project’s current Life-Cycle Stage



**Project Estimate Types & % Objectives**

(1) - ROM Objective: -50% to +75%
(2) - Preliminary Estimate Objective: -15% to +50%
(3) - Budget Estimate Objective: -10% to +25%
(4) - Definitive Estimate Objective: -5% to +10%

Project Phase	Collecting	Selecting	Initiate / Planning	Executing	Closing
	ROM	Preliminary	Budget	Definitive	Final
Entry	11%	32%	79%	92%	99%
In Process, et al	20%	60%	85%	95%	100%
Approved	32%	79%	92%	99%	

# 04 Labor and O&M

The background features a series of overlapping, curved, organic shapes in shades of blue and grey, creating a sense of movement and depth. The shapes are layered, with some appearing in front of others, and they generally curve from the top right towards the bottom left. The overall aesthetic is modern and professional.

# Labor & Headcount

Headcount	FTR				FTE			
	2019		2020		2019		2020	
	Actual	Budget	Proposed	Change 2020B - 2019B	Actual	Budget	Proposed	Change 2020B - 2019B
Chief Operating Officer	422	442	446	4	37	44	50	6
Chief Financial Officer	108	142	141	(2)	7	9	11	2
Chief Customer Officer	56	58	67	9	8	9	11	2
Bd/GM/GC/ Fiber	8	7	6	(1)	5	5	5	0
<b>Total</b>	<b>594</b>	<b>649</b>	<b>659</b>	<b>10</b>	<b>57</b>	<b>68</b>	<b>78</b>	<b>10</b>
<b>incl Vacancy rate</b>		<b>623</b>	<b>633</b>					

Chief Executive Officer (Net 1 FTR Reduction), due Retirement

Chief Financial Officer (Net 2 FTR Reduction)

- Treasury/Finance - *Reduction of staffing level*

Chief Operating Officer (Net 4 FTR Add)

- Power Delivery – *Add of an additional substation crew*
- Project Management Office - *Power Production Project Managers and Project coordinators*

Chief Customer Officer (Net 9 FTR Add)

- Customer Service – *Improved Customer Response*
- Human Resources – *Supervisor Add and HR Professional (50% reimbursed)*
- Public Affairs – *FTE to FTR Conversion*
- Organizational Development – *Program Development*

As of May 2019 District FTR Headcount was at 607, As of the end of August FTR Headcount is 626

# Operations & Maintenance

O&M					
	2018 Budget	2018 Actual	2019 Budget	2019 Budget (Inflation Adjusted)	2020 Directionally
<b>Chief Operating Officer</b>	\$ 27,192,148	\$ 28,356,815	\$ 30,335,934	\$ 31,246,012	5%-10% Increase
<b>Chief Financial Officer</b>	\$ 11,439,525	\$ 11,235,526	\$ 16,105,449	\$ 16,588,612	+15% Increase
<b>Chief Customer Officer</b>	\$ 5,122,701	\$ 4,379,262	\$ 4,654,895	\$ 4,794,542	+15% Increase
<b>Bd/GM/GC/Fiber</b>	\$ 1,318,836	\$ 1,682,035	\$ 1,435,525	\$ 1,478,591	+15% Increase
<b>Total</b>	<b>\$ 45,073,210</b>	<b>\$ 45,653,638</b>	<b>\$ 52,531,803</b>	<b>\$ 54,107,757</b>	<b>10%-15% Increase</b>

## Increase in O&M caused by:

- Technology Investment
  - Customer Billing System Upgrade
  - Human Capital Management System Implementation
  - Maximo Roadmap/Upgrade
- Increased growth of system
  - Addition of substation crew

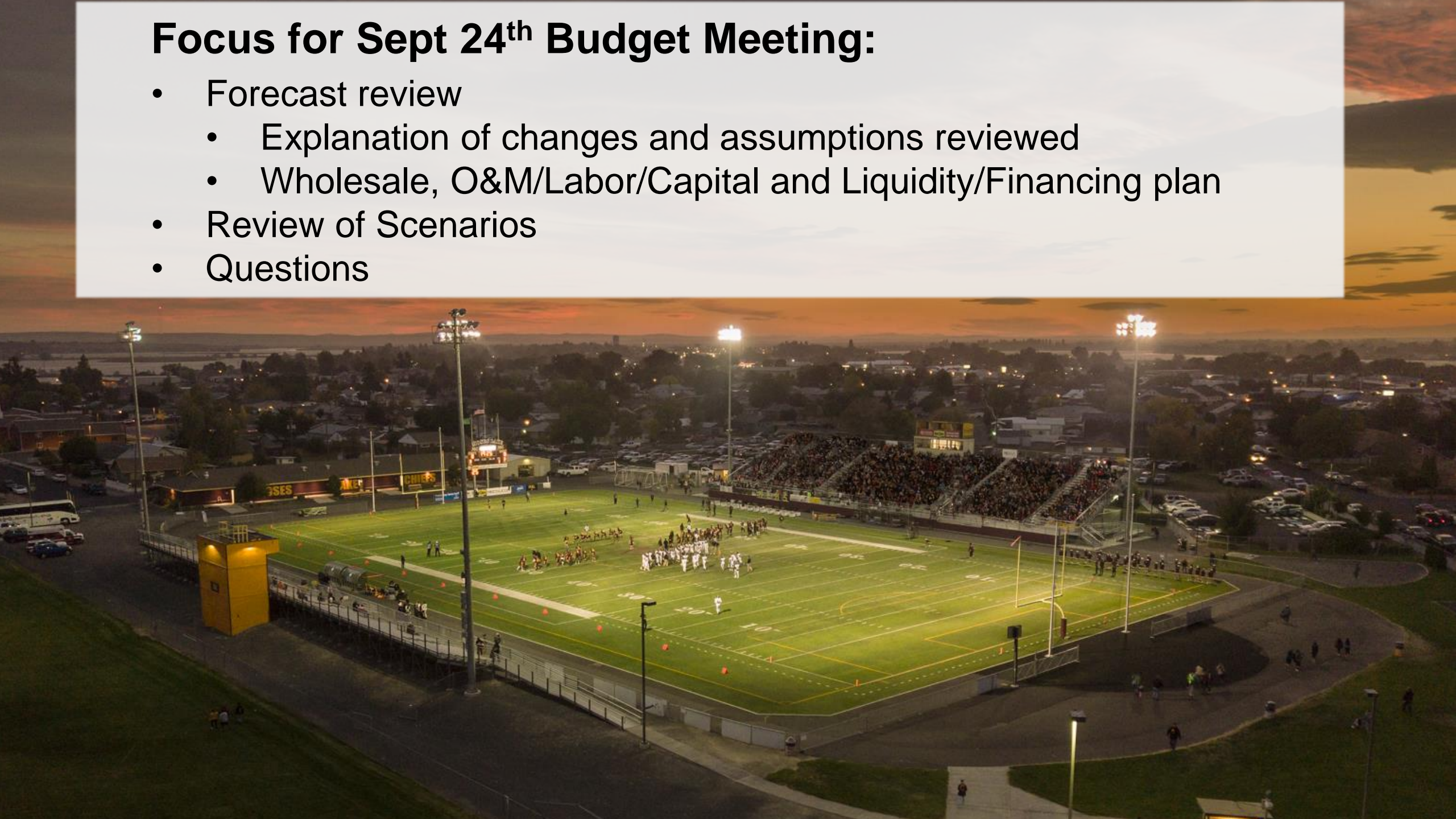
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# Next Steps

The background features a series of overlapping, curved, leaf-like shapes in shades of blue and grey, creating a dynamic, organic pattern on the right side of the slide.

# Focus for Sept 24<sup>th</sup> Budget Meeting:

- Forecast review
  - Explanation of changes and assumptions reviewed
  - Wholesale, O&M/Labor/Capital and Liquidity/Financing plan
- Review of Scenarios
- Questions





**Powering our way of life.**