

November 20, 2013



Heber Light and Power Capital and Operating Budgets For Fiscal 2014

Heber Light and Power Executive Summary

	2012	2013 Projected	2013 Budget	2014 Budget
Revenues				
Electricity Sales	\$ 12,952,069	\$ 13,439,118	\$ 13,247,271	\$ 14,150,240
Connect Fees	29,859	27,644	28,200	25,141
Interest Income	40,093	21,836	15,200	22,800
Receivables Penalty Income	36,849	37,415	40,700	40,700
Other / Misc Income	116,966	47,684	47,000	41,352
Contributed Capital & Impact Fees	961,931	897,225	-	-
Total Revenues	14,137,767	14,470,921	13,378,371	14,280,233
Expenses				
Power Purchased	\$ 5,063,234	\$ 5,509,028	6,546,177	\$ 6,057,312
Generation Maint / Fuel	327,316	680,146	405,000	641,357
Wages	2,269,085	2,765,104	2,724,534	2,857,746
Board Compensation	included in Wages	included in Wages	included in Wages	39,396
Retirement	450,065	495,113	479,095	510,181
Materials	319,328	1,617	324,996	475,000
Communications	72,345	69,005	70,497	69,432
Trucks Operating Expense	152,765	183,362	135,000	252,000
Insurance Cost - Employees	604,588	795,834	793,740	675,024
Insurance Cost - Liability	157,386	154,220	165,000	165,000
Payroll Taxes	218,849	233,143	215,089	227,784
Repairs and Maintenance	250,963	239,366	314,671	300,000
Building Expense	125,779	15,991	0	12,000
Office & Systems	54,878	64,500	63,108	63,105
Postage	38,015	38,949	41,004	42,000
Travel / Training	89,553	136,518	69,996	75,000
Misc Professional Services	177,289	239,296	200,004	200,000
Interest	575,198	413,646	518,340	374,125
Reduction of Debt	185,000	305,666	305,666	325,000
Dividends	300,000	300,000	300,000	300,000
Reserve Funding		-	0	-
Total Expenses	11,431,636	12,640,504	13,066,251	13,661,462
Capital Expenditures				
Distribution & Generation	1,603,376	1,821,737	1,375,000	1,190,000
Substations	included Dist/Gen	27,750	650,000	190,000
Trucks / Vehicles	29,329	226,754	283,000	105,600
Tools & Equipment	8,762	44,650	80,000	40,000
Buildings	280,325	516,076	250,000	180,000
Systems and Technology	164,796	23,950	199,500	69,000
Total Capital Expenditures	2,086,588	2,660,917	2,837,500	1,774,600
Depreciation	1,817,617	1,990,092	1,860,000	1,831,728

Management is pleased to present the Capital Expenditures and Operating Budgets for 2014. The following is presented to highlight the major purchases and projects for 2014.

Capital Expenditures

The Capital Budget for 2014 totals \$1,774,600. Of the items listed below, bond proceeds of \$652,905 are available to address projects within all categories except Tools and Vehicles, and are identified in the following pages. In addition, Heber Light & Power maintains two special use funds. First, a Contingency Fund of \$2.5 million is available to address certain large capital purchases and /or reserve requirements associated with internal generation, rate stabilization and power market escalation. Second, the Capital Fund is available to offset additional debt to complete major projects considered in the Company's current Strategic Plan.

Also included in the table below are Principle payments relating Company's Long-Term Debt.

Distribution System		1,090,000	
Substations		190,000	
Generation		100,000	
Systems and Technology		69,000	
Tools & Machinery		40,000	
Buildings		180,000	
Vehicles		105,600	
Total Major Expenditures			\$ 1,774,600
Principal Payments on long-term debt	\$	325,000	
Total Other Payments			<u>325,000</u>
Total Cash Requirements			\$ 2,099,600

The following are the projects identified for 2014 in support of the amounts listed on the previous page.

Distribution

College Substation

During 2014, a new feeder will be constructed from the College Substation to the northern area of the Heber Valley. This new feeder will facilitate balancing of existing loading along with providing additional reliability to the Distribution system. This project is funded by bond proceeds.

Budget Amount: \$690,000

*Note this project could still change to a transmission project if an agreement is negotiated with RMP. These funds would then be applied to the transmission project.

Charleston Feeder

The installation of new conductor along the Charleston Feeder will provide additional capacity to Charleston and County customers and provide backup capability to Cloyes and Midway Substations. The project also includes the cost of new poles along the route and will be completed in phases with the total project length planned for three years. This project is funded by rates and impact fee proceeds.

Budget Amount: \$150,000

Tie From Circuit North (702) to Heber (304)

This tie will enable us to share load between college and Heber substations.

Budget Amount: \$250,000

Substations

Jailhouse Substation

This will fund the equipment necessary to protect the first Transformer Bay at Jailhouse substation.

Budget Amount: \$130,000

Heber Substation

To fully prepare the Heber Substation site for a second power transformer and a second load serving bay.

Budget Amount: \$60,000

Generation

Lower Snake Creek Hydro Plant

This is a continuing project from 2012 and addresses the modernization of the plant along with property upgrades.

Budget Amount: \$100,000

Systems and Technology

Advanced Metering Infrastructure (AMI)

This amount is to fund the upgrade of AMI servers both Hardware and software.

Budget Amount: \$25,000
Computer Upgrades

This amount represents the annual cyclical replacement of workstations and laptops. The computer change out program protects against unwanted downtime and data lost due to aging components and technology.

Budget Amount: \$10,500

Supervisory Control and Data Acquisition (SCADA)

The Company's SCADA system needs to be continually upgraded and expanded to keep the system functioning properly without loss to smart grid functionality.

Budget Amount: \$30,000

Various Peripheral Devices

Included in the 2013 Budget are amounts for replacement printers, network switches and Uninterrupted Power Supply(s) (UPS) to address aging and failing equipment.

Budget Amount: \$3,500

Tools and Machinery

An amount is included in the Budget for the annual replacement of tools and miscellaneous machinery.

Budget Amount: \$40,000

Facilities

Operations Site improvements

To fund the completion of asphalt and fencing following construction of new shop facility.

Budget Amount: \$180,000

Operating Budget

	2012	2013 Projected	2013 Budget	2014 Budget
Revenues				
Electricity Sales	\$ 12,952,069	\$ 13,439,118	\$ 13,247,271	\$ 14,150,240
Connect Fees	29,859	27,644	28,200	25,141
Interest Income	40,093	21,836	15,200	22,800
Receivables Penalty Income	36,849	37,415	40,700	40,700
Other / Misc Income	116,966	47,684	47,000	41,352
Contributed Capital & Impact Fees	961,931	897,225	-	-
Total Revenues	14,137,767	14,470,921	13,378,371	14,280,233

Revenues

Electricity sales revenues are budgeted to increase 2% over the budgeted sales for 2013. This represents a very modest estimate for new customers and limited load growth. The increase includes a proposed 4.5% rate increase.

Revenues associated with Contributed Capital and Impact Fees are not included as these revenues are not regular and subject to external economic conditions.

	2012	2013 Projected	2013 Budget	2014 Budget
Expenses				
Power Purchased	\$ 5,063,234	\$ 5,509,028	6,546,177	\$ 6,057,312
Generation Maint / Fuel	327,316	680,146	405,000	641,357
Wages	2,269,085	2,765,104	2,724,534	2,857,746
Board Compensation	included in Wages	included in Wages	included in Wages	39,396
Retirement	450,065	495,113	479,095	510,181
Materials	319,328	1,617	324,996	475,000
Communications	72,345	69,005	70,497	69,432
Trucks Operating Expense	152,765	183,362	135,000	252,000
Insurance Cost - Employees	604,588	795,834	793,740	675,024
Insurance Cost - Liability	157,386	154,220	165,000	165,000
Payroll Taxes	218,849	233,143	215,089	227,784
Repairs and Maintenance	250,963	239,366	314,671	300,000
Building Expense	125,779	15,991	0	12,000
Office & Systems	54,878	64,500	63,108	63,105
Postage	38,015	38,949	41,004	42,000
Travel / Training	89,553	136,518	69,996	75,000
Misc Professional Services	177,289	239,296	200,004	200,000
Interest	575,198	413,646	518,340	374,125
Reduction of Debt	185,000	305,666	305,666	325,000
Dividends	300,000	300,000	300,000	300,000
Reserve Funding		-	0	-
Total Expenses	11,431,636	12,640,504	13,066,251	13,661,462

Expenses

Power Purchased

Power Purchased expense is calculated by analyzing supply requirements, identifying the cost of supply from individual sources and adding contingency pricing for market fluctuations.

Salaries

Included in the Salaries expense are amounts for the current complement of employees and a 1.5% Cost of Living adjustment.

Repairs & Maintenance

Additional amounts are included for hydro generation and substation maintenance projects for 2014.

Travel & Training

To maintain the advanced technical knowledge required in the industry, various training initiatives for staff are included in the 2014 Budget.

DRAFT