



Heber Light and Power
Capital and Operating Budgets
For Fiscal 2012

Heber Light and Power

Executive Summary

	2010	2011 Projected	2011 Budget	2012 Budget	
Revenues					
Electricity Sales	\$ 11,869,324	\$ 12,614,777	\$ 12,033,753	\$ 13,214,241	10%
Connect Fees	27,945	26,350	28,200	28,200	0%
Interest Income	15,449	31,012	32,000	20,200	-37%
Receivables Penalty Income	45,787	42,951	44,800	42,300	-6%
Other / Misc Income	120,296	117,533	55,000	55,000	0%
Contributed Capital & Impact Fees	<u>257,925</u>	<u>529,267</u>	<u>200,000</u>	<u>-</u>	<u>-100%</u>
Total Revenues	12,336,726	13,361,890	12,393,753	13,359,941	8%
Expenses					
Power Purchased	\$ 5,982,935	\$ 5,914,146	\$ 7,767,156	\$ 7,146,483	-8%
Generation Maint / Fuel	504,118	343,529	600,000	430,000	-28%
Wages	1,967,789	2,310,517	2,128,810	2,574,987	21%
Retirement	314,329	314,065	267,924	407,950	52%
Materials	196,992	341,366	355,000	345,000	-3%
Communications	71,595	67,198	76,500	70,500	-8%
Trucks Operating Expense	112,475	165,255	115,000	100,000	-13%
Insurance Cost - Employees	763,735	696,575	628,249	763,842	22%
Insurance Cost - Liability	143,526	154,714	140,000	165,000	18%
Payroll Taxes	199,094	175,053	164,333	198,469	21%
Repairs and Maintenance	188,033	180,224	220,000	335,000	52%
Office & Systems	41,899	50,426	63,000	63,420	1%
Postage	30,326	33,006	32,000	39,500	23%
Travel / Training	26,205	43,534	30,000	50,000	67%
Misc Professional Services	496,425	277,486	505,000	100,000	-80%
Interest	455,324	537,552	286,280	590,295	106%
Reduction of Debt	175,000	430,432	397,022	255,000	-36%
Dividends	300,000	247,524	288,755	300,000	4%
Reserve Funding	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>N/A</u>
Total Expenses	11,969,800	12,282,603	14,065,029	13,935,447	-1%
Capital Expenditures					
Distribution & Generation	844,408	2,181,226	614,800	781,573	27%
Trucks / Vehicles	93,782	31,150	80,000	155,701	95%
Tools & Equipment	12,748	138,450	87,000	50,000	-43%
Buildings	7,066	54,220	45,000	27,000	
Systems and Technology	<u>53,389</u>	<u>56,707</u>	<u>288,300</u>	<u>139,250</u>	<u>-52%</u>
Total Capital Expenditures	1,011,393	2,461,753	1,115,100	1,153,524	3%
Depreciation	1,749,703	1,743,996	1,744,000	1,860,000	7%

Management is pleased to present the Capital Expenditures and Operating Budgets for 2012. The following is presented to highlight the major purchases and projects for 2012.

Capital Expenditures

The Capital Budget for 2012 totals \$1,153,524. An amount of \$566,573 has been included in the Distribution System Budget with \$243,083 identified for a new feeder line from the Midway Substation. The financial obligation regarding Long Term Debt is presented under Other Payments in the table below.

Distribution System	\$	566,573	
Generation Plant		120,000	
Substations		95,000	
Systems and Technology		139,250	
Tools & Machinery		50,000	
Trucks		155,701	
Buildings		27,000	
Total Major Expenditures			1,153,524
Debt Payments	\$	255,000	
Total Other Payments			255,000
Total Cash Requirements			\$ 1,408,524

The following are the projects identified for 2012 in support of the amounts listed above.

Distribution

Midway Feeder

The installation of a new feeder out of the Midway Substation will provide relief to the current loading of the Provo River Substation and reduce excessive load and voltage drop on PR 201. The Project will include new underground circuit components and a new recloser.

Budget Amount: \$243,083

Valley Hills Underground Facilities

During 2012, replace primary underground cable in the Valley Hills subdivision as required, due to aging and deterioration of the direct buried cable system.

Budget Amount: \$40,000

46kV Switches

Included in the budget are amounts for the installation of three 46 kV switches at Cloyes substation to allow 46kV sectionalizing for alternate feeds to Jailhouse and Cloyes Substations.

Budget Amount: \$17,500

HB 304

During 2012, re-conductor HB 304 from 100 West on 200 South to 500 East on 200 South. The additional capacity will allow reconfiguring the area served and improve service reliability along with balancing load.

Budget Amount: \$16,164

Underground Tie

To facilitate the more efficient balancing of load and enhance service reliability, amounts are included in the budget for the installation of an underground tie between HB 302 and HB 304.

Budget Amount: \$77,826

Reroute the feed into the Homestead Resort

Reroute the line serving the Homestead Resort by trenching from the three phase ground sleeve in The Links subdivision to the riser pole (NW31206) at the west edge of the Homestead Golf Course Driving range. This would eliminate the existing tree problem from the overhead line and remove the overhead line from the middle of a customer's property. In addition, this project will provide for future service upgrades to the Homestead Resort.

Budget Amount: \$40,000

Pole and Conductor Renewal

Due to the deterioration of poles and associated hardware in the area south of Center Street in Heber City, amounts are included in the Budget for the 2012 phase of this multi-year project.

Budget Amount: \$72,000

Timber Lakes System improvements

To improve reliability and minimize outages within the Timber Lakes subdivision, it is necessary to install additional switch gear and replace direct buried primary conductor where needed. The budgeted amount is the 2012 expenditure as this is a multi-year project.

Budget Amount: \$60,000

Generation

Power Plant

Generating units and associated facilities are aging and require additional investment to meet company and industry standards (EPA, etc.).

Budget Amount: \$120,000

Substations

46 kV Breaker

Install a new 46 kV feeder breaker on the North transmission line and move the existing breaker to the south Transmission line. The installation of the new Breaker bay and the reconfiguration of the existing breaker will provide the ability to sectionalize the 46 kV transmission system and split the substation service onto two lines for improved reliability.

Budget Amount: \$70,000

Voltage Regulators

Currently, voltage regulators at the Lake Creek Power Plant and the Provo River Substation require rebuilding due to gassing problems. New regulators will be rotated through the existing regulator population to allow for required rebuilding. When the rebuilding is completed, the new regulators will be available for use on the distribution to mitigate primary voltage loss.

Budget Amount: \$25,000

Systems and Technology

Caselle “Clarity” Software Upgrade

During 2012, an upgrade to the Caselle Billing System is required. The current software architecture is outdated and all Caselle customers are being moved to the new SQL platform. The change provides a more robust billing and customer management tool.

Budget Amount: \$27,250

Camera System

A new DVR capable, Axis Camera system with associated software is required for the Operations compound, Gas Generation Plants, and the Main Office. The current camera system is outdated and the resolution of the system is very poor. The new camera system will replace the current population of sixteen cameras and, add eight additional cameras to the system. The new system will provide higher resolution images along with added security for all facilities.

Budget Amount: \$50,000

Fiber Installation

Costs associated with the installation of fiber infrastructure for Heber and Jailhouse Substations are included in 2012 Budget. The installation of fiber allows for a redundant communication path for the Company’s SCADA Systems which is necessary for system integrity.

Budget Amount: \$20,000

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: \$4,000

Network Switches

In 2012 the upgrading of network switches will enable the Company to create VLANS “Virtual Local Area Networks” on the network. This will provide expansion capabilities on the Company’s already overgrown network as well as additional security features. In addition, this project will help improve the current bandwidth issues on the network.

Budget Amount: \$12,000

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 the smart grid functionality.

Budget Amount: \$20,000

Network Security

Installation of Network equipment and related software is included in the Budget. The system will increase the network security and provide a checkmark on some Critical Infrastructure Protection (CIP) requirements.

Budget Amount: \$6,000

Tools and Machinery

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

Budget Amount: \$50,000

Vehicles

Light Trucks

The purchase of three light duty pickup trucks is included in the Budget. Two of these vehicles are fully depreciated and at the end of their service life.

Budget Amount: \$65,000

Line Trucks

Amounts are included in 2012 Budget for Capital Lease payments to obtain two new line trucks. These new units will replace existing trucks which are beginning to require excessive maintenance.

Budget Amount: \$74,701

Auxiliary Arms

To facilitate the replacement of poles throughout the distribution system, an amount is included in the budget for the purchase of auxiliary arms which are attached to line truck derricks.

Budget Amount: \$16,000

Buildings & Furniture

Office Building

A replacement is required for the “drive thru” window unit at the Business Office. This unit is many years old and in a state of disrepair.

Budget Amount: \$20,000

Furniture

In 2012, replacement of miscellaneous office furniture is required.

Budget Amount: \$7,000

Capital Projects Financed by 2010 Bond

As a result of the 2010 Bond, several projects were financed and completed in 2011. The remaining projects and amounts are depicted below.

Lower Snake Creek Plant

As a result of the purchase of this plant in 2011, needed improvements to make this unit operationally efficient will continue in 2012. Items include replacing needle valves, and renewing the pelton wheel along with other required modernizations.

Amount: \$250,000

Advance Metering Infrastructure (AMI)

The project which began in 2008 continues in 2012. The amount presented below represents the purchase of 1,500 single phase meters and 40 three phase meters. The original project identified the complete change of existing meters within four years. To date approximately 4,500 of a total of 9,500 meters have been changed to AMI technology. The goal is to change the remaining population of meters by 2013.

Amount: \$131,020

New Office Building

During the 2010 Bonding process, the need for a new office building was identified. The project is still under review to determine timing and continued feasibility. If the new building is not approved, additional modifications to existing buildings are required. It is anticipated the cost of these modifications to be \$150,000. These expenditures would only be made if the new building project is not approved for construction during 2012-2013.

Amount: \$1,000,000

Operating Budget

	2010	2011 Projected	2011 Budget	2012 Budget	
Revenues					
Electricity Sales	\$ 11,869,324	\$ 12,614,777	\$ 12,033,753	\$ 13,214,241	10%
Connect Fees	27,945	26,350	28,200	28,200	0%
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Other / Misc Income	120,296	117,533	55,000	55,000	0%
Contributed Capital & Impact Fees	257,925	529,267	200,000	-	-100%
Total Revenues	12,336,726	13,361,890	12,393,753	13,359,941	8%

Revenues

Electricity sales are budgeted to increase 2% over the budgeted sales for 2011. This represents a very modest estimate for new customers and limited load growth due to the current economic climate.

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

	2010	2011 Projected	2011 Budget	2012 Budget	
Expenses					
Power Purchased	\$ 5,982,935	\$ 5,914,146	\$ 7,767,156	\$ 7,146,483	-8%
Generation Maint / Fuel	504,118	343,529	600,000	430,000	-28%
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Communications	71,595	67,198	76,500	70,500	-8%
Trucks Operating Expense	112,475	165,255	115,000	100,000	-13%
Insurance Cost - Employees	763,735	696,575	628,249	763,842	22%
Insurance Cost - Liability	143,526	154,714	140,000	165,000	18%
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Dividends	300,000	247,524	288,755	300,000	4%
Reserve Funding	-	-	-	-	N/A
Total Expenses	11,969,800	12,282,603	14,065,029	13,935,447	-1%

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 3.9% wage adjustment.

State Budget Submission and Format

The State Budget Submission, which is prepared using the same information contained in this document, is presented on the following page.

Heber Light and Power

DISTRICT

BUDGET

For the year ending: December 31, 2012

	GENERAL FUND			ENTERPRISE FUND			
	ACTUAL EXPENDITURES			ACTUAL EXPENDITURES			
	PRIOR YEAR	CURRENT YEAR	BUDGET	PRIOR YEAR	CURRENT YEAR	BUDGET	
REVENUES							
Taxes: Property							
Other:							
Fee-in-Lieu of Taxes							
Charges for Services				12,321,277	13,330,878	13,339,741	
Interest Income				15,449	31,012	20,200	
Other: _____ 0							
<i>Other Financing Sources:</i>							
Transfers from Other Funds							
Contribution from Fund Balance							
TOTAL REVENUES	0	0	0	12,336,726	13,361,890	13,359,941	
EXPENSES							
Salaries and Benefits				3,244,947	3,496,209	3,945,248	
Other Operating Expenses				7,298,104	7,570,885	8,869,903	
Depreciation				1,749,703	1,743,996	1,860,000	
Capital Outlay							
Debt Service				455,324	537,552	590,295	
Other: Owner Dividend				165,000	165,000	300,000	
<i>Other Financing Uses:</i>							
Transfers to Other Funds							
Contribution to Fund Balance							
TOTAL EXPENSES	0	0	0	12,913,078	13,513,642	15,565,447	
				INCOME OR (LOSS)	(576,352)	(151,752)	(2,205,506)

ANALYSIS OF CASH REQUIREMENTS:

CASH OPERATING NEEDS:				
Net Income (Loss)		(576,352)	(151,752)	(2,205,506)
Plus: Depreciation & Contingencies		1,749,703	1,743,996	2,931,483
Less: Major Improvements & Capital Outlay		1,011,393	2,461,753	1,153,524
Bond Principal Payments		175,000	430,432	255,000
TOTAL CASH PROVIDED (REQUIRED)		(13,042)	(1,299,941)	(682,547)
SOURCE OF CASH REQUIRED:				
Cash Balance at Beginning of Year				700,000
Invest. & Other Curr. Assets to be Converted				
Issuance of Bonds and Other Debt			1,413,889	
Loans from Other Funds				
TOTAL CASH REQUIRED			113,948	17,453