

# 2002 Operating Budget Revision

July 10, 2002

# Key Points

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- **Budgeted Depreciation Expense overstated by approximately \$3.0 million**
- **Budgeted AFUDC/IDC reduced by \$700,000**
- **Actual Depreciation Expense has been recorded correctly**
- **Going forward, Depreciation Expense forecasting will include heightened communication with project managers and depreciation consultants**

# Contributing Factors to Budget Revision

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- **Amortization rates used for some General Plant accounts were incorrect**
- **Revised completion dates for capital projects**
- **Elimination of depreciation expense recorded to clearing accounts**
- **Reduction of depreciable assets in Transmission plant**
- **Average CWIP balance and cost of debt lower than anticipated in the budget**

# Updated Comparative Statement of Operations

	2002 APPROVED BUDGET	2002 REVISED BUDGET	2002 REVISED FORECAST
<b>1. TOTAL REVENUE</b>	<b>180,600,860</b>	<b>179,722,730</b>	<b>177,837,213</b>
EXPENSES:			
2. FUEL EXPENSE	48,932,542	48,932,542	46,731,138
3. POWER PRODUCTION EXPENSE	12,589,490	12,605,698	13,180,403
4. COST OF PURCHASED POWER	18,705,450	18,701,536	19,627,594
5. TRANSMISSION EXPENSE	4,062,202	4,069,055	4,023,817
6. DISTRIBUTION EXPENSE-OPERATIONS	4,325,837	4,335,582	4,155,579
7. DISTRIBUTION EXPENSE-MAINTENANCE	6,021,284	6,030,496	6,280,504
8. CONSUMER ACCOUNTS EXPENSE	5,267,945	5,312,509	5,115,749
9. CUSTOMER SERVICE/INFO EXPENSE	1,386,358	1,392,782	1,233,017
10. SALES EXPENSE	0	0	0
11. ADMINISTRATIVE/GENERAL EXPENSE	18,546,247	18,552,687	18,320,629
<b>12. TOTAL OPERATIONS/MAINTENANCE EXP.</b>	<b>119,837,355</b>	<b>119,932,887</b>	<b>118,668,430</b>

# Updated Comparative Statement of Operations Continued

	2002 APPROVED BUDGET	2002 REVISED BUDGET	2002 REVISED FORECAST
1. TOTAL REVENUE	<u>180,600,860</u>	<u>179,722,730</u>	<u>177,837,213</u>
12. TOTAL OPERATIONS/MAINTENANCE EXP.	<u>119,837,355</u>	<u>119,932,887</u>	<u>118,668,430</u>
13. DEPRECIATION/AMORTIZATION EXP.	28,595,017	25,559,638	25,573,067
14. TAX EXPENSE-OTHER	724,100	724,100	736,139
15. LONG TERM INTEREST EXP.	26,433,731	26,433,731	26,443,044
16. INTEREST DURING CONSTRUCTION (CR)	(1,510,463)	(1,082,783)	(929,865)
17. SHORT TERM INTEREST EXP.	90,000	90,000	197,831
18. OTHER DEDUCTIONS	100,000	100,000	125,225
19. TOTAL COST OF ELECTRIC SERVICE	<u>174,269,740</u>	<u>171,757,573</u>	<u>170,813,871</u>
20. PATRON CAPITAL/OPER. MARGINS	<u>6,331,120</u>	<u>7,965,157</u>	<u>7,023,342</u>
21. NON-OPER. MARGINS-INTEREST	116,426	116,426	577,573
22. ALLOW-FUNDS DURING CONSTRUCTION	453,139	185,620	158,924
23. NON-OPER. MARGINS-OTHER	0	0	(189,139)
24. G/T CAPITAL CREDITS	0	0	0
25. OTHER CAPITAL CREDITS	570,000	570,000	793,942
26. EXTRAORDINARY ITEMS	0	0	0
27. PATRON CAPITAL/MARGINS	<u>7,470,685</u>	<u>8,837,203</u>	<u>8,364,642</u>
	MFI/I		
	1.28	1.33	1.31

# Summary

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- Revised 2002 budgeted margins are \$8.8 million with an MFI/I of 1.33
- Revised 2002 forecasted margins are \$8.4 million with an MFI/I of 1.31
- If 1999 study rates are approved, the Communication Equipment depreciation rate will prospectively increase from 3.1% to 20.4% per year in order to make up for a reserve deficiency
- Over time a steady depreciation rate of 10.0% on Communication Equipment will be achieved