

Energizing Life in Our Communities!



## 2023 BUDGET

BOARD OF COMMISSIONERS:

SIDNEY LOGAN • TANYA OLSON • REBECCA WOLFE





2023 BUDGET

TABLE OF CONTENTS

CEO/General Manager’s Message ..... 1

**ELECTRIC SYSTEM.....5**

Exhibit 1 - Operating and Other Revenue.....11

Exhibit 2 - Purchased Power ..... 12

Exhibit 3 - Operating and Maintenance Expenses – By Division..... 13

Exhibit 4 - Operating and Maintenance – By Cost Element .....14

Exhibit 5 - Capital Expenditures..... 15

**GENERATION SYSTEM .....17**

Exhibit 6 – Generation System.....19

**WATER SYSTEM.....21**

Exhibit 7 - Operating and Other Revenue..... 23

Exhibit 8 - Operating Expenses ..... 24

Exhibit 9 - Capital Expenditures..... 25



A LEGACY OF SERVICE

We are public power and water. Since we were created by a vote of the people in 1936, we have been not-for-profit, community owned, and locally governed. Nearly 90 years later, our mission remains the same: deliver safe, reliable, and environmentally sustainable electricity and water to our communities.

Our 1,140 employees are dedicated to serving Snohomish County and Camano Island, some of the fastest growing communities in the country. Currently we provide electricity to more than 850,000 people and 25,000 businesses through 370,000 electric meters. We directly serve 23,000 water customers and supply wholesale water to six local utilities.

The communities we serve have diverse current and future needs. We know that our ability to be successful in the future is intertwined with theirs. We embrace each opportunity to partner with them and work together to achieve a bright future for our customers.

We are the second largest public utility in the Pacific Northwest and the 12th largest in the United States. That puts us in a unique position to be a leader in advocating for change that creates a better future for our region and the neighbors and friends we serve.

RESOLUTION NO. 6093

A RESOLUTION Adopting the 2023 Budget for Public Utility District No. 1 of Snohomish County, Washington

WHEREAS, a proposed budget for Public Utility District No. 1 of Snohomish County, Washington (the "District"), was filed by the Commission of the District in accordance with the requirements of applicable law; and

WHEREAS, after having given prior notice to the public in accordance with the requirements of applicable law, the Commission held public hearings to take testimony on issues relating to spending levels under consideration for the year 2023; and

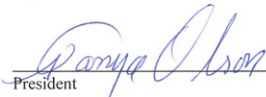
WHEREAS, Resolution 5853 Modifying the Electric System's Financial Reserve Policy provides that cash reserves and funds are presented in the annual budget and that the staff discuss with the Board proposed modifications of funds; and

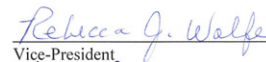
WHEREAS, after having considered staff's estimates of income for 2023 and estimates of expenditures, capital construction requirements, and projected use of reserve funds, and having considered the public testimony of those customers submitting and offering testimony, the Commission has concluded that the 2023 District budget summarized in Exhibit "A" hereto is fairly structured to meet the needs of the District and its customers.

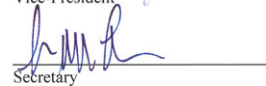
NOW, THEREFORE, BE IT RESOLVED by the Commission of Public Utility District No. 1 of Snohomish County, Washington, as follows:

1. The 2023 budget and the Fund transfers for Public Utility District No. 1 of Snohomish County, as summarized in the attached Exhibit "A," is hereby adopted.

PASSED AND APPROVED this 6<sup>th</sup> day of December 2022.

  
President

  
Vice-President

  
Secretary

Resolution No. 6093  
Exhibit A  
Page 1 of 1

**Exhibit A**  
**Snohomish County PUD 2023 Budget**

(\$000's)	Electric	Generation	Water
<b>Operating Revenues</b>			
Energy/Water Retail Sales	\$ 644,664	\$ 26,446	\$ 13,282
Energy/Water Wholesale Sales	60,393	-	503
Other Operating Revenues	33,660	-	370
<b>Total Operating Revenues</b>	<b>\$ 738,717</b>	<b>\$ 26,446</b>	<b>\$ 14,155</b>
<b>Operating Expenses</b>			
Purchased Power/Water	\$ 326,093	\$ -	\$ 3,680
Operations & Maintenance	267,398	9,559	8,129
Taxes	40,163	98	720
Depreciation (non-cash)	64,214	6,041	3,647
<b>Total Operating Expenses</b>	<b>\$ 697,868</b>	<b>\$ 15,698</b>	<b>\$ 16,176</b>
<b>Net Operating Income</b>	<b>\$ 40,849</b>	<b>\$ 10,748</b>	<b>\$ (2,021)</b>
<b>Non-Operating Income (Expense)</b>			
Interest Income & Other	\$ 12,298	\$ 700	\$ 102
Interest Charges	(18,335)	(4,162)	(593)
Contributions	32,559	50	5,394
<b>Total Non-Operating Income (Expense)</b>	<b>\$ 26,522</b>	<b>\$ (3,412)</b>	<b>\$ 4,903</b>
<b>Net Income</b>	<b>\$ 67,371</b>	<b>\$ 7,336</b>	<b>\$ 2,883</b>
<b>Other Expenditures</b>			
Capital Expenditures	\$ 174,084	\$ 5,845	\$ 14,028
Debt Service Principal	12,054	7,532	964
<b>Reserves Additions/(Uses)</b>			
Revenue Fund/GFC Fund	\$ 24,421	\$ -	\$ (4,920)
Bond Construction Funds	(74,355)	-	(7,000)

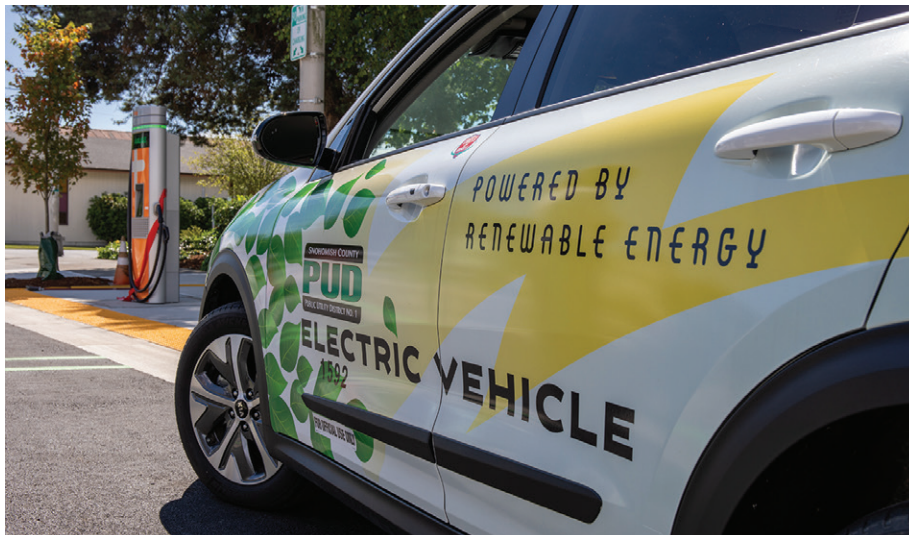
## 2023 BUDGET

**T**he 2023 Budget for Snohomish County PUD reflects a substantial effort of leaders, project leads, planners, and staff from across the organization. It is driven by our recently revisited strategic values and represents a prudent strategy of reliability, modernization, and infrastructure investment in the future, while continuing to balance the continuing inflation, supply chain and other challenges brought forward by the COVID-19 pandemic. With the 2023 Budget, the PUD continues to focus on its commitment to its customers, investing in the quality of its people, preparing for the needs of the future, and responsible cost and fiscal management.



A handwritten signature in black ink, appearing to read 'John Haarlow'.

John Haarlow  
CEO/General Manager



### 2023 BUDGET KEY FEATURES

The 2023 Budget and expenditure plan provides funding to develop, maintain, and enhance the PUD's Electric, Generation, and Water systems and continue to provide excellent service and enhance reliability to our customers while pursuing cost-effective conservation.

The 2023 operating budget for the Electric System is \$697.9 million, an increase of \$31.5 million from 2022. The expenditure plan also includes \$174.0 million in capital expenditures; the majority of those expenditures are for system reliability improvements and upgrades across the PUD's territory and investment in the Connect Up project, a multi-year project to modernize the PUD's meters and network infrastructure.

The 2023 operating budget for the Generation System is \$15.6 million, comparable to 2022. The expenditure plan also includes \$5.8 million in capital expenditures for construction and improvements, primarily at the Jackson Hydroelectric Project. The Water System's 2023 operating budget is approximately \$16.1 million, roughly \$1.4 million higher than the 2022 operating budget. The expenditure plan for the Water System also includes \$14 million in capital improvements, the majority of which are for advanced water meter conversion and construction of a new 500,000-gallon reservoir in our Kayak system.

The following highlights some of the major components of the 2023 Electric System operating budget and capital expenditures:

- ✓ **Rate adjustments** – Consistent with PUD strategy to provide small, incremental rate increases, the 2023 Budget includes a 2% general rate adjustment in April 2023.
- ✓ **Use of bonds proceeds** – The PUD issued a \$65 million bond issue in 2022 to help fund capital projects; the 2023 Budget includes the use of \$14 million in addition to use of \$44 million of proceeds from the 2021 revenue bonds.



- ✓ **Retail power consumption** – Retail loads, primarily from residential customers, are expected to increase approximately 2.7% in 2023 compared to the 2022 Budget.
- ✓ **Full-Time Equivalent (FTE) employees** – The 2023 Budget reflects an increase in FTEs, necessary to maintain excellent customer service, response times and to support new projects and initiatives.
- ✓ **New connections** – The estimate for the 2023 Budget new premise connections is 4,500, an increase from the 2022 Budget.
- ✓ **Wholesale market power sales** – Sales are expected to increase \$14 million from 2022 levels, a reflection of higher expected market prices.
- ✓ **System reliability investments** – The 2023 capital plan includes several major projects aimed at increasing reliability for customers – these include miscellaneous line improvement projects, Stimson-Stanwood 115kV line rebuild and the Sky Valley 115 kV switching station as well as continuation of the wood pole and underground cable replacement programs.
- ✓ **Connect Up Program** – Includes \$18.7 million for the beginning of a multi-year project to modernize the PUD's meters and network infrastructure.
- ✓ **North County Community Office** – Includes \$30.3 million for construction of a new community office located in Arlington and related site work.
- ✓ **Energy Services programs** – The PUD continues investment in energy-efficiency and related programs with \$12.3 million in planned expenditures. These expenditures are reported as part of operating and maintenance costs.

## CASH RESERVES

The PUD maintains reserve accounts categorized as follows:

- **Operating Reserve**, which represents a minimum of 120 days of non-power budgeted expenses in order to provide adequate working capital during unforeseen events such as natural disasters, pandemics, economic downturns, customer loss, and revenue interruption. The Operating Reserve currently exceeds minimum levels.
- **Contingency Reserve**, which hedges against risks associated with wholesale market exposure resulting from power supply portfolio imbalances created by such elements as weather, contract purchase/product variability, fuel prices, load variances or resource failure. This reserve also provides for self-insured retentions and insurance carrier deductibles. These reserve funds are expected to remain intact during 2023.
- **Project Reserve**, which represents funds expected to be used for capital and other projects. These funds are generally the proceeds of bond issues. The PUD will have bond construction funds available at the end of 2022 which will be used to help fund large capital projects.
- **Benefit Reserves**, which are being accrued over time to fund the actuarial cost of post-employment benefit obligations. The 2023 Budget provides \$2 million to be added to this reserve.
- **Sinking Reserves**, which are utilized to set aside funds on a monthly basis for annual debt service and privilege tax payments.
- **Bond Debt Service Reserves**, which are held pursuant to bond covenants for future debt payments.



## LONG-TERM STRATEGY & STRATEGIC PLAN

Since it was created by a vote of the people in 1936, Snohomish PUD has been not-for-profit, community-owned, and locally governed. Nearly 90 years later, the PUD's mission remains the same: deliver safe, reliable, affordable, and environmentally sustainable electricity and water to our communities.

In 2021, PUD leadership began developing an updated and comprehensive long-term strategy and strategic plan to guide it in becoming its communities' utility of the future. The work builds on the strengths and achievements of prior strategic planning efforts and complements existing long-term plans including the PUD's Integrated Resource Plan. The 2023-2027 strategic plan is in development and the PUD expects to adopt it early in 2023.

### OUR PURPOSE (what guides us)

We deliver essential utility services to help our communities thrive.

### OUR COMMITMENT (the tenets that anchor us)

We embrace our role in supporting the vitality of the communities we serve, today and tomorrow. To fulfill our responsibility, we will:

*Be a **POWERFUL PARTNER***

*Provide **EXCEPTIONAL VALUE***

*Deliver **EXCELLENT EXPERIENCES***

*Be the **BEST** version of **TEAM PUD***

### OUR VALUES (how we behave)

We hold ourselves and every member of Team PUD to high standards.

We have **INTEGRITY**. We are a **TEAM**.

Every day we **SERVE** with pride, **RISE** to challenges, **SAFEGUARD** what matters.

We chose to **INCLUDE** all, **SEEK** growth, and be **BOLD**.

## STRATEGIC PRIORITIES

Our world is in a constant state of change. The communities and customers the PUD serves have diverse needs, both now and into the future.

To ensure the PUD successfully meets these changing needs, the PUD's executive leadership team and Commission have identified five long-term strategic priorities. To inform its long-term strategy, the PUD undertook a comprehensive scenario planning effort in late 2021. The insights from that work, which focused on what 2040 might look like in our communities and operating environment, informed executive leadership and commission discussions.

Together, the Executive Leadership Team and the Commission identified five strategic priorities.

Our strategic priorities are the basis of our 2023-2027 Strategic Plan. In the plan, each priority will be supported by specific objectives and goals, performance metrics, and key initiatives and activities.

**The five strategic priorities are:**

### **BOLSTER OPERATIONAL RELIABILITY AND RESILIENCY**

Accelerating electrification of transportation, heating, and industry will intensify customer and community dependence on electricity and increase overall energy use. The regional clean energy transformation, climate change, and shifts in energy usage will increase the complexity of our business. Ensuring that energy and water are available whenever and wherever they are needed will require sophisticated planning, new and upgraded infrastructure, protection of our clean resources, and continual improvement of our operating practices. Responsible financial management underpins our ability to fulfil our commitments to our communities.

### **EVOLVE AND ENHANCE CUSTOMER EXPERIENCES**

Our communities are increasingly diverse with evolving customer needs and preferences. At the same time, the standards set by other industries, including online retail and package delivery, are influencing what our customers expect of us. We must keep pace and embrace a customer-centric focus across all aspects of our operations, to deliver excellent experiences and earn our customers' loyalty.



### ACTIVELY HELP OUR COMMUNITIES THRIVE

We have been part of the fabric of our communities since our creation and are committed to providing equitable services and access. Water and power are vital to ensuring Snohomish County and Camano Island thrive today and in the future. Looking to the future we believe we have the opportunity, and responsibility, to become an even more powerful partner.

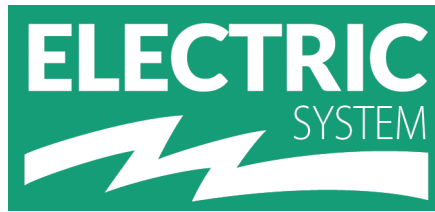
### BUILD A SUSTAINABLE FUTURE WITH OUR COMMUNITIES

We have long prioritized providing affordable carbon-free power to our communities and being sensitive to the natural environment in our planning, construction, and operations. With growing momentum toward electrification, decarbonization, local energy generation and storage, and conservation of natural resources, we are uniquely positioned to help our communities develop or meet their sustainability goals.

### CREATE THE CULTURE AND CAPABILITIES NEEDED FOR THE FUTURE

Our employees are the heart of our organization; they are fundamental to our ability to deliver on our commitments and achieve our vision. We must attract, develop, and retain a workforce that embodies our values and reflects the diversity of our communities. Our employees need not only the capabilities and resources to do their jobs safely and effectively, but also access to development and advancement opportunities.





# 2023 BUDGET

The Electric System operates primarily to provide electrical service to 850,000 people and 25,000 businesses through 370,000 electric meters. The Electric System purchases the majority of the electrical energy it sells to customers from the Bonneville Power Administration (BPA). The Electric System consists of the PUD's transmission lines, substations, distribution lines, transformers, meters, and general plant. It also includes customer service, engineering and design, energy-efficiency services, and administrative functions that support the construction, operations and maintenance of the transmission and distribution system.



Schedule 1 shows the 2023 Budget compared to the 2022 Budget.

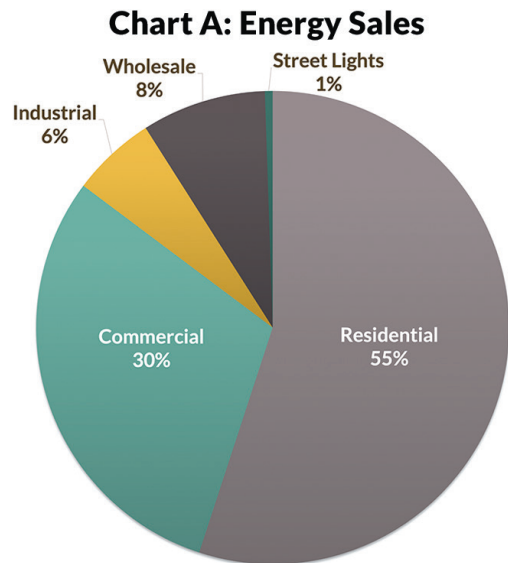
Schedule 1 ELECTRIC SYSTEM COMPARATIVE FINANCIAL DATA (\$000's)		
	2022 Budget	2023 Budget
<b>Operating Revenues</b>		
Energy Retail Sales	\$624,652	\$644,664
Energy Wholesale Sales	45,931	60,393
Other Operating Revenues	36,622	33,660
<b>Total Operating Revenues</b>	<b>\$707,205</b>	<b>\$738,717</b>
<b>Operating Expenses</b>		
Purchased Power	\$325,237	\$326,093
Operations & Maintenance	246,781	267,398
Taxes	38,901	40,163
Depreciation Expense	59,433	64,214
<b>Total Operating Expenses</b>	<b>\$670,351</b>	<b>\$697,868</b>
<b>Net Operating Income</b>	<b>\$36,853</b>	<b>\$40,849</b>
Other Income & Expense	6,740	12,298
Interest Charges	(17,608)	(18,335)
Contributions	32,867	32,559
<b>Net Income</b>	<b>\$58,853</b>	<b>\$67,371</b>
<b>Cash Adjustments to Net Income</b>		
Capital Expenditures	\$(159,383)	\$(174,084)
Debt Service Principal	(11,550)	12,054
Depreciation	59,433	64,214
Other/Cash Adjustments	7,440	3,202
<b>Estimated use of Reserves and Bond Proceeds</b>	<b>\$(45,205)</b>	<b>\$(27,243)</b>



## Operating Revenues

Retail energy sales included in the 2023 Budget are sales within the PUD's service territory to residential, commercial and industrial customers and are projected to be \$20 million higher in the 2023 Budget due to expectations of higher customer consumption and rate increase.

Sales to retail customers represent 91% of the Electric System's total energy sales revenue. Chart A highlights the major components of our energy sales.



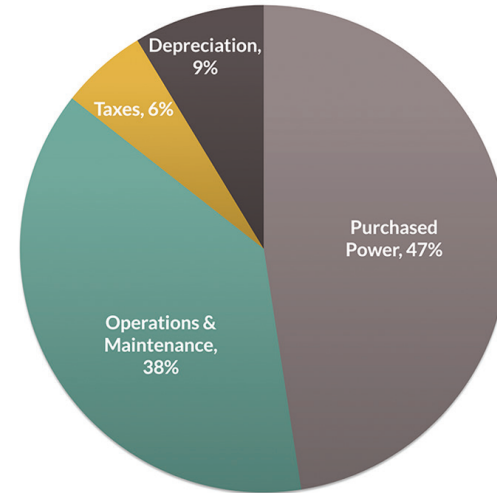
Wholesale Energy Sales Revenues are \$60.3 million in the 2023 Budget, \$14.4 million higher than the 2022 Budget. This increase reflects the current higher forward price forecast.

Other Operating Revenues are \$33.6 million in the 2023 Budget, a \$2.9 million decrease from 2022 levels. These revenues include sales of the PUD's transmission capacity, BPA energy-efficiency program reimbursements, customer fees and other revenues.

## Operating Expenditures

The 2023 Budget for operating expenditures is \$27.5 million higher than the 2022 Budget. Chart B highlights the major components of the 2023 operating expenditures.

**Chart B: Operating Expenditures**



## PURCHASED POWER

The 2023 purchased power budget reflects a strategy for power supply that focuses on securing stable, reliable power at predictable prices while keeping risk within acceptable levels.

Purchased power costs of \$326.0 million are less than a million higher than the 2022 Budget. This increase is primarily the result of higher projected short-term market purchase costs due to increases in projected purchase volume and prices. These costs are more than offset by increased wholesale power market sales.

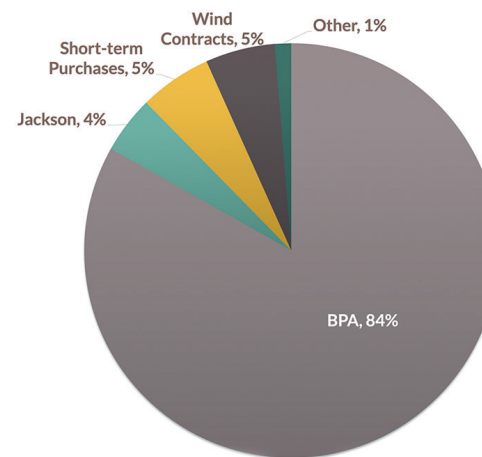
- **Bonneville Power Administration (BPA)** – The 2023 Budget reflects a long-term power purchase agreement effective October 1, 2012, through September 30, 2028, for the purchase of up to 811 aMW through the Block and Slice products. The BPA power contract represents 83% of the PUD's 2023 forecast power purchases.

- Block Product** – 38% of the PUD’s energy contract with BPA comes from the Block product. The Block product provides the PUD with power in flat monthly amounts that total 3.2 million MWh over calendar year 2023. The amount of energy the PUD receives each month is based on the PUD’s historical monthly load shape. In 2023, the total annual cost of the Block product is forecasted at \$116.0 million. The 2023 Budget also includes a Reserve Distribution Clause (RDC) credit of \$23 million from BPA.
- Slice Product** – 46% of the PUD’s energy contract with BPA comes from the Slice product. The Slice product is delivered in variable amounts that reflect the actual output of the Federal Base Power System, which can vary from year to year based on regional hydro conditions. The 2023 Budget estimates receiving 3.9 million MWh from BPA’s Slice product at a cost of \$131.7 million.
- Jackson Hydroelectric Project** – The Electric System is expected to purchase 388,627 MWh of power from the Jackson Hydroelectric Project, a component of the PUD’s Generation System, at a cost of \$13.7 million in the 2023 Budget. This represents 4% of the Electric System’s anticipated 2023 power resources.
- Small Hydroelectric Projects** – The Generation System owns four small hydroelectric projects: the Woods Creek Project and the Youngs Creek Project in Snohomish County and the Calligan Creek Project and the Hancock Creek Project in King County. The 2023 Generation System budget includes \$5.8 million in purchased power expenditures related to these projects.
- Short-term Market Purchases** – The 2023 Budget includes 490,560 MWh, estimated to cost \$29.3 million, for short-term market purchases anticipated to satisfy the PUD’s retail loads in excess of its firm resources to manage short-term load and resource variations. These costs are offset by wholesale power market sales.
- Renewable Energy Credits (RECs)** – In the 2023 Budget, the PUD anticipates it may need to purchase small quantities of RECs to supplement the PUD’s existing renewables portfolio and most cost-effectively meet the target increase of 15% renewables in 2023. The 2023 Budget includes \$367,200 for forecasted REC purchases.

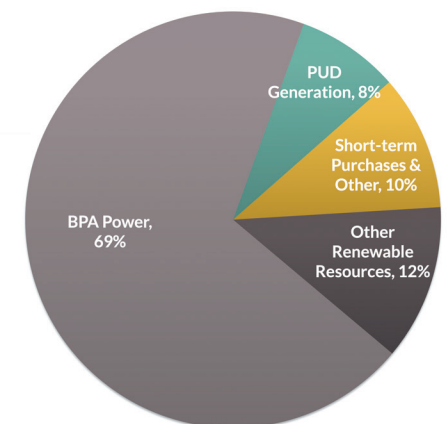
- Renewable Power Purchases** – In addition to the PUD’s owned resources, the utility has acquired eligible renewable resources through long-term power supply contracts. These include the White Creek Wind Agreement, the Wheat Field Wind Agreement, the Hay Canyon Wind Agreements, the Packwood Agreement, the Small Renewable Generation Agreement, and the Hampton Lumber Mill – Darrington, WA Agreement. The 2023 Budget forecasts a total of 512,969 MWh from these contracts at a forecast total cost of \$39 million.
- Climate Commitment Act (CCA)** – The 2023 Budget includes \$1 million in forecasted costs associated with the PUD’s compliance with the Climate Commitment Act (Washington cap-and-invest program) starting in 2023.

Chart C illustrates the PUD’s purchased power included in the 2023 Budget in terms of MWh purchased, while Chart D indicates the relative cost of the different power resources. Market purchases made for load/resource balancing are included.

**Chart C: Net Supply (MWh)**



**Chart D: Purchased Power Costs**





## OPERATING AND MAINTENANCE (O&M) EXPENDITURES

Operating and maintenance expenditures in the 2023 Budget are \$267.4 million, \$20.6 million higher than the 2022 Budget, and account for 38% of total PUD operating expenditures. O&M expenditures include energy-efficiency programs and transmission and ancillary services. Exhibit 3 (page 13) provides detail for O&M expenditures by division, and Exhibit 4 (page 14) provides detail for O&M expenditures by cost element.

O&M expenditures include the following areas:

- operating and maintaining the Electric System to provide reliable service to our customers. This effort includes the regular maintenance of lines and stations, response to customer outages, and tree trimming efforts;
- providing effective customer service through the call center, local offices, account control and front-line operations, as well as executive account attention and effective communications;
- maintaining an effective program that ensures the safety of employees in the performance of their duties;
- providing the internal support needed to serve our customers effectively in areas such as human resources and safety, finance and accounting, material procurement and management, and information technology;
- providing maintenance and upkeep of our facilities, vehicles, and equipment;
- ensuring compliance with environmental and other government regulations;
- supporting the policy-making, regulatory and management oversight functions; and maintaining an effective energy-efficiency program.

Operating and maintenance expenditures also include transmission and ancillary services forecasted at \$62.5 million, which is \$252K lower than 2022 Budget levels due to anticipated BPA rate changes.

## ENERGY SERVICES PROGRAMS

PUD programs are designed so that all customers (residential, commercial, and industrial) have an opportunity to become more energy efficient and have access to the newest energy technologies. The 2023 Budget includes continued enhancements to the energy services program portfolio designed to improve customer experience, meet the PUD's growing capacity needs, and offer choices that deliver maximum investment value.

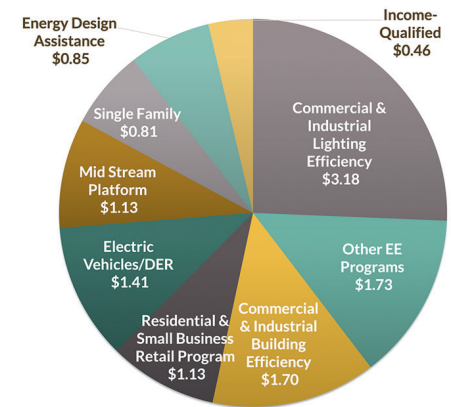
The PUD has allocated an overall Energy Services budget of \$20.5 million, which includes \$12.3 million in energy-efficiency program incentives and rebates. Revenue sources related to energy-efficiency through BPA Energy Efficiency Incentives (EEI) and conservation loan repayments will recover approximately \$7 million.

The PUD continues to acquire all cost-effective and achievable energy-efficiency resources in adherence with state legislation. The energy conservation targets established for the 2022-2023 biennium are consistent with Washington State Energy Independence Act requirements and satisfy the PUD's compliance obligations. Beyond compliance alone, the PUD uses data driven insights to refine and offer a suite of programs to meet the variety of needs of customers in our service territory.

Energy-efficiency programs for the 2023 Budget include the following items:

- Retail discounts on electric hybrid water heaters, smart thermostats, and other high-efficiency appliances and electronics. Additionally leveraging midstream programs to ensure efficiency incentives reach all applicable PUD customers and continue to transform the market technology;
- Weatherization for income-qualified residential customers, provided in partnership with local agencies, as well as an energy-savings kits for all income-qualified assistance program participants;
- Incentives for residential insulation, high-efficiency windows, efficient heat pumps (air source, ground source, and ductless);

**Chart E: Energy Services Programs**  
(\$ Millions)



- Rebates for energy-efficient commercial lighting, networked or advanced lighting controls, kitchen equipment, HVAC, and other end-uses;
- Builder incentives for efficiency upgrades that exceed the levels set by building code in residential new construction, single family, multifamily, and manufactured homes;
- Strategic energy management and coaching relationships with large commercial and industrial customers to identify process, behavioral, and capital energy savings projects;
- Custom incentives to businesses for installing a wide variety of energy-efficient technologies at commercial and industrial customer sites;
- Energy design assistance for commercial and multi-family new construction projects, including enhanced rebates for demand-response-ready buildings, income-qualified occupancy, electric-vehicle supply equipment, or electric-only design; and
- Expanding our reach with small and medium businesses by leveraging regional partnerships to provide enhanced value and opportunity.

The 2023 Budget also includes resources for the following items:

- Advancing innovative program development and design;
- Leveraging data to inform more sophisticated strategic planning and target market segments for energy-efficiency resource acquisition;
- Supporting a shift toward capacity benefits as a program outcome in addition to traditional deliverables;
- Delivering an expanded electric vehicle program that provides for research, rebates, and incentives to customers in all segments, including fleet electrification;
- Working across departments to deliver several Distributed Energy Resources (DER) pilots to learn more about capacity and rate benefits;
- Partnering with outside agencies to co-fund projects by applying for, and managing strategic grants for new technology and opportunities;
- Enhancing outreach and education to couple energy efficiency with the PUD's income-qualified customer assistance programs;
- Trade ally network training and development, supporting new jobs in the community and providing incentives for the administration of our programs directly to those implementing;
- Measurement, evaluation, and continual improvement of program performance;

- Providing information and promotion of programs via traditional channels, at events and home shows, and directly in customers' homes;
- Market research at the local level as well as leveraging regional research efforts; and
- Technology demonstration and evaluation projects conducted in Snohomish County with support from EPRI, BPA, NEEA, and local community partners.

## TAXES AND DEPRECIATION

Budgeted taxes of \$40.2 million are \$1.3 million higher than 2022 reflecting higher retail sales. Taxes include a 3.873% state excise tax and a 2.14% county privilege tax.

Estimated deprecation expenditures of \$64.2 million are \$4.8 million higher than 2022. Depreciation is an estimate of the reduced value of the PUD's fixed assets and are part of operating expenditures in the 2023 Budget.

## CAPITAL EXPENDITURES

The 2023 Budget includes costs related to expansion, upgrades and maintenance of the Electric System infrastructure, including funding for depreciated cable replacement, distribution system line improvements, and state-requested relocation work. In addition, capital expenditures include the costs for the Connect Up Program, telecommunications infrastructure, information systems applications and hardware, work on existing facilities, development of new facilities, and purchases of vehicles and equipment.

The major capital projects included in the 2023 expenditure plan are presented in the table below and Exhibit 5 on page 15 highlights the capital projects by major category in the 2023 Budget.

### → **Capital Asset Programs**

The existing electric system facilities must be routinely refurbished and/or replaced to provide a reliable, cost-effective and safe system. This program provides for facility relocations, replacement of malfunctioning or deteriorated plant and improving operational efficiency. Each of the programs included in this category consists of specific improvement projects that are continuous and ongoing over a number of years. The 2023 expenditure plan is \$30.7 million for this program.



→ **Customer and Reimbursable Work**

The Customer and Reimbursable work portion of the capital expenditure plan funds the PUD's response to customer requests for new electrical service, upgrades to existing services and other services including street and area lighting, as well as new equipment such as transformers and meters. The 2023 Budget includes \$33.8 million in funding for this program, the majority of which is reimbursable.

→ **New Facilities and Upgrades**

The Facilities Department expenditure plan for capital expenditures is related to design, construction, upgrade and replacement of PUD facilities. The 2023 expenditure plan includes \$40.8 million, which includes \$30.3 million related to design and initial construction work for the new North County community office, warehouse, and ancillary spaces.

→ **Major Capital Expansion Projects**

The steady growth and changing load patterns of residential, industrial and commercial customers continue to require new facilities and property as well as increase peak load demands. The purpose of this program is to provide increased electric system capacity by constructing new facilities and large specific system expansions, such as new substations and new lines. These projects generally extend over a number of years. The 2023 expenditure plan for this program is \$10.6 million.

→ **Vehicles and Equipment**

The replacement of aged vehicles and equipment reaching the end of their useful lives is necessary to ensure safe operation, reliable service and optimal efficiency. Vehicle and equipment replacements are planned by Transportation Services with the intent to remove them from service before extensive maintenance costs and downtime are realized. New technology is continually being investigated to reduce environmental impact and improve workforce efficiency. The 2023 expenditure plan includes \$8.9 million for new and replacement vehicles and equipment.

→ **Major Capital Upgrade Projects**

A reliable, cost-effective and safe electric system network requires that facilities be upgraded to provide anticipated levels of service. The upgrades to the existing facilities are prompted by localized load growth, land-use changes and infrastructure expansions. This category consists of large specific system upgrades, such as substation upgrades or line reconductoring. The expenditure plan for this program in the 2023 Budget is \$9.3 million.

→ **Other Capital Outlay**

This program funds anticipated but as yet unidentified work, such as emergency line expansions and replacements and substation improvements. This category consists of small system improvements that experience indicates are necessary each year. This program's expenditure plan for the 2023 Budget is \$1.4 million.

→ **Information Technology Upgrades**

The Information Technology Services capital expenditure plan supports the technology infrastructure (such as servers, network, applications, and telecommunications) that provides the basic framework for the PUD's computer and communications systems. The 2023 expenditure plan includes \$1 million in funding for new software and business capabilities, replacement of aging infrastructure and equipment, system software application improvements and telecommunications.

→ **Other Capital Expenditures**

Other categories of capital expenditures include funding to modernize our telecommunications system, emergency work and construction, and other smaller projects.

**Significant 2023 Electric System  
Capital Projects/Programs  
(\$000's)**

North County Community Office	\$30,393
Connect Up	18,733
Cable Replacement Program	6,203
Wood Pole Program	5,875
Miscellaneous Line Improvements	4,781
Sky Valley 115KV Switching Station	4,241
Stimson-Stanwood 115KV Line Rebuild	3,549
Hat Island Cable Replacement	3,211

**Electric System  
Operating Revenues**

<u>Operating Revenues</u>	2021 Results		2022 Budget		2023 Budget	
	MWh	Amount	MWh	Amount	MWh	Amount
Residential	3,788,553	\$ 384,362,089	3,652,711	\$ 388,377,451	3,745,925	\$ 394,902,933
Commercial	2,311,513	204,047,920	2,253,673	204,297,384	2,355,475	215,462,442
Industrial	466,812	32,564,110	428,478	30,268,668	415,695	30,545,492
Street Lights	26,892	3,739,012	27,000	3,708,693	27,000	3,752,989
<b>Total Retail Energy Sales</b>	<b>6,593,770</b>	<b>\$ 624,713,131</b>	<b>6,361,863</b>	<b>\$ 626,652,196</b>	<b>6,544,095</b>	<b>\$ 644,663,856</b>
<b>Total Wholesale Energy Sales</b>	<b>1,512,879</b>	<b>\$ 42,692,590</b>	<b>1,764,853</b>	<b>\$ 45,930,923</b>	<b>1,861,165</b>	<b>\$ 60,392,732</b>
<b>Total Energy Sales</b>	<b>8,106,649</b>	<b>\$ 667,405,721</b>	<b>8,126,716</b>	<b>\$ 672,583,119</b>	<b>8,405,260</b>	<b>\$ 705,056,588</b>
 <u>Other Operating Revenues</u>						
Transmission Sales		\$ 10,670,124		\$ 10,012,000		\$ 10,012,000
Miscellaneous Operating Expense Reimbursements		1,992,435		1,682,430		1,716,079
Surplus REC and Emission Sales		1,552,460		200,000		200,000
BPA ECA Reimbursement		8,107,923		7,000,000		7,000,000
Residential Exchange Credit		3,901,159		7,664,000		7,697,000
Miscellaneous Service Charge Revenue		1,708,351		6,417,837		3,324,160
Rents from Electric Property		4,355,213		3,645,238		3,711,238
<b>Total Other Operating Revenues</b>		<b>\$ 32,287,664</b>		<b>\$ 36,621,505</b>		<b>\$ 33,660,477</b>
<b>Total Operating Revenues</b>		<b>\$ 699,693,386</b>		<b>\$ 709,204,624</b>		<b>\$ 738,717,065</b>



## 2023 Budget

Electric System  
Purchased Power

## Exhibit 2

	Total 2021 MWh's	2021 Results	Total 2022 MWh's	2022 Budget	Total 2023 MWh's	2023 Budget
BPA Block	2,989,906	\$ 104,692,361	3,087,577	\$ 105,310,976	3,280,477	\$ 93,047,942
BPA Slice/Slice True-up	4,101,440	130,265,987	3,881,587	130,369,632	3,959,596	131,791,781
<b>Total BPA Power Costs</b>	<b>7,091,346</b>	<b>\$ 234,958,348</b>	<b>6,969,164</b>	<b>\$ 235,680,608</b>	<b>7,240,073</b>	<b>\$ 224,839,724</b>
Jackson Hydro	374,240	7,773,378	372,989	13,518,487	388,627	13,738,466
Generation System - Other Debt Service	-	7,284,389	-	7,228,409	-	6,373,267
Youngs Creek Hydro	17,169	2,323,208	17,114	2,046,910	17,114	1,738,382
Woods Creek Hydro	1,278	903,530	1,273	284,724	1,273	341,391
Hancock Creek Hyrdo	27,382	2,408,170	27,308	1,987,189	27,308	1,991,718
Calligan Creek Hydro	24,658	2,178,158	24,598	1,970,917	24,598	1,754,015
Biofuel	-	854,654	-	302,800	-	508,600
<b>Total Generation System</b>	<b>444,727</b>	<b>\$ 23,725,487</b>	<b>443,282</b>	<b>\$ 27,339,435</b>	<b>458,920</b>	<b>\$ 26,445,838</b>
Packwood	17,094	716,217	17,045	690,208	17,045	677,927
Qualco	2,662	168,249	5,033	333,444	5,033	226,199
Hampton Lumber Mills	17,587	1,030,468	17,587	821,626	18,767	1,256,173
Wind Power Contracts	466,643	38,640,527	472,124	36,729,147	472,124	36,893,947
<b>Total Other Renewable Power Sources</b>	<b>503,986</b>	<b>\$ 40,555,461</b>	<b>511,789</b>	<b>\$ 38,574,424</b>	<b>512,969</b>	<b>\$ 39,054,246</b>
<b>Market/Short Term Purchases</b>	416,377	30,818,700	498,940	18,958,697	487,783	29,236,457
Small Power Producer	239	20,902	238	11,789	238	11,789
Other Non-Power Services	-	419,676	-	433,384	-	391,119
Renewable Energy Credits (REC) Purchases	-	-	-	270,000	-	367,200
Power Resource Management	-	3,920,285	-	3,968,228	-	4,747,081
Climate Commitment Act (CCA)	-	-	-	-	-	1,000,000
<b>Total Purchased Power</b>	<b>8,456,675</b>	<b>\$ 334,418,859</b>	<b>8,423,413</b>	<b>\$ 325,236,566</b>	<b>8,699,984</b>	<b>\$ 326,093,454</b>

**Electric System**  
**Operating Maintenance Expenses - By Division**

<b>Operating &amp; Maintenance - by Division</b>	<b>2021 Results</b>	<b>2022 Budget</b>	<b>2023 Budget</b>
Distribution & Engineering Services	\$ 83,244,179	\$ 76,017,242	\$ 77,731,552
Transmission and Ancillary Services	60,353,238	62,719,501	62,517,704
Customer and Energy Services	32,125,508	34,765,122	37,255,445
Information Technology Services	31,144,413	30,134,670	36,068,167
Finance	20,123,031	22,604,636	25,849,297
Facilities, Security and Safety	10,995,343	12,784,539	14,228,077
Human Resources	10,112,502	11,257,198	13,231,909
Administration	2,560,263	3,343,821	3,557,311
Corporate Communications	6,204,939	6,725,935	7,433,881
Legal Services	4,834,184	5,492,751	6,147,627
Power, Rates & Transmission Management	1,571,782	1,475,992	2,064,249
Other Costs/Credits	(48,010,565)	(20,540,717)	(18,687,796)
<b>Total Operating &amp; Maintenance Expenses by Division</b>	<b>\$ 215,258,817</b>	<b>\$ 246,780,691</b>	<b>\$ 267,397,423</b>



**Electric System**  
**Operating Maintenance - By Cost Element**

<b>Operating &amp; Maintenance by Cost Element</b>	<b>2021 Results</b>	<b>2022 Budget</b>	<b>2023 Budget</b>
Labor	\$ 85,559,278	\$ 78,909,093	\$ 86,640,476
Transmission and Ancillary Services	57,805,123	60,958,142	62,517,704
Contracts and Services	44,923,588	52,319,699	56,059,335
Overheads	35,481,198	25,567,628	29,785,234
Materials, Equip and Supplies	9,773,082	7,313,996	12,377,873
Employee and Retiree Benefits	(37,686,310)	5,746,686	5,800,000
Bad Debt Expense	10,346,043	5,402,739	2,399,209
Insurance and Claims	3,200,271	3,106,594	3,572,445
Other Miscellaneous Expense	3,052,961	2,960,871	3,432,927
Rents and Utilities	2,095,038	2,262,235	2,563,723
Travel and Training	542,714	2,055,158	2,139,824
Land, Property and Easements	165,832	177,850	108,671
<b>Total Operating &amp; Maintenance by Cost Element</b>	<b>\$ 215,258,818</b>	<b>\$ 246,780,691</b>	<b>\$ 267,397,422</b>

**Electric System  
Capital Expenditures**

<b>Capital Projects by Major Category</b>	<b>2021 Results</b>	<b>2022 Budget</b>	<b>2023 Budget</b>
Asset Programs	\$ 35,053,778	\$ 28,179,745	\$ 33,762,061
Customer & Reimbursable Work	27,575,340	32,043,451	33,470,194
New Facilities and Upgrades	13,846,271	17,294,810	40,821,557
Expansion Projects	9,246,363	17,199,647	10,635,281
Vehicles and Equipment	3,691,741	9,855,608	8,952,261
Connect Up Programs	5,815,101	34,508,039	18,732,545
Other Distribution Capital	2,037,108	4,650,078	8,941,007
Emergency Work and Construction	7,228,939	5,000,000	5,000,000
Upgrade Projects	2,899,649	6,744,729	9,346,848
Outlay Programs	122,612	1,123,962	1,444,108
Information Technology Upgrades	1,475,825	1,387,318	1,048,318
Renewable/Microgrid Development	1,426,369	1,395,550	1,929,775
<b>Total Capital Programs</b>	<b>\$ 110,419,096</b>	<b>\$ 159,382,938</b>	<b>\$ 174,083,954</b>









## 2023 BUDGET

**T**he Generation System is financed and accounted for as a system separate from the Electric System.

The Generation System consists of the Jackson Hydroelectric Project (an operating generating facility with a nameplate capacity of 111.8 MW located on the Sultan River), the Youngs Creek Hydroelectric Project (a 7.5 MW project located near Sultan) the Woods Creek Hydroelectric Project (a 650 KW project also located near Sultan), and the Hancock Creek and Calligan Creek Projects (both 6 MW projects located in King County).

The Electric System has covenanted to purchase all power and energy available from the Generation System, and the net cash expenditures of the Generation System are treated as a component of the Electric System's Purchased Power. The Generation System is charged for administrative functions provided by the Electric System that support its operations.



Schedule 2 is a summary comparing the 2023 Budget for the Generation System with the 2022 Budget.

Schedule 2 GENERATION SYSTEM COMPARATIVE FINANCIAL DATA (\$000's)		
	2022 Budget	2023 Budget
<b>Operating Revenues</b>		
Energy Sales	\$27,131	\$26,446
Other Operating Revenues	—	—
<b>Total Operating Revenues</b>	<b>\$27,131</b>	<b>\$26,446</b>
<b>Operating Expenses</b>		
Operating & Maintenance Expenses	\$10,044	\$9,559
Taxes	98	98
Depreciation	6,067	6,041
<b>Total Operating Expenses</b>	<b>\$16,208</b>	<b>\$15,698</b>
<b>Net Operating Income</b>	<b>\$10,923</b>	<b>\$10,748</b>
Other Income & Expense	\$709	\$700
Interest Charges	(4,497)	(4,162)
Contributions	50	50
<b>Net Income</b>	<b>\$7,185</b>	<b>\$7,336</b>
<b>Cash Adjustments to Net Income</b>		
Capital Expenditures	\$(4,784)	\$(5,845)
Debt Service Principal	(8,467)	(7,532)
Depreciation	6,067	6,041
<b>Estimated Changes in Reserves</b>	<b>\$0</b>	<b>\$0</b>

## Operating Revenues

The majority of the Generation System's costs, and the MWh generated, are passed on to the Electric System via energy sales (recorded as a purchased power by the Electric System). Energy Sales are almost identical to the 2022 Budget.

## Operating Expenditures

Operating and maintenance expenditures in the 2023 Budget are at similar levels to 2022.

Estimated depreciation expenditures of \$6 million reflect the current depreciation schedules on assets for 2023. Depreciation is an estimate of the reduced value of the Generation System's fixed assets.

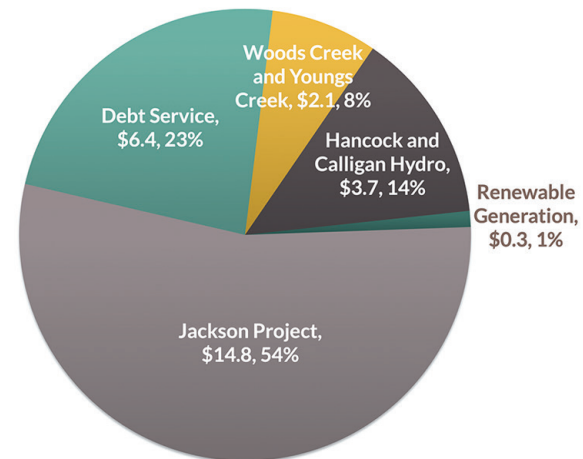
## Cash Adjustments to Net Income

Capital expenditures in the 2023 Budget are \$5.8 million, \$1 million higher than the 2022 Budget. Capital expenditures include \$5.2 million related to capital maintenance for the Jackson Hydroelectric Project.

Debt service principal is lower in the 2023 Budget compared to 2022, reflecting current debt service payment schedules. There are no planned reserve transfers in the 2023 Budget.

Chart F illustrates the relative percentages of Generation System costs transferred to the Electric System as a component of purchased power.

**Chart F: Generation System Energy Sales  
(\$ Millions)**





<b>Generation System Net Energy Sales</b>	<b>2021 Results</b>	<b>2022 Budget</b>	<b>2023 Budget</b>
Jackson Hydro	\$ 7,773,378	\$ 13,518,487	\$ 13,738,466
Generation System - Other	7,284,389	7,228,409	6,373,267
Youngs Creek Hydro	2,323,208	2,046,910	1,738,382
Woods Creek Hydro	903,530	284,724	341,391
Hancock Creek Hydro	2,408,170	1,987,189	1,991,718
Calligan Creek Hydro	2,178,158	1,970,917	1,754,015
Biofuel	854,654	302,800	508,600
<b>Total Generation System Net Energy Sales</b>	<b>\$ 23,725,487</b>	<b>\$ 27,339,435</b>	<b>\$ 26,445,838</b>

<b>Generation System O&amp;M by Cost Element</b>	<b>2021 Results</b>	<b>2022 Budget</b>	<b>2023 Budget</b>
Labor	\$ 2,137,556	\$ 3,252,462	\$ 3,228,463
Contracts and Services	1,279,484	2,244,794	2,360,276
Overheads	1,954,169	1,907,672	1,925,336
Materials, Equip and Supplies	439,451	1,588,965	833,723
Insurance and Claims	584,038	563,717	674,048
Other Miscellaneous Expense	57,625	50,474	49,490
Rents and Utilities	213,819	391,845	370,110
Travel and Training	14,512	32,316	106,196
Land, Property and Easements	16,938	7,750	11,750
<b>Total Generation System O&amp;M by Cost Element</b>	<b>\$ 6,697,592</b>	<b>\$ 10,039,995</b>	<b>\$ 9,559,393</b>

<b>Generation System Capital Expenditures</b>	<b>2021 Results</b>	<b>2022 Budget</b>	<b>2023 Budget</b>
Jackson Hydro	\$ 2,242,121	\$ 4,072,412	\$ 5,208,758
Youngs Creek Hydro	205,627	222,200	51,360
Woods Creek Hydro	788,518	186,904	274,880
Hancock Creek Hydro	40,772	-	-
Calligan Creek Hydro	23,787	-	-
Biofuel	737,076	302,800	309,600
<b>Total Generation System Capital Expenditures</b>	<b>\$ 4,037,901</b>	<b>\$ 4,784,316</b>	<b>\$ 5,844,598</b>



# 2023 BUDGET

The Water System is financed and accounted for separate from the Electric and Generation Systems. It operates primarily to provide water service to approximately 23,000 customers in central Snohomish County. The Water System purchases the majority of the water it sells to customers from the City of Everett. The assets of the system include transmission mains, pump stations, distribution mains and services, supply wells, reservoirs, treatment facilities, meters, maintenance facilities, and equipment. The Water System is charged for administrative functions provided by the Electric System.

## ASSUMPTIONS

The 2023 Budget is based on the following assumptions:

### Water Purchases

The majority of the water sold by the PUD is purchased from the City of Everett. The City of Everett has adopted a 2% increase in wholesale rates in 2023, which is reflected in the budget for purchased water costs. The 15% increase in the wholesale commodity rate charge is not reflected in the budget for the purchase water costs.

### General Rate Increase

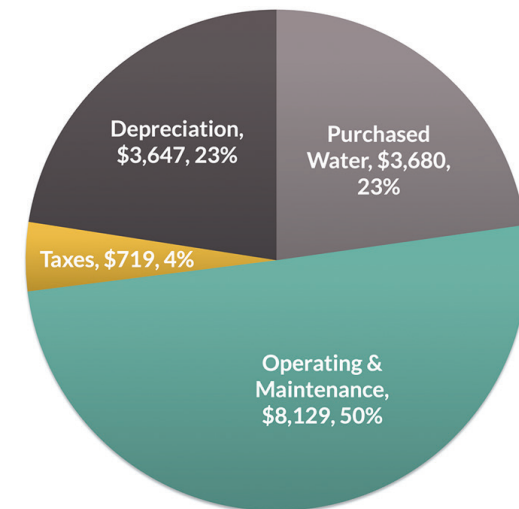
The 2023 Budget includes a 2% general rate increase, effective March 2023, to help address rising inflation, City of Everett rate increase and other cost pressures. This increase is subject to public hearing and Board approval.

### Full-time Equivalent Employees (FTE)

The 2023 Budget remains consistent to 2022. (Employee figures do not include services provided by the Electric System including accounting and finance, real estate, employee resources, vehicle and equipment maintenance, information technology services, telecommunications, legal, contracts, facilities, and customer service functions.)



Chart G: Water System Expenditures





Schedule 3 is a summary comparing the 2023 Budget for the Water System with the 2022 Budget.

<b>Schedule 3 WATER SYSTEM COMPARATIVE FINANCIAL DATA (\$000's)</b>		
	<b>2022 Budget</b>	<b>2023 Budget</b>
<b>Operating Revenues</b>		
Water Retail Sales	\$13,135	\$13,282
Water Wholesale Sales	496	503
Other Operating Revenues	379	370
<b>Total Operating Revenues</b>	<b>\$14,010</b>	<b>\$14,156</b>
<b>Operating Expenses</b>		
Purchased Water	\$3,352	\$3,680
Operating & Maintenance	7,327	8,129
Taxes	712	720
Depreciation	3,334	3,647
<b>Total Operating Expenses</b>	<b>\$14,725</b>	<b>\$16,177</b>
<b>Net Operating Income</b>	<b>\$(715)</b>	<b>\$(2,021)</b>
Other Income & Expense	91	102
Interest Charges	(371)	(593)
Contributions	5,149	5,394
<b>Net Income</b>	<b>\$4,154</b>	<b>\$2,882</b>
<b>Cash Adjustments to Net Income</b>		
Capital Expenditures	\$(13,420)	\$(14,446)
Debt Service Principal	(1,711)	(964)
Depreciation	3,334	3,647
Loans and Other	3,567	–
<b>Estimated Changes in Reserves</b>	<b>\$(4,075)</b>	<b>\$(8,880)</b>

## Operating Revenues

Water retail sales are estimated at \$13.3 million. Other operating revenues include \$370,000 in property rental and other miscellaneous fees. The 2023 Budget includes a 2% rate increase, needed to help offset the wholesale water increase from the City of Everett and other cost pressures.

## Operating Expenditures

Purchased water costs are budgeted at \$3.6 million, an increase of \$328,000 from 2022 levels. Water purchases needed from the City of Everett include the impact of a projected 2% wholesale water rate increase, and planned shutdown of the Lake Stevens well. Water purchases are offset partially by production from the PUD's Lake Stevens well water treatment facility. Chart G reflects the relative amount of the expenditure categories in the Water System.

Operating and maintenance expenditures for the 2023 Budget are higher than 2022 budgeted levels primarily due to increased costs of shared services and other inflationary increases

Estimated depreciation of \$3.6 million is roughly equivalent to 2022. Depreciation is an estimate of the reduced value of the PUD's fixed assets.

## Cash Adjustments to Net Income

The 2023 Budget provides approximately \$14.4 million for capital expenditures as well as construction projects and features several significant water main replacements as well as funding a new 500,000-gallon reservoir in our Kayak system. The table below lists the significant capital expenditures included in the 2023 Budget.

<b>Significant 2023 Water System Construction Projects/Programs (\$000's)</b>	
Advanced Water Meter Conversion	\$3,108
Kayak Reservoir 2 (0.5 MG)	2,106
Warm Beach Water Treatment Plant Improvements	1,531
44th Street NE Main Extension	965
123rd Ave SE Main Replacement	801
139th Ave NE Main Extension	778

**Water System  
Operating and Other Revenue**

**Operating Revenues****Water Retail Sales**

	<b>2021 Results</b>	<b>2022 Budget</b>	<b>2023 Budget</b>
Sale of Water - Retail SF & MF (includes Surcharge)	\$ 12,996,243	\$ 12,472,665	\$ 12,617,635
Low Income / Senior Discounts	-	(120,200)	(123,806)
Sale of Water - Commercial	873,912	782,210	788,576
<b>Total Water Retail Sales</b>	<b>13,870,155</b>	<b>13,134,675</b>	<b>13,282,405</b>

Sale of Water - City of Granite Falls Wholesale	376,934	275,374	279,532
Sale of Water - City of Arlington Wholesale	243,359	99,850	101,358
Sale of Water - Other (Snohomish & Goldbar)	110,687	120,686	122,509
<b>Total Wholesale Water Sales</b>	<b>730,980</b>	<b>495,910</b>	<b>503,398</b>
<b>Total Water Sales</b>	<b>14,601,135</b>	<b>13,630,585</b>	<b>13,785,804</b>

**Other Operating Revenues**

Lake Roesiger Septic Tank Pumping Revenue	14,319	14,640	14,789
Property Rental	227,762	246,366	235,200
Miscellaneous Receipts & Engineering Fees/Other	120,033	118,168	119,952
<b>Total Other Revenues</b>	<b>362,113</b>	<b>379,174</b>	<b>369,942</b>
<b>Total Operating Revenues</b>	<b>14,963,248</b>	<b>14,009,760</b>	<b>14,155,745</b>

**Other Revenue**

Misc. Non Operating Income	-	\$ 3,567,037	-
Investment Income	34,330	46,775	58,188
Assessments for LUDS Interest	18,786	44,000	44,000
<b>Subtotal - Interest Income and Other</b>	<b>\$ 53,117</b>	<b>\$ 3,657,812</b>	<b>\$ 102,188</b>

**Contributions**

General Facilities Charges	\$ 2,834,213	\$ 2,092,855	\$ 2,124,457
New Service Connections	300,309	367,014	372,556
Distribution Service Charges	290,241	489,439	496,829
Non-Cash Contributions/Donated Plant	2,713,421	2,200,000	2,400,000
<b>Subtotal - Contributions</b>	<b>\$ 6,138,184</b>	<b>\$ 5,149,308</b>	<b>\$ 5,393,843</b>

## Operating Expenses

	2021 Results	2022 Budget	2023 Budget
<b>Operating &amp; Maintenance</b>			
Labor - Straight-time	\$ 2,658,671	\$ 3,387,441	\$ 3,825,630
Labor - Overtime	150,990	120,000	143,130
Employee Benefits	(1,165,763)	-	-
Travel and Education	6,016	22,400	19,400
Property and Liability Insurance	153,269	211,559	155,389
Rents and Utilities	345,200	366,578	374,500
Postage	27,890	30,000	30,000
Dues, Memberships & Subscriptions	7,973	8,850	11,400
Public and Small Works Contracts	6,389	30,000	30,000
Professional Services Contracts	224,183	258,000	241,000
Other Contracted Services	1,187,401	1,273,859	1,432,792
Materials, Equipment & Supplies	639,269	572,153	632,993
Uncollectible Expense	42,138	131,347	132,455
Coded Stock Material	122,035	109,599	129,801
Land, Property and Easements	26,616	30,000	30,000
Refunds	(171)	-	-
Overheads	1,717,368	1,973,809	2,211,305
A&G Credit	(675,635)	(1,198,989)	(1,271,097)
<b>Total Operating &amp; Maintenance by Cost Element</b>	<b>\$ 5,146,053</b>	<b>\$ 7,326,606</b>	<b>\$ 8,128,698</b>
<b>Purchased Water</b>	3,217,397	3,351,579	3,680,002
<b>Taxes</b>	784,192	712,156	720,364
<b>Depreciation</b>	3,268,602	3,334,448	3,647,458
<b>Total Operating Expense</b>	<b>\$ 12,416,244</b>	<b>\$ 14,724,789</b>	<b>\$ 16,176,522</b>



Project Description	2023 Budget
CIP #315 - Water AMI Conversion	3,108,000
Donated Plant	2,400,000
CIP #202 - Kayak Reservoir 2 (0.5 MG)	2,106,000
CIP #310 - Warm Beach Water Treatment Plant Improvements	1,531,000
CIP #4 - 44th St NE Main Extension	965,000
CIP #25 - 123rd Ave SE Main Replacement	801,000
CIP #3 - 139th Ave NE Main Extension	778,000
CIP #308 - Water System SCADA PLC Upgrade	553,000
CIP #312 - Lake Stevens Treatment Corrosion Control Optimization	500,000
Design & Crew Inspection for Donated Plant	462,000
CIP #305 - New Services	342,000
CIP #32 - 57th Pl SE Main Replacement	324,000
CIP #201 - Burn Road 726 Reservoir (3.6 MG)	284,000
CIP #98 - Forced Right of Way Relocations / Replacements	100,000
CIP #300 - Misc. Meter Replacement Program	65,000
CIP #XXX - Water Utility Roof Replacement / Upgrades	55,002
CIP #301 - Vehicles and Equipment	54,000
CIP #304 - Misc Tools and Equipment	12,000
CIP #302 - Power Operated Equipment	6,000
<b>Total Water System - Regular Capital Expenditures</b>	<b>\$14,446,002</b>





