



**VIRGIN ISLANDS
WATER & POWER
AUTHORITY**

Pricing, Rates, & Strategic Planning
EXECUTIVE DIVISION

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July 13, 2022

Mr. Donald Cole
Executive Director
Public Services Commission
P.O. Box 40
St. Thomas, VI 00804-0040

Re: FY 2023 electric and water budgets; proposal to develop Rate Flow Minimum Filing Requirements

Dear Director Cole:

The Authority is hereby submitting its FY 2023 electric and water budgets. The FY 2023 budget represents a significant departure in approach and structure from prior budgets. It is designed as a tool to effectively manage extremely limited internal funds and support strategic decision-making. The PSC has proposed Rate Flow as a streamlined process of setting and/or adjusting the base rate, and the Authority's budgets would form the basis for that process. We outline the guiding principles, key assumptions, process, and approach we used in developing our FY23 budget below.

Minimum Filing Requirements (MFRs) do not exist for Rate Flow. Accordingly, we also propose supporting schedules herein to be used in guiding the Rate Flow process. We look forward to working with the PSC and Staff collaboratively to develop the MFRs for Rate Flow.

*This submittal serves to provide the FY 2023 budgets to the PSC and proposes development of MFRs that will determine the Rate Flow process. This submittal **IN NO WAY REFLECTS A REQUEST TO CHANGE RATES.***

Guiding Principles

- The budget reflects only internally funded Authority activities: Given extremely limited internal funds, the budget includes only internally generated revenue which must support fuel procurement, operating expenses, internally funded capital expenditures and debt service. Federal grant funding is considered separately. This is a departure from prior budgets that did not delineate between internally and federally funded activities.
- Major assumptions are grounded in verifiable data: Key assumptions such as kWh sales and fuel consumption are based on recent historical data rather than forward looking assumptions that are difficult to estimate and justify. This approach also ensures significant assumptions are internally consistent throughout the budget. For example, the quantity of fuel consumed that underpins fuel cost calculations is consistent with the kWh sales that underpins revenue calculations.
- Focus on key financial metrics: The budget is designed around financial metrics measuring the sources and uses of internal funds that provide insight into performance and support strategic decision making.
- Budget developed from the bottom up: The budget is developed from the bottom-up with ownership and accountability in the hands of those tasked with managing the business instead of from the top-down.
- Budget underpins business decisions: Historically, the budget was set and remained static throughout the calendar year. That resulted in limited adaptation to changing circumstances throughout the year. Going forward, the outlook for the year will be reforecast initially quarterly, and ideally monthly, with business leaders who own the budget responsible for managing within their budget. For example, if costs for materials and supplies exceed the budget because of changing business factors, then the business owners are responsible for controlling costs in other areas of their business in response.

Key Assumptions

Key assumptions driving the FY 2023 Electric budget and in line with the guiding principles described below are as follows:

- No increase in base rates: The Fiscal Year 2023 budget was managed within the Authority's current base rate. Meeting that target required significant cuts across the business from initial budget submissions versus the final Fiscal Year 2023 budget.
- Flat sales volume versus FY 2022: This ensures the budget only contemplates actions within WAPA's control and means no rate increases for customers.

Budget approach

As the PSC is aware, the Authority has had to defer much needed maintenance and material purchases due to substantial and persistent liquidity constraints. Accordingly, the departmental leaders were asked in their initial budget submission to address these shortfalls (a "fully loaded" budget). This fully loaded budget was then right-sized from the bottom up in consultation with the departmental heads. This approach provides a full picture of the Authorities requirements, while allowing management to prioritize within the Authority's financial constraints.

Accountability

The Fiscal Year 2023 budget includes a management “go-get” of approximately \$4.5 million, or 4%, of operating costs. The “go-get” is designed to focus the leaders of the business on cutting costs and/or operating efficiently to fund more productive, and higher-value investment in the business. For example, in one iteration of the budget, a department head proposed removing all capital investment from the department’s budget. This would have reduced the “go-get”; however, it is not realistic to assume zero capital investment in a department that operates a capital-intensive business. Accordingly, a small number of high-value T&D projects were added back to the capital budget. The business owners now must manage the Authority in Fiscal Year 2023 to identify savings to fund critical investment identified by the business leaders.

Proposed Elements of Rate Flow

The Authority proposes providing the following supplemental schedules for the Electric and Water systems supporting its budget to facilitate the Rate Flow process:

Operating Expenses

1. Schedule of current headcount and open positions
2. Schedule of operating leases
3. Schedule of maintenance and repairs
4. Schedule of professional services
5. Schedule of bank fees
6. Schedule of insurance coverage
7. Schedule of major training and education expense
8. Schedule of major software expense
9. Schedule of legal services

Financing Costs

1. Schedule of outstanding debt with associated debt service costs
2. Bond indentures stipulating Debt Service Coverage Ratios for purposes of ensuring base rate provides for complying with Debt Service Coverage Ratios

Capital Expenditures

1. Schedule of capital expenditures

We look forward to discussing the FY 2023 Electric budget with you further at your convenience. We also look forward to working collaboratively with the PSC and Staff to define effective MFRs that support the Rate Flow process.

Sincerely,



Andrew Smith
CEO, Executive Director



U.S. Virgin Islands Water and Power Authority

FY 2023 Electric Budget Review



U.S. Virgin Islands Water and Power Authority

Preliminary Draft – Work in Process / Subject to Material Change

Information contained herein has not been independently verified and is subject to material change based on continuing review. Accordingly, the information contained herein is not intended to be and should not be relied upon by any third party or as legal, auditing, or accounting advice.

The analyses, assumptions and underlying data herein are the product of U.S. Virgin Islands Water and Power Authority ("WAPA") and its management ("Management") and consist of information obtained solely from WAPA. The information contained does not purport to be complete nor to contain all the information that may be considered, or may be necessary in appropriately evaluating, such information or potential transactions. In addition, we have no responsibility to update this analysis for events or circumstances occurring after the date of this analysis. Any activities undertaken to evaluate the reliability or completeness of the information received by us from the Company in the context of our preparing this analysis are identified herein. No other evaluations of reliability or completeness were performed.

With respect to prospective financial information relative to WAPA, there has not been any examination, compilation or application of agreed upon procedures to such information in accordance with attestation standards established by the AICPA. Consequently, no assurance of any kind is given with respect to, or on, the information presented. It is WAPA's responsibility to make its own decision based on the information available to it. Management has the knowledge, experience and ability to form its own conclusions related to WAPA's analyses. There will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected and those differences may be material. As a result, no responsibility for the achievement of forecasted results is made. Accordingly, reliance on this report is prohibited by any third party as the projected financial information contained herein is subject to material change and may not reflect actual results.

Many of numbers set forth herein are estimates or based on assumptions which are subject to change. Such changes may be material and can materially affect the calculation of other amounts reflected herein.



Overview

Key Assumptions



Revised approach

Focused on key financial metrics to drive inclusion of critical investment in the budget; albeit within our limited resources with decisions from the bottom-up instead of top-down



Flat sales vs. FY 2022

Assumes kWh sales consistent with prior year



No rate increase

Expenditures are managed within current rate structure with no increased cost to customers



Vitol Infrastructure payments not supported

Vitol infrastructure cannot be supported in current budget; will be addressed in Phase 2 of strategic plan



Guiding Principles

Reflects only internal Authority activities and funding

- Designed as a tool to effectively manage extremely limited internal funds
- Reflects the Authority's efforts to stabilize itself financially by managing expenditures within its current rate structure consistent with Phase 1 of strategic plan
- Federal grant funding is considered separately

Major assumptions grounded in verifiable data

- kWh sales based on historical data rather than forward looking assumptions that are difficult to estimate and justify
- Fuel consumption based on historical data reflecting actual system efficiency
- Using historical sales and fuel volumes ensures that revenue forecast and fuel forecast are internally consistent in the budget

Focused on key financial metrics measuring sources and uses of internal funds

- Budget structure and financial metrics must provide insight into performance and support strategic decision making
- The Authority needs long-deferred investment in maintenance, materials, etc.
- Leaders were asked in initial budget submission to address bulk of legacy underinvestment
- Right-sizing the budget from the bottom-up rather than top-down has been guided by key financial metrics helping to prioritize critical investment within our limited cash flow

Historical austerity spending was necessary, but also detrimental to the Authority; approach to FY 2023 reflects addressing at least critical investment in the company

Key Financial Metrics



The following metrics will be used to track the Authority's performance against budget and liquidity targets

- **Gross Margin** – Revenue minus fuel costs; represents funds available for operating expenses, capital expenditures and cash debt service
- **EBITDA¹** – Gross Margin minus operating expenses; proxy for operating cash flow and represents funds available for capital expenditures and cash debt service
- **Free Cash Flow** – EBITDA minus capital expenditures and cash debt service; represents net unrestricted cash generated/(used) during the budget period

The budget targets Free Cash Flow of zero or greater which implies the Authority is no longer bleeding cash and/or accumulating liabilities via daily operations

1. Earnings before interest, tax, depreciation and amortization.



Free Cash Flow Summary – Base Rate Only

	<u>Initial Budget</u>	<u>Proposed Budget</u>	<u>Variance</u>
Base Revenue	131,038,353	131,038,353	-
Operating Expense			
Personnel Costs	\$ (53,632,263)	\$ ^③ (36,567,055)	\$ 17,065,208
Other Operating Expenses	(84,672,449)	^④ (63,417,351)	21,255,098
Total Operating Expense	\$ (138,304,711)	\$ (99,984,405)	\$ 38,320,306
EBITDA	\$ (7,266,358)	\$ 31,053,948	\$ 38,320,306
Capital Expenditures ¹	(29,202,207)	^⑤ (9,761,237)	19,440,970
Cash Debt Service	(25,833,376)	(25,833,376)	-
Management Target	-	^⑥ 4,540,665	4,540,665
Free Cash Flow	\$ ^① (62,301,941)	\$ ^② 0	\$ 62,301,941
Implied Rates			
Base Revenue	\$ 0.23	\$ 0.23	\$ -
Base Costs	\$ 0.35	\$ 0.23	\$ (0.12)
Net Over/(Under) Recovery	\$ (0.12)	\$ -	\$ 0.12

- ① Initial budget submissions implied free cash flow of negative \$62 million
- ② The business has reviewed requirements and made necessary adjustments to get to Free Cash Flow of zero
- ③ Proposed FY 2023 personnel costs are in line with FY 2022 run rate of \$35.5 million
- ④ Proposed FY 2023 other operating expenses are in line with FY 2022 run rate of \$60.6 million
- ⑤ Proposed FY 2023 capital expenditures represent the bare minimum investment required and defer numerous critical projects
- ⑥ Management Target “Go-Get” means the leadership team must prioritize spending in FY 2023 to ensure that cash is managed to fund critical investment

1. All capital expenditures are internally funded

Revenue Summary – Base Rate Only



Detailed Assumptions

- Estimated customer sales of 559 million kWh is based on actual customer sales by rate class from April 2021 through March 2022
- Revenue is calculated by applying current customer rates to this historical sales assumption
- Base revenue of \$131 million was validated by actual customer collections from April 2021 through March 2022

FY 2023 Revenue Detail

Rate Class	Revenue
Residential	48,008,607
Commercial	23,066,831
Industrial	50,299,845
Security & Street Lighting	7,110,357
PILOT	383,837
Self Insurance	1,077,225
OPEB	1,211,942
Other Revenues	1,254,891
Bad Debt Expense	(1,375,182)
Total	\$ 131,038,353
Total Sales (kWh)	559,529,857
Base Rate (\$/kWh)	\$ 0.23

Operating Expense Detail



FY 2023 Operating Expense Detail

Operating Expense	Proposed Budget	%
Personnel Costs	\$ (36,567,055)	37%
① Generator Lease and O&M Services	(16,120,471)	16%
② LPG O&M Services	(12,291,266)	12%
Maintenance & Repairs	(7,798,844)	8%
Other Professional Services	(5,779,467)	6%
Bank Fees	(2,616,000)	3%
Insurance	(3,889,221)	4%
Training & Education	(2,545,600)	3%
Material & Office Supplies	(2,309,834)	2%
Software Expense	(2,569,664)	3%
Security Services	(2,477,678)	2%
Building Rental	(1,841,076)	2%
Legal Services	(2,390,000)	2%
Other Operating Expense	(788,230)	1%
Total Operating Expense	\$ (99,984,405)	100%

Personnel Costs

- Personnel costs held flat at FY 2022 levels reflecting soft hiring freeze and filling of only most critical open positions

Non-Personnel Costs

- Non-personnel costs reduced by \$21 million or 25% versus initial budget
 - \$14 million – Generation maintenance related
 - \$3 million – Other professional services
 - \$4 million – Various other operating expenses
- ① Generator Lease and O&M Services reflects leased generation and associated Operations & Maintenance contract costs
- ② LPG O&M Services reflects the O&M fee to VITOL
- Together, these two items represent ~30% of the company's operating costs and ~45% of its non-personnel operating costs

Management Target

- Management target of \$4.5 million enabling funding of critical investment reflects 4% of the operating and capital budget; FY 2022 operating expense run rate is \$95 to \$100 million
- Target can be achieved by reducing spending to historical level; however, this is detrimental to the business
- Target focuses leadership team on cost control initiatives and cost/benefit analysis, so target is met in a way that is value-additive to the business

Capital Expense Summary



FY 2023 Capital Expense Detail

Capital Expenditures	Initial Budget	Proposed Budget	Variance
Power Production	\$ (14,004,980)	\$ (6,250,000)	\$ 7,754,980
Transmission & Distribution	(10,054,670)	(1,518,237)	8,536,433
IT / Meter Reading	(980,000)	(495,000)	485,000
Finance	(391,800)	-	391,800
Administration	(3,515,757)	(1,498,000)	2,017,757
Total Capital Expense	\$ (28,947,207)	\$ (9,761,237)	\$ 19,185,970

Summary

- Capital expenditures reduced by \$19 million or 66% versus initial budget
- Remaining budget reflects bare minimum critical projects primarily in the areas of power production, transmission & distribution and administration (garage/warehouse)
- Deferred capital projects include investments critical to reliability, efficiency and long-term sustainability of the Authority
 - For example, major maintenance on Unit 15 and Unit 23
- Available funds will be analyzed continuously throughout FY2023 and deployed based on the most critical needs of the business



Appendix

Operating Expense Detail – Breakout of Line Items



Operating Expense	Proposed Budget	Description
STT	(3,716,029)	Preventative maintenance on the generation units in STT as well as plant equipment maintenance
STX	(4,082,815)	Preventative maintenance on the generation units in STX as well as plant equipment maintenance
Maintenance & Repairs	\$ (7,798,844)	
EY Fees	(1,860,000)	Includes \$155k per month for EY services, as included in the CEO budget
Audit Services	(1,000,000)	Finance annual audits as well as accounting certifications
Rate Design Study	(531,595)	Pricing & Rates consultant fees for a rate design study
Municipal Financial Services	(115,000)	Finance municipal bonds consultant fees
Governing Board Consultants	(200,000)	Fees for additional consultants to the Board
Legal Professional Services	(150,000)	Filing and witness fees, deposition transcript fees, title searches, litigation experts, court arbitration/mediation fees, and other legal expenses
Trustee Fees	(100,000)	Monthly fees to the Trustee
Rating Agency Fees	(75,000)	
All Other	(1,747,872)	
Other Professional Services	\$ (5,779,467)	
Electrical Distribution Trainings	(624,115)	Training for 72 employees on OSHA, fire extinguishers, substation entry, FR clothing, etc.
Power Production Trainings	(358,060)	Regulatory trainings on Operator's Refresher courses, Boat handling/Rescue, Wartsila and others
Environmental Trainings	(290,000)	Trainings on clean air and water compliance, power plant compliance, oil & hazardous materials response training and mandated RCRA training
Personnel Education & Trainings	(266,000)	PERB and other trainings, Alva McFarlane Scholarships, and tuition reimbursement
Maintenance Trainings	(190,000)	Safety and regulatory trainings such as Arc Flash, Respirator, First Aid, and others
All Other Trainings	(817,425)	
Training & Education	\$ (2,545,600)	
Electrical Distribution Materials	(531,260)	Linemen tools and uniforms, gears, voltmeters, AED's, hard hats, safety and other materials
Wartsila Operation Supplies	(250,000)	Includes \$28k per oil change, consistent with FY21 costs
Audit Gases	(200,000)	Includes nitric oxide and carbon monoxide for STT and STX
Power Production Materials	(121,500)	Laboratory testing supplies, chemicals, lube oil and fire retardent uniforms and other supplies
Production Maintenance	(245,000)	Replacement parts, solvents, grease, lumber, fuses, terminal connectors, welding rods and others
Information Technology	(130,000)	Network, communication, and printer supplies as well as safety equipment
All Other Supplies	(832,074)	
Material & Office Supplies	\$ (2,309,834)	
Outside Counsel	(1,500,000)	Outside counsel to assist in litigation, PSC, financial and environmental matters
Bank Legal Fees	(275,000)	
Governing Board Legal Fees	(265,000)	Retainer and other expenses related to Board counsel
Bond Counsel	(250,000)	
Disclosure Counsel	(100,000)	
Legal Services	\$ (2,390,000)	

Capital Expense Detail – By Project



<u>Project Name</u>	<u>Division</u>	<u>Proposed Budget</u>	<u>Project Name</u>	<u>Division</u>	<u>Proposed Budget</u>
Unit 19 Major Overhaul	Power Production	\$ (2,000,000)	Equipment & Furniture Lumpsum	Administration	(50,000)
Unit 15 Major Overhaul	Power Production	(3,000,000)	AC Replacement (Office & Property)	Administration	(80,000)
Unit 19 Mark 6 Upgrade	Power Production	(600,000)	Gator Cart	Administration	(10,000)
Unit 23 Mark 6 Upgrade	Power Production	(650,000)	Renovation of St. Croix Business Office	Administration	(30,000)
BTT1 & T3 Transformers	Transmission & Distribution	(168,000)	Department Vehicle (2)	Administration	(55,000)
Service Lines,Overhead & Underground Installation	Transmission & Distribution	(268,360)	Future Build/Office Space & Mold Remediation	Administration	(25,400)
Service Lines	Transmission & Distribution	(581,877)	Tools	Administration	(6,000)
Metering Equipment	Transmission & Distribution	(500,000)	Repair and Modernize Garage	Administration	(10,000)
Intranet / Internet Upgrade	IT / Meter Reading	(100,000)	Repair Garage Roof	Administration	(70,000)
Fiber Installation	IT / Meter Reading	(50,000)	Warehouse Lighting Replacement	Administration	(5,000)
PC Lumpsum	IT / Meter Reading	(100,000)	Air Conditioner	Administration	(12,000)
S2 Access Control	IT / Meter Reading	(15,000)	New Pickup Truck	Administration	(45,000)
Surveillance Cameras	IT / Meter Reading	(75,000)	Repair Warehouse Roof & Flooring	Administration	(90,000)
Replacement Phones/Radios	IT / Meter Reading	(50,000)	Bar Code Printer Upgrade	Administration	(3,500)
Replacement Printers	IT / Meter Reading	(40,000)	Vehicles	IT / Meter Reading	(30,000)
Lockers	Administration	(4,800)	Readers/Tablets	IT / Meter Reading	(5,000)
Replacement Garage Lifts	Administration	(48,000)	Vehicles	IT / Meter Reading	(30,000)
Scan-Tool	Administration	(9,000)	Total Capital Expense		\$ (9,761,237)
Hand Tools/Tool Boxes	Administration	(5,000)			
Garage Equipment/Specialize Vehicles	Administration	(350,000)			
Warehouse Flood Mitigation	Administration	(5,000)			
Office Furniture	Administration	(12,000)			
Security Sys. Upgrade at 1B & 1C Est. Slob	Administration	(6,000)			
Heavy Duty Reel Dispenser	Administration	(2,800)			
Warehouse Equipment	Administration	(300,000)			
Bar-Code Printer Upgrade	Administration	(3,500)			
Repair Warehouse Roof	Administration	(150,000)			
Vehicles	Administration	(110,000)			



U.S. Virgin Islands Water and Power Authority

FY 2023 Water Budget Review



U.S. Virgin Islands Water and Power Authority

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Overview

Key Assumptions



Approach

Focused on key financial metrics to drive inclusion of critical investment in the budget; albeit within our limited resources with decisions from the bottom-up instead of top-down



Flat sales vs. FY 2022

Assumes kgal sales consistent with prior year



No rate increase

Expenditures are managed within current rate structure with no increased cost to customers



Cost assumptions

Bottom-up approach to costs with input from the business

Key Financial Metrics



The following metrics will be used to track the Authority's performance against budget and liquidity targets

- **Gross Margin** – Revenue minus purchased water and power; represents funds available for operating expenses, capital expenditures and cash debt service
- **EBITDA¹** – Gross Margin minus operating expenses; proxy for operating cash flow and represents funds available for capital expenditures and cash debt service
- **Free Cash Flow** – EBITDA minus capital expenditures and cash debt service; represents net unrestricted cash generated/(used) during the budget period

The budget targets Free Cash Flow of zero or greater which implies the Authority is no longer bleeding cash and/or accumulating liabilities via daily operations

1. Earnings before interest, tax, depreciation and amortization.

Free Cash Flow Summary



	FY 2022 Approved	FY 2023 Proposed	Variance
LEAC Revenue	\$ 7,215,488	\$ 8,724,984	\$ 1,509,496
Other Revenue	23,973,059	23,999,499	\$ 26,440
Total Revenues	\$ 31,188,547	\$ 32,724,483	\$ 1,535,936
Water Purchases	(9,523,321)	(10,062,212)	(538,891)
Electricity Charge for Purchase Water	(4,260,987)	(4,866,762)	(605,775)
Net Water Cost	\$ (13,784,308)	\$ (14,928,974)	\$ (1,144,666)
Gross Margin	\$ 17,404,239	\$ 17,795,509	\$ 391,270
Operating Expense			
Personnel	\$ (6,210,817)	\$ (6,525,732)	\$ (314,915)
Other Operating Expense	(5,663,966)	(5,454,231)	209,735
Total Operating Expense	\$ (11,874,783)	\$ (11,979,963)	\$ (105,180)
EBITDA	\$ 5,529,456	\$ 5,815,546	\$ 286,090
Capital Expenditures ¹	(6,429,456)	(5,146,937)	1,282,519
Cash Debt Service	-	-	-
Free Cash Flow	\$ (900,000)	\$ 668,609	\$ 1,568,609

- FY 2023 proposed free cash flow is higher than FY 2022 approved budget by \$1.6 million as a result of slightly higher revenue and lower capital expenditure assumptions
- FY 2023 proposed EBITDA is in line with FY 2022 actual run rate of \$5.4 million

1. All capital expenditures are internally funded

Operating Expense & Capital Expenditure Summary



FY 2023 Operating Expense Detail

Operating Expense	FY 2022 Approved	FY 2023 Proposed	Variance
Training & Education	(124,500)	(164,500)	(40,000)
Materials & Office Supplies	(558,430)	(830,430)	(272,000)
Engineering Services	(25,000)	(25,000)	-
Other Professional Service	(308,550)	(313,550)	(5,000)
Maintenance & Repairs	(633,500)	(633,900)	(400)
Allocation from Electric System	(3,157,207)	(2,886,701)	270,506
Other Operating Expense	(856,779)	(600,150)	256,629
Total Operating Expense	\$ (5,663,966)	\$ (5,454,231)	\$ 209,735

FY 2023 Capital Expenditure Detail

Project Name	FY2023 WAPA Portion
<i>Water Distribution</i>	
Heavy Equipment/Transportation Equip	\$ 515,000
EPA Water System Risk Resilience Compliance	400,000
AMR/AMI Deployment	330,000
Paving Richmond Parking Lot and Standpipe	210,000
MIOX	170,000
Master Meter Replacement	200,000
Water System Valve Replacement	150,000
Office Equipment	18,000
Fire Hydrants Purchase & Installation	80,000
Westin Line Extension	150,000
Meter & Meter Installations (surcharge)	238,937
Transmission & Distribution	150,000
Transportation Equipment	150,000
Plumbing Equipment	75,000
Structures & Improvements	100,000
Miscellaneous Equipment	60,000
20th Waterline Raphune Hill Widening	215,000
Generator Installation	200,000
Veterans Drive Cancryn to USO Water Rehab	1,525,000
Land for 5MG Storage Tank*	200,000
Total	\$ 5,136,937
<i>Laboratory Division - STT</i>	
Exerox Versalink Color Copier	\$ 10,000
Total	\$ 10,000
Total WAPA funded water capital budget	\$ 5,146,937

DRAFT - Subject to Material Change



Appendix

Other Operating Expense Detail



FY 2023 Other Operating Expense Detail

	FY 2022 Approved	FY 2023 Proposed	Variance
Electricity Expense	\$ (100,000)	\$ (100,000)	\$ -
Vehicle Maintenance	(151,250)	(151,250)	-
Gasoline	(126,300)	(143,060)	(16,760)
Building Rental	(45,000)	(45,000)	-
Equip. & Mach. Rental	(9,500)	(9,450)	50
Communications	(30,200)	(34,200)	(4,000)
Postage & Freight	(15,500)	(15,500)	-
Advert. & Promotion	(3,500)	(3,500)	-
Dues & Subscriptions	(2,750)	(2,750)	-
Travel	(35,500)	(30,500)	5,000
Special Events	(4,850)	(4,850)	-
Insurance	(416,027)	(409,748)	6,279
Other Expense	(53,125)	(53,500)	(375)
Software Expense	(67,400)	-	67,400
Allocation to Capital	204,123	403,158	199,035
Total	\$ (856,779)	\$ (600,150)	\$ 256,629

DRAFT - Subject to Material Change