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April 19, 2022

TO: Reviewers

SUBJECT: Energy Northwest Fiscal Year 2023 Budget

We are pleased to submit the Fiscal Year 2023 Budget for your review. The budgets will be presented on Wednesday, April 27, 2022.

This budget, when approved, will provide the necessary resources to meet our Fiscal Year 2023 objectives and achieve our long term vision.

Respectfully,

DocuSigned by:
Robert E. Schuetz

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Robert E. Schuetz
Chief Executive Officer

EN Board Docs/E-file: Fiscal Year 2023 Budget

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Fiscal Year 2023 Energy Northwest Budget Summary



Prepared 4/27/22

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Summary

This document contains a summary of budgets for all Energy Northwest business units. This section has been prepared for information purposes only.

Energy Northwest operates six business units under various contractual agreements and Energy Northwest Board Resolutions. These business units include Columbia Generating Station, Project 1, Project 3, Packwood Hydroelectric Project, The Business Development Fund, and the Nine Canyon Wind Project. Energy Northwest also manages an Internal Service Fund which acts as an agency clearing account for disbursing agency-wide costs such as employee benefits and corporate programs to the various business units.

Table 1
Funding Requirements
(Dollars in Thousands)

<u>Funding Requirements</u>	FY 2023 Budget	Original FY 2022 Budget	Variance
Columbia (1)	\$ 709,588	\$ 722,881	\$ (13,293)
Packwood (2)	3,687	3,628	59
Nine Canyon Wind Project (3)	22,548	19,194	3,354
Project 1 (4)	54,673	57,620	(2,947)
Project 3 (5)	57,744	57,089	655
Business Development Fund (6)	19,350	16,382	2,968
Total Funding Requirements	\$ 867,590	\$ 876,794	\$ (9,204)

<u>Funding Sources</u>	FY 2023 Budget	FY 2022 Budget	Variance
Net Billing Revenues/Direct Pay	\$ 478,798	\$ 448,138	\$ 30,660
Note/Line of Credit Draws	48,500	40,500	8,000
Bond Proceeds (Capital)	123,214	107,234	15,980
Bond Proceeds (Interest/Line of Credit)	97,000	81,000	16,000
Fuel Revenue	65,880	85,920	(20,040)
Revenues	38,000	36,450	1,550
Capital Reimbursement	1,000	2,183	(1,183)
Line of Credit/Fuel Revenue	-	65,880	(65,880)
Working Capital/Receipts from Participants	10,376	4,858	5,518
Bonneville Direct Funding Decommissioning	4,822	4,631	191
Total Funding Sources	\$ 867,590	\$ 876,794	\$ (9,204)

(1) See Table 8 on Page 14 of Columbia's Budget Documents

(2) See Table 5 on Page 9 of Packwood's Budget Documents

(3) See Table 4 on Page 9 of Nine Canyon's Budget Documents

(4) See Table 5 on Page 9 of Project 1's Budget Documents

(5) See Table 4 on Page 7 of Project 3's Budget Documents

(6) See Table 5 on Page 10 of Business Development's Budget Documents

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Table 2
Operating & Capital Costs
(Dollars in Thousands)

<u>Operating Costs</u>	FY 2023 Budget	Original FY 2022 Budget	Variance
Columbia (1)	\$ 559,207	\$ 518,395	\$ 40,812
Packwood (2)	3,381	3,226	155
Nine Canyon Wind Project (3)	16,367	16,341	26
Project 1 (4)	25,986	30,737	(4,751)
Project 3 (5)	28,471	27,332	1,139
Business Development Fund (6)	18,456	13,974	4,482
Total Operating Costs	\$ 651,868	\$ 610,005	\$ 41,863

<u>Capital Costs</u>	FY 2023 Budget	FY 2022 Budget	Variance
Columbia (1)	\$ 122,295	\$ 95,668	\$ 26,627
Packwood (2)	610	673	(63)
Business Development Fund (7)	658	537	121
Total Capital Costs	\$ 123,563	\$ 96,878	\$ 26,685

- (1) See Table 3 on Page 7 of Columbia's Budget Document
(2) See Table 1 on Page 5 of Packwood's Budget Document
(3) See Table 1 on Page 5 of Nine Canyon's Budget Document
(4) See Table 1 on Page 4 of Project 1's Budget Document
(5) See Table 1 on Page 4 of Project 3's Budget Document
(6) See Table 1 on Page 5 of Business Development's Budget Document
(7) See Table 3 on Page 7 of Business Development's Budget Document

Table 3
Summary of Full Time Equivalent Positions by Business Unit(1)(2)

<u>Business Unit</u>	<u>FY 2023 Budget</u>	<u>FY 2022 Budget</u>	<u>Variance</u>
Columbia	945	968	(23)
Packwood	4	4	-
Nine Canyon Wind Project	12	12	-
Project 1	5	5	-
Project 3	1	1	-
Business Development Fund	69	60	9
Total Full Time Equivalent Positions	<u>1,036</u>	<u>1,050</u>	<u>(14)</u>

(1) Includes Full Time Equivalent (FTE) positions for transition of new employees taking positions of retiring employees.

(2) Corporate Programs (A&G) FTE positions of 77 in FY 2023 and 73 in FY 2022 have been allocated and are included in the Business Units above.

Amended Fiscal Year 2023 Columbia Generating Station Annual Operating Budget



Prepared 7/27/22

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Summary

Energy Northwest's Columbia Generating Station (Columbia) is a 1,174 megawatt boiling water nuclear power station utilizing a General Electric nuclear steam supply system. The project is located on the Department of Energy's Hanford Reservation near Richland, Washington. The project began commercial operation in December 1984.

This Columbia Generating Station Fiscal Year 2023 Annual Operating Budget has been prepared by Energy Northwest pursuant to the requirements of Board of Directors Resolution No. 640, the Project Agreement, and the Net Billing Agreements. This document includes all capitalized and non-capitalized costs associated with the project for Fiscal Year 2023. In addition, this document includes all funding requirements.

The total cost budget for Fiscal Year 2023 for Expense and Capital related costs are estimated at \$689,452,000 (Table 2), with associated total funding requirements of \$717,538,000 (Table 5). Using the Memorandum of Agreement basis for measuring Columbia's costs, budget requirements for Fiscal Year 2023 have been established at \$437,963,000 (Table 1). In Fiscal Year 2023, Bonneville Power Administration will be directly paying the funding requirements on a monthly basis under the provisions of the Direct Pay Agreements. This will take the net billing requirements to zero, for the statements which are normally sent to participants in the project and will be paid in accordance with the terms of the Net Billing Agreements. The Net Billing Agreements are still in place, but the direct cash payments from Bonneville Power Administration will simply take the participant payment amounts to zero. In the Direct Pay Agreements, Energy Northwest agreed to promptly bill each participant its share of the costs of the project under the Net Billing Agreements, if Bonneville fails to make a payment when due under the Direct Pay Agreements. Fiscal Year 2023 Capital costs will be funded by bond proceeds and are not included in the Fiscal Year 2023 direct pay requirements. Total direct pay requirements of \$430,172,000 (Table 5) will be the basis for billing directly to Bonneville Power Administration.

This budget is presented on a cost basis and includes a cost to cash reconciliation (Table 4) converting cost data to a cash basis. The Columbia Generating Station's Annual Budget (Table 5) is required by the various project agreements.

Comparison of the Amended Fiscal Year 2023 Budget is made to the Amended Budget for Fiscal Year 2023, dated April 27, 2022.

Table 1
Memorandum of Agreement (MOA) (1)
(Dollars in Thousands)

<u>Description</u>	<u>Amended FY 2023 Budget</u>	<u>Original FY 2023 Budget</u>	<u>Variance</u>
Baseline	\$ 149,024	\$ 149,024	\$ -
Allocations O&M	74,183	74,183	-
Expense Projects	34,633	34,633	-
FY 2022 Transfer to FY 2023	2,370	-	2,370
Risk Reserve	2,594	2,594	-
Operations & Maintenance Total	\$ 262,804	\$ 260,434	\$ 2,370
Capital Projects	\$ 78,057	\$ 78,057	\$ -
Allocations Capital	33,570	33,570	-
FY 2022 Transfer to FY 2023	5,580	-	5,580
Risk Reserve	10,668	10,668	-
Capital Total	\$ 127,875	\$ 122,295	\$ 5,580
Nuclear Fuel Related Costs	\$ 47,284	\$ 47,284	\$ -
Fuel Total	\$ 47,284	\$ 47,284	\$ -
Total	\$ 437,963	\$ 430,013	\$ 7,950
Net Generation (GWh)	8,657	8,731	(74)
Cost of Power (\$/MWh)	\$ 50.59	\$ 49.25	\$ 1.34

- (1) Columbia costs as defined by the Memorandum of Agreement between Energy Northwest and BPA. This measure includes operations and maintenance, capital additions and fuel related costs as well as an appropriate allocation of indirect costs (such as employee benefits, A&G, and information technology expenses).

Table 2
Summary of Costs
(Dollars in Thousands)

<u>Description</u>	<u>Amended FY 2023 Budget</u>	<u>Original FY 2023 Budget</u>	<u>Variance</u>
<u>Controllable Expense</u>			
Energy Northwest Labor	\$ 72,303	\$ 72,303	\$ -
Base Non-Labor	54,662	54,662	-
Expense Projects Non-Labor (1)	32,992	32,992	-
Incremental Outage	23,700	23,700	-
Allocations	74,183	74,183	-
FY2022 Transfer to FY2023	2,370	-	2,370
O&M Risk Reserve	2,594	2,594	-
Subtotal Controllable	\$ 262,804	\$ 260,434	\$ 2,370
<u>Incremental</u>			
Nuclear Fuel Amortization	\$ 47,284	\$ 47,284	\$ -
Generation Taxes	5,395	5,395	-
Subtotal Incremental	\$ 52,679	\$ 52,679	\$ -
<u>Fixed</u>			
Treasury Related Expenses (2)	\$ 122,744	\$ 122,744	\$ -
Decommissioning (3)	33,049	33,049	-
Depreciation	90,301	90,301	-
Subtotal Fixed	\$ 246,094	\$ 246,094	\$ -
Total Operating Expense	\$ 561,577	\$ 559,207	\$ 2,370
<u>Capital</u>			
Energy Northwest Labor	\$ 3,389	\$ 3,389	\$ -
Capital Projects Non-Labor (4)	74,668	74,668	-
Indirect Allocations	33,570	33,570	-
FY2022 Transfer to FY2023	5,580	-	5,580
Capital Risk Reserve	10,668	10,668	-
Total Capital	\$ 127,875	\$ 122,295	\$ 5,580
Total Expense and Capital	\$ 689,452	\$ 681,502	\$ 7,950

(1) See Table 5B (page 10).

(2) See Table 6 (page 11).

(3) Includes ISFSI Decommissioning.

(4) See Table 5A (page 10).

Table 3
Treasury Related Expenses
(Dollars in Thousands)

<u>Description</u>	Amended	Original	Variance
	FY 2023	FY 2023	
	<u>Budget</u>	<u>Budget</u>	
Interest Expense (1)	\$ 155,127	\$ 155,127	\$ -
Build America Bond Subsidy (2)	(3,458)	(3,458)	-
Interest on Note (3)	500	500	-
Commitment Fee on Note (3)	200	200	-
Amortized Financing Cost (4)	(30,096)	(30,096)	-
Investment Income (5)	(200)	(200)	-
Treasury Svcs/Paying Agent Fees (6)	671	671	-
Total	\$ 122,744	\$ 122,744	\$ -

Assumptions

- (1) Budget assumes approximately \$266.8 million in principal will be refunded in FY 2023 and approximately \$23.9 million will be repaid during FY 2023.
- (2) Build America Bonds were expected to receive a subsidy from the Treasury for 35% of the interest payments. Reductions have been implemented as part of the Congressional budget cuts.
- (3) A portion of Columbia bond interest expenses has been funded by lines of credit that enable the repayment of Bonneville federal debt obligations as part of the regional cooperation debt initiative.
- (4) The amortized financing costs are driven by the amortization of the premiums on bond issues.
- (5) Includes income on investment of monies held in the Interest and Principal Accounts and the Capital Fund which can be transferred periodically to the Revenue Fund. Projected investment income earning rates are forecasted to average 0.20%.
- (6) Includes all non-interest costs of banking, debt and internal labor and overheads.

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Table 4
Cost-to-Cash Reconciliation
(Dollars in Thousands)

Description	FY 2023 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2023 Total Cash
<u>Operating</u>						
Controllable - Expense	\$ 262,804	\$ -	\$ -	\$ -	\$ -	\$ 262,804
Controllable - Capital	127,875	-	919	-	-	128,794
Nuclear Fuel	47,284	(47,023)	40,509	-	-	40,770
Fuel Litigation	-	-	185	-	-	185
Spares/Inventory Growth	-	-	2,947	-	-	2,947
Generation Taxes	5,395	-	564	-	-	5,959
Subtotal Operating	\$ 443,358	\$ (47,023)	\$ 45,124	\$ -	\$ -	\$ 441,459
<u>Fixed Expenses</u>						
Treasury Related Expense						
Interest on Bonds	\$ 155,127	\$ -	\$ -	\$ -	\$ -	\$ 155,127
Build America Bond Subsidy	(3,458)	-	-	-	-	(3,458)
Interest on Note Payable	500	-	-	-	-	500
Commitment Fee on Note	200	-	-	-	-	200
Payoff of Note Principal	-	-	94,380	-	-	94,380
Bond Retirement	-	-	23,910	-	-	23,910
Amortized Cost	(30,096)	30,096	-	-	-	-
Investment Income-Revenue Fund	(200)	-	-	127	-	(73)
Treasury Services	671	-	-	-	-	671
Decommissioning and Site Restoration(1)	32,815	(32,815)	4,557	-	-	4,557
ISFSI Decommissioning	234	(234)	265	-	-	265
Depreciation	90,301	(90,301)	-	-	-	-
Subtotal Fixed Expenses	\$ 246,094	\$ (93,254)	\$ 123,112	\$ 127	\$ -	\$ 276,079
Total	\$ 689,452	\$ (140,277)	\$ 168,236	\$ 127	\$ -	\$ 717,538

(1) Decommissioning and Site Restoration paid directly by the Bonneville Power Administration

Note: Controllable cost and cash is equal due to BPA decision to Direct Pay and the institution of contractor time & labor.

Table 5
Annual Budget
Statement of Funding Requirements (Revenue Fund)
(Dollars in Thousands)

<u>Description</u>	Amended		Original		Variance
	FY 2023		FY 2023		
	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	
<u>Operating</u>					
Controllable Expense	\$ 262,804	\$ 260,434	\$ 260,434	\$ 2,370	
Controllable Capital	128,794	123,214	123,214	5,580	
Nuclear Fuel	40,770	40,770	40,770	-	
Fuel Litigation	185	185	185	-	
Spares/Inventory Growth	2,947	2,947	2,947	-	
Generation Taxes	5,959	5,959	5,959	-	
Subtotal Operating Requirements	\$ 441,459	\$ 433,509	\$ 433,509	\$ 7,950	
<u>Fixed</u>					
Treasury Related Expenses					
Interest on Bonds	\$ 155,127	\$ 155,127	\$ 155,127	\$ -	
Build America Bond Subsidy	(3,458)	(3,458)	(3,458)	-	
Interest on Note	500	500	500	-	
Note Commitment Fee	200	200	200	-	
Payoff of Note Principal	94,380	94,380	94,380	-	
Bond Retirement (1)	23,910	23,910	23,910	-	
Investment Income-Revenue Fund	(73)	(73)	(73)	-	
Treasury Services/Paying Agent Fees	671	671	671	-	
Decommissioning and Site Restoration Costs (2)	4,557	4,557	4,557	-	
ISFSI Decommissioning Costs (2)	265	265	265	-	
Subtotal Fixed	\$ 276,079	\$ 276,079	\$ 276,079	\$ -	
Total Funding Requirements	\$ 717,538	\$ 709,588	\$ 709,588	\$ 7,950	
<u>Funding Sources</u>					
Direct Pay from BPA / Net Billing (3)	\$ 430,172	\$ 430,172	\$ 430,172	\$ -	
Excess Direct Pay from FY2022	2,370	-	-	2,370	
Note / Line of Credit Draws (4)	28,500	28,500	28,500	-	
Bond Proceeds (Capital) (5)	128,794	123,214	123,214	5,580	
Bond Proceeds (Interest / LOC) (6)	57,000	57,000	57,000	-	
Fuel Revenue	65,880	65,880	65,880	-	
Line of Credit / Fuel Revenue (7)	-	-	-	-	
Bonneville Direct Funding Decommissioning (2)	4,822	4,822	4,822	-	
Total Funding Sources	\$ 717,538	\$ 709,588	\$ 709,588	\$ 7,950	

(1) \$266.8 million of maturing July 2023 bonds are expected to be extended while \$23.9 million will be repaid.

(2) BPA directly funds the requirements for the Decommissioning and Site Restoration Funds on behalf of Energy Northwest.

(3) Bonneville will direct pay the monthly funding requirements under the provisions of the Direct Pay Agreement.

(4) Draws against Note / Line of Credit for Tax-Exempt Interest Expense in January 2023.

(5) Bond Proceeds do not include any funding related to the Energy Northwest Office Complex.

(6) Approximately \$57 million of interest expense is expected to be extended as part of Phase II of RCD.

(7) Line of Credit / Fuel Revenue includes proceeds related to the scheduled TVA revenue to be received by 9/30/22.

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Table 7
Cost-to-Cash Reconciliation
(Dollars in Thousands)

Description	FY 2023 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2023 Total Cash
<u>Operating</u>						
Controllable - Expense	\$ 260,434	\$ -	\$ -	\$ -	\$ -	\$ 260,434
Controllable - Capital	122,295	-	919	-	-	123,214
Nuclear Fuel	47,284	(47,023)	40,509	-	-	40,770
Fuel Litigation	-	-	185	-	-	185
Spares/Inventory Growth	-	-	2,947	-	-	2,947
Generation Taxes	5,395	-	564	-	-	5,959
Subtotal Operating	\$ 435,408	\$ (47,023)	\$ 45,124	\$ -	\$ -	\$ 433,509
<u>Fixed Expenses</u>						
Treasury Related Expense						
Interest on Bonds	\$ 155,127	\$ -	\$ -	\$ -	\$ -	\$ 155,127
Build America Bond Subsidy	(3,458)	-	-	-	-	(3,458)
Interest on Note Payable	500	-	-	-	-	500
Commitment Fee on Note	200	-	-	-	-	200
Payoff of Note Principal	-	-	94,380	-	-	94,380
Bond Retirement	-	-	23,910	-	-	23,910
Amortized Cost	(30,096)	30,096	-	-	-	-
Investment Income-Revenue Fund	(200)	-	-	127	-	(73)
Treasury Services	671	-	-	-	-	671
Decommissioning and Site Restoration(1)	32,815	(32,815)	4,557	-	-	4,557
ISFSI Decommissioning	234	(234)	265	-	-	265
Depreciation	90,301	(90,301)	-	-	-	-
Subtotal Fixed Expenses	\$ 246,094	\$ (93,254)	\$ 123,112	\$ 127	\$ -	\$ 276,079
Total	\$ 681,502	\$ (140,277)	\$ 168,236	\$ 127	\$ -	\$ 709,588

(1) Decommissioning and Site Restoration paid directly by the Bonneville Power Administration

Note: Controllable cost and cash is equal due to BPA decision to Direct Pay and the institution of contractor time & labor.

Table 8
Annual Budget
Statement of Funding Requirements (Revenue Fund)
(Dollars in Thousands)

<u>Description</u>	Original		<u>Variance</u>
	FY 2023	FY 2022	
	<u>Budget</u>	<u>Budget</u>	
<u>Operating</u>			
Controllable Expense	\$ 260,434	\$ 213,472	\$ 46,962
Controllable Capital	123,214	107,634	15,580
Nuclear Fuel	40,770	43,038	(2,268)
Fuel Litigation	185	185	-
Spares/Inventory Growth	2,947	4,000	(1,053)
Generation Taxes	5,959	5,297	662
Subtotal Operating Requirements	\$ 433,509	\$ 373,626	\$ 59,883
<u>Fixed</u>			
Treasury Related Expenses			
Interest on Bonds	\$ 155,127	\$ 154,701	\$ 426
Build America Bond Subsidy	(3,458)	(3,925)	467
Interest on Note	500	1,275	(775)
Note Commitment Fee	200	-	200
Payoff of Note Principal	94,380	105,920	(11,540)
Bond Retirement (1)	23,910	86,115	(62,205)
Investment Income-Revenue Fund	(73)	(126)	53
Treasury Services/Paying Agent Fees	671	664	7
Decommissioning and Site Restoration Costs (2)	4,557	4,381	176
ISFSI Decommissioning Costs (2)	265	250	15
Subtotal Fixed	\$ 276,079	\$ 349,255	\$ (73,176)
Total Funding Requirements	\$ 709,588	\$ 722,881	\$ (13,293)
<u>Funding Sources</u>			
Direct Pay from BPA / Net Billing (3)	\$ 430,172	\$ 399,216	\$ 30,956
Note / Line of Credit Draws (4)	28,500	20,000	8,500
Bond Proceeds (Capital) (5)	123,214	107,234	15,980
Bond Proceeds (Interest / LOC) (6)	57,000	40,000	17,000
Fuel Revenue	65,880	85,920	(20,040)
Line of Credit / Fuel Revenue (7)	-	65,880	(65,880)
Bonneville Direct Funding Decommissioning (2)	4,822	4,631	191
Total Funding Sources	\$ 709,588	\$ 722,881	\$ (13,293)

(1) \$266.8 million of maturing July 2023 bonds are expected to be extended while \$23.9 million will be repaid.

(2) BPA directly funds the requirements for the Decommissioning and Site Restoration Funds on behalf of Energy Northwest.

(3) Bonneville will direct pay the monthly funding requirements under the provisions of the Direct Pay Agreement.

(4) Draws against Note / Line of Credit for Tax-Exempt Interest Expense in January 2023.

(5) Bond Proceeds do not include any funding related to the Energy Northwest Office Complex.

(6) Approximately \$57 million of interest expense is expected to be extended as part of Phase II of RCD.

(7) Line of Credit / Fuel Revenue includes proceeds related to the scheduled TVA revenue to be received by 9/30/22.

Table 9
Monthly Statement of Funding Requirements
(Dollars in Thousands)

Description	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2023 Total
Beginning Balance	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Disbursements													
Operating													
Controllable Expense	\$ 25,000	\$ 18,000	\$ 17,000	\$ 17,000	\$ 16,500	\$ 17,000	\$ 17,000	\$ 16,500	\$ 20,000	\$ 25,000	\$ 45,000	\$ 26,434	\$ 260,434
Controllable Capital	7,000	6,000	6,500	8,000	7,500	8,000	8,000	9,000	12,000	17,000	20,000	14,214	123,214
Nuclear Fuel In Process	528	528	528	528	528	528	528	528	528	528	35,266	224	40,770
Fuel Litigation	-	-	-	-	5	10	30	45	45	30	20	-	185
Spares/Inventory Growth	-	500	-	-	500	-	-	947	-	-	1,000	-	2,947
Generation Taxes	-	-	-	-	-	-	-	5,959	-	-	-	-	5,959
Subtotal Operating	\$ 32,528	\$ 25,028	\$ 24,028	\$ 25,528	\$ 25,033	\$ 25,538	\$ 25,558	\$ 32,979	\$ 32,573	\$ 42,558	\$ 101,286	\$ 40,872	\$ 433,509
Fixed													
Treasury Related Expenses													
Interest on Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,564	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,563	\$ 155,127
BABs Subsidy	-	-	-	-	-	(1,729)	-	-	-	-	-	(1,729)	(3,458)
Interest on Note	-	-	-	-	-	-	-	-	-	-	-	500	500
Commitment Fee on Note	-	-	-	-	-	-	-	-	-	-	-	200	200
Payoff of Note Principal	-	-	65,880	-	-	-	-	-	-	-	-	28,500	94,380
Bond Retirement (1)	-	-	-	-	-	-	-	-	-	-	-	23,910	23,910
Investment Income	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(7)	(73)
Treasury Services	55	55	56	55	55	55	56	55	55	56	56	62	671
Decommissioning and Site Restoration	-	-	4,557	-	-	-	-	-	-	-	-	-	4,557
ISFSI Decommissioning	-	-	265	-	-	-	-	-	-	-	-	-	265
Subtotal Fixed	\$ 49	\$ 49	\$ 70,752	\$ 49	\$ 49	\$ 75,884	\$ 50	\$ 49	\$ 49	\$ 50	\$ 50	\$ 128,999	\$ 276,079
Total Disbursements	\$ 32,577	\$ 25,077	\$ 94,780	\$ 25,577	\$ 25,082	\$ 101,422	\$ 25,608	\$ 33,028	\$ 32,622	\$ 42,608	\$ 101,336	\$ 169,871	\$ 709,588
Funding Sources													
BPA Direct Pay (2)	\$ 25,577	\$ 19,077	\$ 17,578	\$ 17,577	\$ 17,582	\$ 64,922	\$ 17,608	\$ 24,028	\$ 20,622	\$ 25,608	\$ 81,336	\$ 98,657	\$ 430,172
Bond Proceeds (Capital)	7,000	6,000	6,500	8,000	7,500	8,000	8,000	9,000	12,000	17,000	20,000	14,214	123,214
Bond Proceeds (Interest / LOC)	-	-	-	-	-	-	-	-	-	-	-	57,000	57,000
Fuel Revenue	-	-	65,880	-	-	-	-	-	-	-	-	-	65,880
Line of Credit (Interest Expense)	-	-	-	-	-	28,500	-	-	-	-	-	-	28,500
BPA - Decommissioning	-	-	4,822	-	-	-	-	-	-	-	-	-	4,822
Total Funding Sources	\$ 32,577	\$ 25,077	\$ 94,780	\$ 25,577	\$ 25,082	\$ 101,422	\$ 25,608	\$ 33,028	\$ 32,622	\$ 42,608	\$ 101,336	\$ 169,871	\$ 709,588
Ending Balance	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000

(1) \$266.8 million of 7/1/2023 maturing bonds are expected to be extended. The remaining \$23.9 million are expected to be paid off.

(2) BPA is billed, through the Direct Pay Agreements, one month in advance for the following month's expenses.

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Fiscal Year 2023 Columbia Generating Station Long Range Plan



BPA Rate Case	RC		RC		RC		RC		RC		RC	
Columbia Fiscal Year	FY23 (R26)	FY24	FY25 (R27)	FY26	FY27 (R28)	FY28	FY29 (R29)	FY30	FY31 (R30)	FY32	FY33 (R31)	
Updated 03-23-2022	0	1	2	3	4	5	6	7	8	9	10	
Operations & Maintenance (O&M) Costs												
Baseline Costs	\$ 125,324	\$ 126,102	\$ 127,914	\$ 127,914	\$ 127,914	\$ 127,914	\$ 127,914	\$ 127,914	\$ 127,914	\$ 127,914	\$ 127,914	\$ 127,914
Outage Costs (Incremental)	\$ 23,700	\$ -	\$ 34,680	\$ -	\$ 26,277	\$ -	\$ 26,277	\$ -	\$ 32,680	\$ -	\$ 26,277	\$ -
Indirect Allocations	\$ 74,182	\$ 78,549	\$ 77,632	\$ 74,435	\$ 80,227	\$ 85,863	\$ 84,958	\$ 84,584	\$ 80,071	\$ 84,424	\$ 81,279	\$ 81,279
Plant Projects	\$ 33,625	\$ 6,999	\$ 34,426	\$ 6,061	\$ 34,706	\$ 9,161	\$ 38,149	\$ 7,184	\$ 37,236	\$ 6,820	\$ 43,628	\$ 43,628
Facilities Projects	\$ 1,008	\$ 1,007	\$ 1,385	\$ 1,322	\$ 1,697	\$ 1,268	\$ 1,260	\$ 1,180	\$ 1,169	\$ 1,413	\$ 1,182	\$ 1,182
Risk Reserve	\$ 2,595	\$ 4,741	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000
Subtotal O&M Costs	\$ 260,434	\$ 217,398	\$ 280,037	\$ 213,732	\$ 274,821	\$ 228,206	\$ 282,558	\$ 224,862	\$ 283,070	\$ 224,571	\$ 284,280	\$ 284,280
Escalation (Based on BPA Projections)	\$ -	\$ -	17,054	19,819	34,492	36,347	54,831	51,690	75,515	68,443	97,769	97,769
Total O&M Costs (escalated)	\$ 260,434	\$ 217,398	\$ 297,091	\$ 233,551	\$ 309,313	\$ 264,553	\$ 337,389	\$ 276,552	\$ 358,585	\$ 293,014	\$ 382,049	\$ 382,049
Capital Costs												
Plant Projects *	\$ 70,352	\$ 41,327	\$ 110,011	\$ 41,854	\$ 60,512	\$ 33,883	\$ 68,140	\$ 48,094	\$ 109,406	\$ 27,531	\$ 58,978	\$ 58,978
Extended Power Uprate (FY24-FY26 only) (1)	\$ -	\$ 9,850	\$ 9,978	\$ 35,199	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Risk Reserve	\$ 10,668	\$ 5,410	\$ 19,192	\$ 8,412	\$ 15,039	\$ 6,702	\$ 16,942	\$ 9,542	\$ 21,805	\$ 6,820	\$ 14,682	\$ 14,682
Facilities Projects	\$ 1,469	\$ 1,390	\$ 1,956	\$ 2,396	\$ 2,816	\$ 1,826	\$ 892	\$ 844	\$ 999	\$ 1,320	\$ 1,098	\$ 1,098
Information Technology Projects	\$ 6,236	\$ 8,224	\$ 6,715	\$ 5,706	\$ 7,154	\$ 7,104	\$ 7,556	\$ 8,586	\$ 7,551	\$ 9,969	\$ 7,072	\$ 7,072
Total Allocations	\$ 33,570	\$ 26,364	\$ 35,798	\$ 33,333	\$ 27,111	\$ 16,583	\$ 23,296	\$ 20,841	\$ 33,037	\$ 17,799	\$ 26,629	\$ 26,629
Subtotal Capital Costs	\$ 122,295	\$ 92,565	\$ 183,650	\$ 126,900	\$ 112,632	\$ 66,098	\$ 116,826	\$ 87,907	\$ 172,798	\$ 63,440	\$ 108,459	\$ 108,459
Escalation (Based on BPA Projections)	\$ -	\$ -	11,184	11,767	14,136	10,528	22,670	20,208	46,097	19,335	37,301	37,301
Total Capital Costs (escalated)	\$ 122,295	\$ 92,565	\$ 194,834	\$ 138,667	\$ 126,768	\$ 76,626	\$ 139,497	\$ 108,115	\$ 218,895	\$ 82,775	\$ 145,760	\$ 145,760
Fuel Costs												
Nuclear Fuel Amortization **	\$ 47,284	\$ 53,195	\$ 47,318	\$ 56,998	\$ 50,816	\$ 61,269	\$ 54,471	\$ 67,077	\$ 59,080	\$ 74,931	\$ 66,804	\$ 66,804
Subtotal Fuel Costs	\$ 47,284	\$ 53,195	\$ 47,318	\$ 56,998	\$ 50,816	\$ 61,269	\$ 54,471	\$ 67,077	\$ 59,080	\$ 74,931	\$ 66,804	\$ 66,804
Total Costs												
Total Un-escalated Budget	\$ 430,013	\$ 363,158	\$ 511,005	\$ 397,629	\$ 438,269	\$ 355,572	\$ 453,855	\$ 379,847	\$ 514,949	\$ 362,942	\$ 459,543	\$ 459,543
Total Escalation	\$ -	\$ -	\$ 28,239	\$ 31,586	\$ 48,629	\$ 46,875	\$ 77,501	\$ 71,898	\$ 121,612	\$ 87,778	\$ 135,069	\$ 135,069
Total Cost - Industry Basis	\$ 430,013	\$ 363,158	\$ 539,243	\$ 429,215	\$ 486,898	\$ 402,447	\$ 531,357	\$ 451,744	\$ 636,560	\$ 450,720	\$ 594,612	\$ 594,612
Generation/Cost of Power												
Total Net Generation (Gwh)	8,731	9,833	8,167	9,907	8,822	10,053	8,927	10,026	8,762	10,053	8,927	8,927
Cost per MWh (Production)	\$ 35.24	\$ 27.52	\$ 42.17	\$ 29.33	\$ 40.82	\$ 32.41	\$ 43.90	\$ 34.27	\$ 47.67	\$ 36.60	\$ 50.28	\$ 50.28
Cost per MWh (Generating)	\$ 49.25	\$ 36.93	\$ 66.03	\$ 43.32	\$ 55.19	\$ 40.03	\$ 59.52	\$ 45.06	\$ 72.65	\$ 44.83	\$ 66.61	\$ 66.61
Key Assumption/Qualifications (Revision - 3/23/22) - \$ in thousands	Escalation Rate = BPA escalation assumptions unavailable at time of update. 3% escalation used beginning in FY25; no escalation shown in FY24 as escalation must be absorbed.											
	Net Generation 1160 Mwe; assumes 1% unplanned/ 2.5% planned loss; FY26 12Mwe increase MSR; FY28 14Mwe increase Main Turbine Upgrade; Every fourth year, generation increases slightly due to leap year.											
	(1) Extended Power Uprate incremental costs represent funding requirements for BPA BP-24 rate period. Additional requirements to implement an Extended Power Uprate are being evaluated and have not been included.											
	* Includes moveable capital ** Does not include fuel costs associated with generation increase ± Planning is based on Total Costs (capital/OM), line items within totals can vary as funds are allocated											

Fiscal Year 2023 Packwood Lake Hydroelectric Project Annual Operating Budget



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Summary

The Packwood Lake Hydroelectric Project (Packwood), the first electrical generating project undertaken by Energy Northwest, began commercial operation in June 1964. Occupying 660 acres of the Gifford Pinchot National Forest in south central Washington, Packwood consists of a dam at Packwood Lake; a five-mile-long system of pipeline, tunnels and Penstock; and a 27,500 kilowatt-rated, underground powerhouse located 1,800 feet below the lake elevation. The reservoir is fed by Upper Lake Creek and several small tributaries that rely exclusively on direct rainfall and snow melt for their water supply.

The total net Fiscal Year 2023 operating and capital cost combined is estimated to be \$3,991,000 (Table 1), with associated funding requirements of \$3,687,000 (Table 5). The difference between total program cost and net funding requirements is due to depreciation (Table 4).

Key Assumptions/Qualifications

- The Project budget has been reviewed and approved by the participants.
- Generation is estimated at 86,342 MWh, which reflects 5-year average of the plant output and decreased by approximately 10% due to the mitigation impacts of actions required under the new operating license.
- The Fiscal Year 2023 Budget includes costs for mitigation activities required under the new operating license which was obtained in October 2018.

Table 1
Summary of Operating and Capital Costs
(Dollars in Thousands)

<u>Description</u>	<u>FY 2023 Budget</u>	<u>Original FY 2022 Budget</u>	<u>Change</u>
<u>Operating Costs</u>			
Operating & Support Services	\$ 3,045	\$ 2,924	\$ 121
Generation Taxes	20	22	(2)
Depreciation	304	271	33
Subtotal Operating Costs	<u>\$ 3,369</u>	<u>\$ 3,217</u>	<u>\$ 152</u>
Interest/Financing (Net)	12	9	3
Total Cost	<u>\$ 3,381</u>	<u>\$ 3,226</u>	<u>\$ 155</u>
Total Net Generation (MWh)	<u>86,342</u>	<u>83,747</u>	<u>2,595</u>
Cost of Power (\$/MWh) (1)	<u>\$ 39.16</u>	<u>\$ 38.52</u>	<u>\$ 0.64</u>
Total Capital Cost	<u>\$ 610</u>	<u>\$ 673</u>	<u>\$ (63)</u>
Total Operating and Capital Cost	<u>\$ 3,991</u>	<u>\$ 3,899</u>	<u>\$ 92</u>

(1) Cost of Power includes Operating & Support Services, Generation Taxes, Depreciation, and Net Interest/Financing costs.

Table 2
Summary of Revenues
(Dollars in Thousands)

<u>Description</u>	<u>FY 2023</u> <u>Budget</u>	<u>Original</u> <u>FY 2022</u> <u>Budget</u>	<u>Change</u>
<u>Revenues</u>			
Participant Billings	\$ 3,105	\$ 3,014	\$ 91
Substation Interconnection Billings	235	301	(66)
Total Revenues	3,340	3,315	25

Variance - () Unfavorable

Table 3
Summary of Full Time Equivalent Positions *

<u>Description</u>	<u>FY 2023</u> <u>Budget</u>	<u>FY 2022</u> <u>Budget</u>	<u>Change</u>
Operations & Maintenance	4	4	-

* Includes Allocations of Corporate Full Time Equivalent Positions

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Table 4
Cost-to-Cash Reconciliation
(Dollars in Thousands)

Description	FY 2023 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2023 Total
Operating						
O&M and Support Services	\$ 3,045	\$ -	\$ -	\$ -	\$ -	\$ 3,045
Generation Taxes	20	-	-	-	-	20
Depreciation	304	(304)	-	-	-	-
Subtotal Operating	\$ 3,369	\$ (304)	\$ -	\$ -	\$ -	\$ 3,065
Interest/Financing						
Interest Income	\$ (3)	\$ -	\$ -	\$ -	\$ -	\$ (3)
Interest on Note	-	-	-	-	-	-
Treasury Services	15	-	-	-	-	15
Subtotal Net Interest/Financing	\$ 12	\$ -	\$ -	\$ -	\$ -	\$ 12
Capital	\$ 610	\$ -	\$ -	\$ -	\$ -	\$ 610
Refund to Members	-	-	-	-	-	-
Total Disbursements	\$ 3,991	\$ (304)	\$ -	\$ -	\$ -	\$ 3,687
Funding Sources						
Participants Billings	\$ 3,105	\$ -	\$ -	\$ -	\$ -	\$ 3,105
Substation Interconnection Billings	235	-	-	-	-	235
Beginning Packwood Funds	-	-	1,592	-	-	1,592
Total Funding Sources	\$ 3,340	\$ -	\$ 1,592	\$ -	\$ -	\$ 4,932
Ending Working Capital	\$ (651)	\$ (304)	\$ 1,592	\$ -	\$ -	\$ 1,245

Table 5
Statement of Funding Requirements
(Dollars in Thousands)

<u>Description</u>	FY 2023 Budget	Original FY 2022 Budget	Change
Beginning Packwood Funds Balance	\$ 1,592	\$ 1,570	\$ 22
<u>Funding Requirements</u>			
<u>Operating</u>			
Operating & Support Services	\$ 3,045	\$ 2,924	\$ 121
Generation Taxes	20	22	(2)
Subtotal Operating	\$ 3,065	\$ 2,946	\$ 119
<u>Interest/Financing</u>			
Interest Income	\$ (3)	\$ (4)	\$ 1
Interest on Note	-	-	-
Treasury Services	15	13	2
Subtotal Net Interest/Financing	\$ 12	\$ 9	\$ 3
Capital	\$ 610	\$ 673	\$ (63)
Total Funding Requirements	\$ 3,687	\$ 3,628	\$ 59
<u>Funding Sources</u>			
Participants Billings	\$ 3,105	\$ 3,014	\$ 91
Substation Interconnection Billings	235	301	(66)
Total Funding Sources	\$ 3,340	\$ 3,315	\$ 25
Ending Packwood Funds Balance	\$ 1,245	\$ 1,257	\$ (12)

Table 6
Monthly Statement of Funding Requirements
(Dollars in Thousands)

Description	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2023 Total
Beginning Balance	\$ 1,592	\$ 1,562	\$ 1,534	\$ 1,507	\$ 1,480	\$ 1,453	\$ 1,427	\$ 1,401	\$ 1,373	\$ 1,346	\$ 1,319	\$ 1,272	\$ 1,592
Receipts													
Line of Credit Receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Participants Billings	259	259	258	259	259	258	259	259	258	259	259	259	3,105
Substation Interconnection Billings	20	20	19	20	19	20	20	19	20	19	19	20	235
Total Receipts	\$ 279	\$ 279	\$ 277	\$ 279	\$ 278	\$ 278	\$ 279	\$ 278	\$ 278	\$ 278	\$ 278	\$ 279	\$ 3,340
Disbursements													
Operations Disbursements													
O&M and Support Services	254	254	253	254	254	253	254	254	253	254	254	254	\$ 3,045
Generation Taxes	-	-	-	-	-	-	-	-	-	-	20	-	20
Subtotal Operations	\$ 254	\$ 254	\$ 253	\$ 254	\$ 254	\$ 253	\$ 254	\$ 254	\$ 253	\$ 254	\$ 274	\$ 254	\$ 3,065
Interest/Financing													
Investment Income	(1)	-	-	-	-	-	-	(1)	-	-	-	(1)	(3)
Interest on Note	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury Services	5	2	-	1	-	1	-	2	1	1	-	2	15
Subtotal Interest/Financing Related	\$ 4	\$ 2	\$ -	\$ 1	\$ -	\$ 1	\$ -	\$ 1	\$ 1	\$ 1	\$ -	\$ 1	\$ 12
Capital	\$ 51	\$ 51	\$ 51	\$ 51	\$ 51	\$ 50	\$ 51	\$ 51	\$ 51	\$ 50	\$ 51	\$ 51	\$ 610
Total Disbursements	\$ 309	\$ 307	\$ 304	\$ 306	\$ 305	\$ 304	\$ 305	\$ 306	\$ 305	\$ 305	\$ 325	\$ 306	\$ 3,687
Ending Balance	\$ 1,562	\$ 1,534	\$ 1,507	\$ 1,480	\$ 1,453	\$ 1,427	\$ 1,401	\$ 1,373	\$ 1,346	\$ 1,319	\$ 1,272	\$ 1,245	\$ 1,245

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Fiscal Year 2023 Project 1 Annual Budget



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Summary

The Project 1 Fiscal Year 2023 Annual Budget is prepared by Energy Northwest pursuant to the provisions and requirements of Board of Directors' Resolution No. 769, the Project Agreement and the Net Billing Agreements. The budget includes all costs associated with the project for Fiscal Year 2023 including reuse funding, fixed and variable costs, and treasury related expenses. In addition, the budget includes all funding requirements identified for the project for Fiscal Year 2023.

The total net cost for Fiscal Year 2023 is estimated to be \$22,195,000 (Table 1). Total Funding Requirements of \$54,673,000 (Table 5) less revenue from restoration/demolition, leasing, and other financing receipts totaling \$33,791,000 will result in \$20,882,000 being direct billed to Bonneville Power Administration. Bonneville Power Administration pays directly the funding requirements on a monthly basis under the provisions of the Direct Pay Agreements. This takes the net billing requirements to zero, for the statements which otherwise would be sent to participants in the project, and paid in accordance with the terms of the Net Billing Agreements. The Net Billing Agreements are still in place, but the direct cash payments from Bonneville Power Administration simply takes the participant payment amounts to zero. In the Direct Pay Agreements, Energy Northwest agreed to promptly bill each participant its share of the costs of the project under the Net Billing Agreements, if Bonneville fails to make a payment when due under the Direct Pay Agreements.

A comparison of the Fiscal Year 2023 budget is made to the original budget issued for Fiscal Year 2022.

Table 1
Summary of Costs
(Dollars in Thousands)

	FY 2023 Budget	Original FY 2022 Budget	Change
Revenue			
Restoration / Demolition (1)	\$ 3,785	\$ 4,281	(496)
Fixed Costs	6	6	-
Total Revenue	\$ 3,791	\$ 4,287	\$ (496)
Costs			
Site Costs			
Restoration / Demolition (1)	\$ 3,785	\$ 4,281	(496)
Variable Costs	25	28	(3)
Fixed Costs	360	292	68
Subtotal Site Costs	\$ 4,170	\$ 4,601	\$ (431)
Other			
Treasury Related Expenses	\$ 21,816	\$ 26,136	\$ (4,320)
Decommissioning	-	-	-
Subtotal Other Costs	\$ 21,816	\$ 26,136	\$ (4,320)
Total Costs	\$ 25,986	\$ 30,737	\$ (4,751)
Total Net Costs	\$ 22,195	\$ 26,450	\$ (4,255)

(1) Restoration / Demolition receipts from the Bonneville Power Administration restoration trust fund will be used to offset all costs of this initiative.

Table 2
Treasury Related Expenses
(Dollars in Thousands)

<u>Description</u>	FY 2023 Budget	Original FY 2022 Budget	Change
Interest Expense (1)	\$ 39,932	\$ 41,968	\$ (2,036)
Interest on Note (2)	150	300	(150)
Commitment Fee on Note (2)	50	-	50
Amortized Financing Cost (3)	(18,691)	(16,488)	(2,203)
Investment Income (Rev. Fund) (4)	(9)	(17)	8
Treasury Services (5)	384	373	11
Total	<u>\$ 21,816</u>	<u>\$ 26,136</u>	<u>\$ (4,320)</u>

Assumptions

- (1) No bond principal is scheduled to mature and none will be extended during FY2023.
- (2) A line of credit will be utilized to fund approximately \$10.0 million of interest expense as planned under the Regional Cooperation Debt 2 Initiative and will be repaid with bond proceeds from the 2023 long-term bond transaction.
- (3) The amortized financing costs are driven by the amortization of the premiums on bond issues.
- (4) Includes income on investment of monies held in the interest and principal accounts which are transferred periodically to the Revenue Fund. Investment income earnings rates are forecasted to average 0.20%.
- (5) Includes all non-interest costs of banking, debt, internal labor and overheads.

Table 3
Summary of Full Time Equivalent Positions *

<u>Description</u>	<u>FY 2023 Budget</u>	<u>FY 2022 Budget</u>	<u>Change</u>
Restoration / Demolition	3	3	-
Site Support	1	1	-
Treasury	1	1	-
Total Positions	5	5	-

* Includes Allocations of Corporate Full Time Equivalent Positions.

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Table 4
Cost-to-Cash Reconciliation
(Dollars in Thousands)

Description	FY 2023 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Req'ts	Prior Year's Commitments	FY 2023 Total Cash
Variable Costs	\$ 25	\$ -	\$ -	\$ -	\$ -	\$ 25
Restoration / Demolition (1)	3,785	-	-	-	-	3,785
Fixed Costs	360	(4)	-	-	-	356
Subtotal Site Costs	\$ 4,170	\$ (4)	\$ -	\$ -	\$ -	\$ 4,166
Other						
Decommissioning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Treasury Related						
Interest Expense	39,932	-	-	-	-	39,932
Bond Retirement (2)	-	-	-	-	-	-
Payoff of Note Principal	-	-	10,000	-	-	10,000
Interest on Note	150	-	-	-	-	150
Commitment Fee on Note	50	-	-	-	-	50
Amortized Cost	(18,691)	18,691	-	-	-	-
Invest. Income (Rev.)	(9)	-	-	-	-	(9)
Treasury Services	384	-	-	-	-	384
Subtotal Treasury Expenses	\$ 21,816	\$ 18,691	\$ 10,000	\$ -	\$ -	\$ 50,507
Subtotal Other	\$ 21,816	\$ 18,691	\$ 10,000	\$ -	\$ -	\$ 50,507
Total Funding Requirements	\$ 25,986	\$ 18,687	\$ 10,000	\$ -	\$ -	\$ 54,673

(1) Funding will be from BPA Restoration Trust Fund.

(2) No bond principal is scheduled to mature and none is expected to be extended in FY2023.

Table 5
Annual Budget
Statement of Funding Requirements
(Dollars in Thousands)

<u>Description</u>	<u>FY 2023 Budget</u>	<u>Original FY 2022 Budget</u>	<u>Change</u>
Programs			
Variable Costs	\$ 25	\$ 28	\$ (3)
Restoration / Demolition	3,785	4,281	(496)
Fixed Costs	356	292	64
Subtotal Site Costs	\$ 4,166	\$ 4,601	\$ (435)
Treasury Related Expenses			
Interest Expense (2)	\$ 39,932	\$ 41,968	\$ (2,036)
Bond Retirement (1)	-	395	(395)
Payoff of Note Principal (2)	10,000	10,000	-
Interest on Note (2)	150	300	(150)
Commitment Fee on Note (2)	50	-	50
Investment Income (Revenue)	(9)	(17)	8
Treasury Services	384	373	11
Subtotal Treasury Related	\$ 50,507	\$ 53,019	\$ (2,512)
Total Funding Requirements	\$ 54,673	\$ 57,620	\$ (2,947)
<u>Funding Sources</u>			
Restoration / Demolition	\$ 3,785	\$ 4,281	\$ (496)
Fixed Costs	6	6	-
Note / Line of Credit (LOC) Draws (2)	10,000	10,000	-
Bond Proceeds (Interest / LOC) (2)	20,000	20,000	-
Net Billing/BPA Direct Payments	\$ 20,882	\$ 23,333	\$ (2,451)
Total Funding Sources	\$ 54,673	\$ 57,620	\$ (2,947)

(1) No bond principal is scheduled to mature and none is expected to be extended in FY2023.

(2) Approximately \$20 million of interest expense is expected to be extended on a tax-exempt basis under the Regional Cooperation Debt 2 Initiative.

Table 6
Monthly Statement of Funding Requirements - Revenue Fund
(Dollars in Thousands)

Description	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2023 Total
Beginning Balance	\$ 3,000	\$ 2,626	\$ 2,251	\$ 1,876	\$ 2,446	\$ 2,073	\$ 1,657	\$ 2,225	\$ 1,847	\$ 1,470	\$ 2,040	\$ 1,663	\$ 3,000
Receipts													
BPA Direct Payments (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,926	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,956	\$ 20,882
Restoration / Demolition (2)	-	-	-	946	-	-	946	-	-	946	-	947	3,785
Note / Line of Credit (LOC) (4)	-	-	-	-	-	10,000	-	-	-	-	-	-	10,000
Bond Proceeds (Interest / LOC) (4)	-	-	-	-	-	-	-	-	-	-	-	20,000	20,000
Revenue - Leasing	-	-	-	-	-	3	-	-	-	-	-	3	6
Total Receipts	\$ -	\$ -	\$ -	\$ 946	\$ -	\$ 19,929	\$ 946	\$ -	\$ -	\$ 946	\$ -	\$ 31,906	\$ 54,673
Disbursements													
Treasury Related Expenses													
Interest Expense (4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,966	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,966	\$ 39,932
Bond Retirement (3)	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on Note (4)	-	-	-	-	-	-	-	-	-	-	-	150	150
Commitment Fee on Note (4)	-	-	-	-	-	-	-	-	-	-	-	50	50
Payoff of Note Principal	-	-	-	-	-	-	-	-	-	-	-	10,000	10,000
Investment Income	(1)	-	(1)	-	(1)	(1)	(1)	-	(1)	-	(1)	(2)	(9)
Treasury Services	30	30	31	31	30	34	34	34	32	32	32	34	384
Subtotal Treasury Related	\$ 29	\$ 30	\$ 30	\$ 31	\$ 29	\$ 19,999	\$ 33	\$ 34	\$ 31	\$ 32	\$ 31	\$ 30,198	\$ 50,507
Variable Costs	-	-	-	-	-	-	-	-	-	-	-	25	25
Restoration / Demolition	315	315	316	315	315	316	315	315	316	315	316	316	3,785
Fixed Costs	30	30	29	30	29	30	30	29	30	29	30	30	356
Total Disbursements	\$ 374	\$ 375	\$ 375	\$ 376	\$ 373	\$ 20,345	\$ 378	\$ 378	\$ 377	\$ 376	\$ 377	\$ 30,569	\$ 54,673
Ending Balance	\$ 2,626	\$ 2,251	\$ 1,876	\$ 2,446	\$ 2,073	\$ 1,657	\$ 2,225	\$ 1,847	\$ 1,470	\$ 2,040	\$ 1,663	\$ 3,000	\$ 3,000

(1) BPA is billed, through the Direct Payment Agreements, one month in advance for the following month's expenses.

(2) Funding will be from BPA Restoration Trust Fund

(3) No bond principal is scheduled to mature during FY2023.

(4) A line of credit will be utilized to fund approximately \$10.0 million of interest expense as planned under the Regional Cooperation Debt 2 Initiative and will be repaid with bond proceeds from the 2022 long-term bond transaction.

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Fiscal Year 2023 Project 3 Annual Budget



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Summary

Energy Northwest's Project 3 was terminated in June 1994. Transfer of the Project 3 site to the Satsop Redevelopment Project was completed during Fiscal Year 2000.

This Project 3 Fiscal Year 2023 Annual Budget is prepared by Energy Northwest pursuant to the provisions and requirements of Board of Directors' Resolution No. 775, the Project Agreement and the Net Billing Agreements. The budget includes all costs and funding requirements associated with the debt on Project 3. No other costs are incurred on this project.

The total net cost for Fiscal Year 2023 is estimated to be \$28,471,000 (Table 1). The total net funding requirements for Fiscal Year 2023 are \$57,744,000 (Table 4). Bonneville Power Administration pays directly the funding requirements on a monthly basis under the provisions of the Direct Pay Agreements. This takes the net billing requirements to zero, for the statements which otherwise would be sent to participants in the project, and paid in accordance with the terms of the Net Billing Agreements. The Net Billing Agreements are still in place, but the direct cash payments from Bonneville Power Administration simply takes the participant payment amounts to zero. In the Direct Pay Agreements, Energy Northwest agreed to promptly bill each participant its share of the costs of the project under the Net Billing Agreements, if Bonneville fails to make a payment when due under the Direct Pay Agreements.

A comparison of the Fiscal Year 2023 budget is made to the original budget issued for Fiscal Year 2022.

Table 1
Summary of Costs
(Dollars in Thousands)

<u>Description</u>	<u>FY 2023</u> <u>Budget</u>	<u>Original</u> <u>FY 2022</u> <u>Budget</u>	<u>Change</u>
Interest Expense (1)	\$ 47,182	\$ 45,939	\$ 1,243
Interest on Note (2)	150	300	(150)
Commitment Fee on Note (2)	50	-	50
Amortized Financing Cost (3)	(19,273)	(19,257)	(16)
Investment Income (4)	(8)	(14)	6
Treasury Services (5)	370	364	6
Total	<u>\$ 28,471</u>	<u>\$ 27,332</u>	<u>\$ 1,139</u>

Assumptions

- (1) Budget assumes no principal will be repaid and \$68.3 million extended in FY2023.
- (2) A line of credit will be utilized to fund approximately \$10.0 million of interest expense as planned under the Regional Cooperation Debt 2 Initiative and will be repaid with bond proceeds from the 2023 long-term bond transaction.
- (3) The amortized financing costs are driven by the amortization of the premiums on bonds.
- (4) Includes income on investment of monies held in the Interest and Principal accounts which are transferred periodically to the Revenue Fund. Investment income earnings rate is forecasted to average 0.20%.
- (5) Includes all non-interest costs of banking, debt, internal labor and overheads.

**Table 2
Summary of Full Time Equivalent Positions ***

<u>Description</u>	<u>FY 2023 Budget</u>	<u>FY 2022 Budget</u>	<u>Change</u>
Treasury Related	<u>1</u>	<u>1</u>	<u>-</u>

* Includes Allocations of Corporate Full Time Equivalent Positions.

Table 3
Cost-to-Cash Reconciliation
(Dollars in Thousands)

Description	FY 2023 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Req'ts	Prior Year's Commitments	FY 2023 Total Cash
Treasury Related Expenses						
Interest Expense	\$ 47,182	\$ -	\$ -	\$ -	\$ -	\$ 47,182
Bond Retirement (1)	-	-	-	-	-	-
Payoff of Note Principal	-	-	10,000	-	-	10,000
Interest on Note	150	-	-	-	-	150
Commitment Fee on Note	50	-	-	-	-	50
Amortized Financing Cost	(19,273)	19,273	-	-	-	-
Investment Income	(8)	-	-	-	-	(8)
Treasury Services	370	-	-	-	-	370
Subtotal Treasury Related	\$ 28,471	\$ 19,273	\$ 10,000	\$ -	\$ -	\$ 57,744
Total Funding Requirements	\$ 28,471	\$ 19,273	\$ 10,000	\$ -	\$ -	\$ 57,744

(1) Budget assumes no principal will be repaid and \$68.3 million extended in FY2023.

Table 4
Annual Budget
Statement of Funding Requirements
(Dollars in Thousands)

<u>Description</u>	<u>FY 2023</u> <u>Budget</u>	<u>Original</u> <u>FY 2022</u> <u>Budget</u>	<u>Change</u>
Treasury Related Expenses			
Interest Expense (2)	\$ 47,182	\$ 45,939	\$ 1,243
Bond Retirement (1)	-	-	-
Payoff of Note Principal (2)	10,000	10,500	(500)
Interest on Note (2)	150	300	(150)
Commitment Fee on Note (2)	50	-	50
Investment Income (Revenue)	(8)	(14)	6
Treasury Services	370	364	6
Total Funding Requirements	\$ 57,744	\$ 57,089	\$ 655
<u>Funding Sources</u>			
Net Billing/BPA Direct Payments	\$ 27,744	\$ 25,589	\$ 2,155
Note / Line of Credit (LOC) Draws (2)	10,000	10,500	(500)
Bond Proceeds (Interest / LOC) (2)	20,000	21,000	(1,000)
Total Funding Sources	\$ 57,744	\$ 57,089	\$ 655

(1) No principal will be repaid and \$68.3 million extended in FY2023.

(2) Additionally, approximately \$20 million of interest expense is expected to be extended on a tax-exempt basis under the Regional Cooperation Debt 2 Initiative.

Table 5
Monthly Statement of Funding Requirements - Revenue Fund
(Dollars in Thousands)

Description	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY2023 Total
Beginning Balance	\$ 3,000	\$ 2,971	\$ 2,941	\$ 2,912	\$ 2,882	\$ 2,853	\$ 3,000	\$ 2,970	\$ 2,941	\$ 2,909	\$ 2,878	\$ 2,847	\$ 3,000
Receipts													
BPA Direct Payments (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,769	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,975	\$ 27,744
Note / Line of Credit (LOC) (3)	-	-	-	-	-	10,000	-	-	-	-	-	-	10,000
Bond Proceeds (Interest / LOC) (3)	-	-	-	-	-	-	-	-	-	-	-	20,000	20,000
Total Receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,769	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,975	\$ 57,744
Disbursements													
Treasury Related													
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,591	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,591	\$ 47,182
Bond Retirement (2)	-	-	-	-	-	-	-	-	-	-	-	-	\$ -
Interest on Note (3)	-	-	-	-	-	-	-	-	-	-	-	150	\$ 150
Commitment Fee on Note (3)	-	-	-	-	-	-	-	-	-	-	-	50	\$ 50
Payoff of Note Principal (3)	-	-	-	-	-	-	-	-	-	-	-	10,000	\$ 10,000
Investment Income	(1)	-	(1)	-	(1)	(1)	-	(1)	-	(1)	(1)	(1)	\$ (8)
Treasury Services	30	30	30	30	30	32	30	30	32	32	32	32	\$ 370
Total Disbursements	\$ 29	\$ 30	\$ 29	\$ 30	\$ 29	\$ 23,622	\$ 30	\$ 29	\$ 32	\$ 31	\$ 31	\$ 33,822	\$ 57,744
Ending Balance	\$ 2,971	\$ 2,941	\$ 2,912	\$ 2,882	\$ 2,853	\$ 3,000	\$ 2,970	\$ 2,941	\$ 2,909	\$ 2,878	\$ 2,847	\$ 3,000	\$ 3,000

(1) BPA is billed, through the Direct Payment Agreements, one month in advance for the following month's expenses.

(2) Budget assumes no principal will be repaid and \$68.3 million extended in FY2023.

(3) A line of credit will be utilized to fund approximately \$10.0 million of interest expense as planned under the Regional Cooperation Debt 2 Initiative and will be repaid with bond proceeds from the 2023 long-term bond transaction.

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Fiscal Year 2023 Nine Canyon Wind Project Annual Operating Budget



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Summary

The Nine Canyon Wind Project is located in the Horse Heaven Hills area southeast of Kennewick, Washington.

Phase I of the project, which began commercial operation in September 2002, consists of 37 wind turbines, each with a maximum generating capacity of approximately 1.3 megawatts of electricity, for a total wind capacity of 48.1 megawatts. Phase II of the project, which was declared operational December 31, 2003, included an additional 12 wind turbines with an aggregate generating capacity of approximately 15.6 megawatts. Phase III of the project, which was declared operational April 1, 2008, included an additional 14 wind turbines, each with a maximum generating capacity of approximately 2.3 megawatts of electricity, for a total wind capacity of 32.2 megawatts. The total project generating capability is approximately 95.9 megawatts.

For Phase I and II the turbines are installed in rows with about 500 feet between turbines. Each three-blade turbine consists of a tubular steel tower 200 feet in height, three 100-foot turbine blades attached to a rotor, and a nacelle that houses a generator, gear box and braking mechanisms.

For Phase III the turbines are installed in rows with about 600 feet between turbines. Each three-blade turbine consists of a tubular steel tower 262 feet in height, three 147-foot turbine blades attached to a rotor, and nacelle that houses a generator, gear box and braking mechanisms.

Electricity generated by the project is purchased by Pacific Northwest Public Utility Districts whose customers have expressed an interest in purchasing at least a portion of their electricity from green power sources. Phase I, II, and III participants have signed a power purchase agreement with Energy Northwest through 2030. The project is connected to the Bonneville Power Administration transmission grid via a substation and transmission lines constructed by the Benton County Public Utility District.

For Fiscal Year 2023, the total funding requirements equal \$22,548,000 (Table 4) with revenue of \$16,311,000 (Table 1) resulting in a net cash withdrawal of \$6,237,000 (Table 4).

The Fiscal Year 2023 Budget is presented on a cost basis and includes a cost to cash reconciliation (Table 3) illustrating the conversion of the cost data to a cash basis.

A comparison of the Fiscal Year 2023 Budget is made to the original budget issued for Fiscal Year 2022.

Key Assumptions/Qualifications

This budget will provide funding for continued operation and maintenance of the project. This is based upon the key assumptions and qualifications stated below.

- The Project budget has been reviewed and approved by the participants.
- Billing Price for electrical output is estimated to be \$68.18 per MWh (Table 1) for Fiscal Year 2023. The difference between billing price and cost of power is due to depreciation and debt repayment. Billing price per MWh decrease is driven by lower debt financing expenses.
- Estimated Generation is set at 228,970 MWh (Table 1) which is based off the most recent five-year average.
- Turbine manufacturer Bonus A/S provided O&M services and training. Their support of Phase I was completed in August 2005. Phase II support was completed in December 2006. Siemens is currently providing support for Phase III with the Long Term Service Agreement that was extended for a fifteen-year term beginning in August 2013.
- Energy Northwest implemented Governmental Accounting Standards Board (GASB) No. 83- Certain Asset Retirement Obligations as required in FY 2019. GASB 83 required a current estimate of the retirement obligation and a change in accounting on recognizing the liability. The major change is the full liability for the retirement obligation is to be booked at the current estimate in today's dollars. The offset to the liability is a deferred outflow, which is amortized over the remaining life of the asset. The resulting straight line charge each year for decommissioning continues until the end of the asset life. At the point of actual decommissioning, the liability is then reduced accordingly for any incurred cash expenditures each period until the asset is fully decommissioned and retired. Decommissioning costs through FY2022 have not been funded. Estimated Asset Retirement Obligation liability is \$20.1 million in 2022 dollars. Phase I & II final debt services payments have been made. Phase I & II participants will fund \$3.168 million in decommissioning in FY2023.

Table 1
Summary of Operations
(Dollars in Thousands)

<u>Description</u>	<u>FY 2023</u> <u>Budget</u>	<u>Original</u> <u>FY 2022</u> <u>Budget</u>	<u>Change</u>
<u>Revenue</u>			
Billings	\$ 15,611	\$ 17,723	\$ (2,112)
BPA Transmission Revenue	700	725	(25)
Total Revenue	\$ 16,311	\$ 18,448	\$ (2,137)
<u>Operating Costs</u>			
Labor & Overheads	\$ 2,245	\$ 2,200	\$ 45
Equipment/Materials/Services	2,001	1,930	71
Insurance	330	275	55
Site Maintenance & Warranty	1,142	1,114	28
Lessee Payments	700	700	-
Risk Reserve	45	100	(55)
Subtotal Operating Costs	\$ 6,463	\$ 6,319	\$ 144
Generation Taxes	\$ 54	\$ 54	\$ -
BPA Transmission Costs	700	725	(25)
Decommissioning	920	741	179
Depreciation	6,834	6,835	(1)
Subtotal Operating, Taxes & Capital Cost	\$ 14,971	\$ 14,674	\$ 297
<u>Net Financing</u>			
Interest/Financing (Net)	1,396	1,667	(271)
Subtotal Net Financing	\$ 1,396	\$ 1,667	\$ (271)
Total Cost	\$ 16,367	\$ 16,341	\$ 26
Total Net Generation (MWh)	228,970	230,362	(1,392)
Cost of Power (\$/MWh) (1)	\$ 68.43	\$ 67.80	\$ 0.63
Billing Price to Participants (\$/MWh) (2)	\$ 68.18	\$ 76.93	\$ (8.75)

(1) Cost of Power excludes BPA Transmission and Capital related costs.

(2) Billing Price is the cash requirements for O&M, Capital, and Debt Service of the Project.

Table 2
Summary of Full Time Equivalent Positions *

<u>Description</u>	<u>FY 2023 Budget</u>	<u>Original FY 2022 Budget</u>	<u>Change</u>
Project Manager / Supervisor	1	1	-
O&M Technicians	9	9	-
Admin & Technical Support	<u>2</u>	<u>2</u>	<u>-</u>
Total	<u>12</u>	<u>12</u>	<u>-</u>

* Includes Allocations of Corporate Full Time Equivalent Positions

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Table 3
Cost-to-Cash Reconciliation
(Dollars in Thousands)

Description	FY 2023 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2023 Total Cash
Operating Costs						
Operating Costs	\$ 6,463	\$ -	\$ -	\$ -	\$ -	\$ 6,463
Generation Tax	54	-	-	-	-	54
BPA Transmission	700	-	-	-	-	700
Decommissioning (1)	920	(920)	3,168	-	-	3,168
Depreciation	6,834	(6,834)	-	-	-	-
Subtotal Operating, Taxes & Capital	\$ 14,971	\$ (7,754)	\$ 3,168	\$ -	\$ -	\$ 10,385
Net Debt Service						
Interest Expense	\$ 1,916	\$ -	\$ -	\$ -	\$ -	\$ 1,916
Bond Retirement	-	-	10,255	-	-	10,255
Amortized Cost	(512)	512	-	-	-	-
Interest Income	(52)	-	-	-	-	(52)
Treasury Services	44	-	-	-	-	44
Subtotal Net Debt Service	\$ 1,396	\$ 512	\$ 10,255	\$ -	\$ -	\$ 12,163
Total Disbursements	\$ 16,367	\$ (7,242)	\$ 13,423	\$ -	\$ -	\$ 22,548
Revenue						
Billings	\$ 15,611	\$ -	\$ -	\$ -	\$ -	\$ 15,611
BPA Transmission	700	-	-	-	-	700
Total Revenue	\$ 16,311	\$ -	\$ -	\$ -	\$ -	\$ 16,311
Cash (Withdrawal) / Deposit						\$ (6,237)

(1) Decommissioning costs through FY2022 have not been funded. FY2023 include \$3.168 million for Phase I & II decommissioning costs. Estimated Asset Retirement Obligation liability is \$20.1 million in 2022 dollars.

Table 4
Statement of Funding Requirements
(Dollars in Thousands)

<u>Description</u>	<u>FY 2023 Budget</u>	<u>Original FY 2022 Budget</u>	<u>Change</u>
<u>Operating Costs</u>			
Labor/Benefits/Overhead	\$ 2,245	\$ 2,200	\$ 45
Equipment/Materials/Services	2,001	1,930	71
Insurance	330	275	55
Site Maintenance & Warranty	1,142	1,114	28
Lessee Payments	700	700	-
Risk Reserve	45	100	(55)
Subtotal Operating Costs	<u>\$ 6,463</u>	<u>\$ 6,319</u>	<u>\$ 144</u>
Generation Taxes	\$ 54	\$ 54	\$ -
Decommissioning Reserve Contribution	3,168	-	3,168
BPA Transmission	700	725	(25)
Subtotal Operating, Taxes & Capital Costs	<u>\$ 10,385</u>	<u>\$ 7,098</u>	<u>\$ 3,287</u>
<u>Net Debt Service</u>			
Interest Expense	\$ 1,916	\$ 2,404	\$ (488)
Bond Retirement	10,255	9,755	500
Interest Income	(52)	(110)	58
Treasury Services	44	47	(3)
Subtotal Net Debt Service	<u>\$ 12,163</u>	<u>\$ 12,096</u>	<u>\$ 67</u>
Total Funding Requirements	<u>\$ 22,548</u>	<u>\$ 19,194</u>	<u>\$ 3,354</u>
Funding Sources			
Billings	\$ 15,611	\$ 17,723	\$ (2,112)
Participants for BPA Transmission	700	725	(25)
Cash Withdrawal / (Deposit)	6,237	746	5,491
Total Funding Sources	<u>\$ 22,548</u>	<u>\$ 19,194</u>	<u>\$ 3,354</u>

Table 5
Monthly Statement of Funding Requirements
(Dollars in Thousands)

Description	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2023 Total
Beginning Balance	\$ 14,497	\$ 14,789	\$ 15,412	\$ 15,749	\$ 16,372	\$ 16,994	\$ 16,372	\$ 16,994	\$ 17,615	\$ 17,950	\$ 18,571	\$ 19,138	\$ 14,497
Receipts													
Billings	\$ 1,037	\$ 1,037	\$ 1,036	\$ 1,037	\$ 1,037	\$ 1,037	\$ 1,037	\$ 1,037	\$ 1,037	\$ 1,037	\$ 1,037	\$ 1,037	\$ 12,443
Billings for Decommissioning	264	264	264	264	264	264	264	264	264	264	264	264	3,168
Bond Reserve Excess	-	-	-	-	-	-	-	-	-	-	-	5,163	5,163
BPA Transmission	59	58	58	59	58	58	59	58	58	58	59	58	700
Total Receipts	\$ 1,360	\$ 1,359	\$ 1,358	\$ 1,360	\$ 1,359	\$ 1,359	\$ 1,360	\$ 1,359	\$ 1,359	\$ 1,359	\$ 1,360	\$ 6,522	\$ 21,474
Disbursements													
Operations Disbursements													
Labor & Overheads	\$ 188	\$ 187	\$ 187	\$ 187	\$ 187	\$ 187	\$ 187	\$ 187	\$ 187	\$ 187	\$ 187	\$ 187	\$ 2,245
Equipment/Materials/Services	166	166	166	167	167	167	167	167	167	167	167	167	2,001
Insurance	330	-	-	-	-	-	-	-	-	-	-	-	330
Site Maintenance & Warranty	-	-	285	-	-	286	-	-	286	-	-	285	1,142
Lease Payments & Risk Res	62	62	62	62	62	62	62	62	62	62	62	63	745
Generation Taxes	-	-	-	-	-	-	-	-	-	-	54	-	54
BPA Transmission	59	58	58	59	58	58	59	58	58	58	59	58	700
Subtotal Operations	\$ 805	\$ 473	\$ 758	\$ 475	\$ 474	\$ 760	\$ 475	\$ 474	\$ 760	\$ 474	\$ 529	\$ 760	\$ 7,217
Decommissioning Reserve	\$ 264	\$ 264	\$ 264	\$ 264	\$ 264	\$ 264	\$ 264	\$ 264	\$ 264	\$ 264	\$ 264	\$ 264	\$ 3,168
Debt Service													
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 958	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 958	\$ 1,916
Bond Retirement	-	-	-	-	-	-	-	-	-	-	-	10,255	10,255
Investment Income	(4)	(4)	(5)	(5)	(5)	(5)	(4)	(4)	(4)	(4)	(4)	(4)	(52)
Treasury Services	3	3	4	3	4	4	3	4	4	4	4	4	44
Subtotal Debt / Decomm	\$ 263	\$ 263	\$ 263	\$ 262	\$ 263	\$ 1,221	\$ 263	\$ 264	\$ 264	\$ 264	\$ 264	\$ 11,477	\$ 15,331
Total Disbursements	\$ 1,068	\$ 736	\$ 1,021	\$ 737	\$ 737	\$ 1,981	\$ 738	\$ 738	\$ 1,024	\$ 738	\$ 793	\$ 12,237	\$ 22,548
Ending Balance	\$ 14,789	\$ 15,412	\$ 15,749	\$ 16,372	\$ 16,994	\$ 16,372	\$ 16,994	\$ 17,615	\$ 17,950	\$ 18,571	\$ 19,138	\$ 13,423	\$ 13,423

Table 6
Bank Accounts
(Dollars in Thousands)

<u>Description</u>	<u>FY 2023</u> <u>Budget</u>	<u>Original</u> <u>FY 2022</u> <u>Budget</u>	<u>Change</u>
Phase I Bond Reserve Account (1)	\$ 4,360	\$ 4,360	\$ -
Phase II Bond Reserve Account (1)	803	803	-
Phase III Bond Reserve Account	4,550	4,670	(120)
Operating Reserve Account	750	772	(22)
Reserve and Contingency Account	800	824	(24)
Decommissioning Reserve Account	-	-	-
Revenue Fund	14,497	14,927	(430)
Total Beginning Balance	\$ 25,760	\$ 26,356	\$ (596)
Addition / (Reduction) (2)	\$ (1,074)	\$ (746)	\$ (328)
Use of Phase I / II Bond Reserves	(5,163)	-	(5,163)
Total Ending Balance	\$ 19,523	\$ 25,610	\$ (6,087)

(1) Phase I & II Bond Reserve Accounts will be utilized to help fund the final debt service payment on July 1, 2023.

(2) Includes \$3,168k funding for Phase I / II Decommissioning Reserve.

Table 7
Operations & Maintenance – Budget & Forecast
Long Range Plan
(Dollars in Thousands)

Description	Budget	Forecast						
	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Operating Costs								
Labor & Overheads	\$ 2,245	\$ 2,301	\$ 2,358	\$ 2,417	\$ 2,478	\$ 2,539	\$ 2,603	\$ 2,668
Equipment/Materials/Services	2,001	2,036	2,045	2,097	2,192	2,204	2,258	2,361
Insurance	330	338	347	355	364	373	383	392
Long Term Service Agreement	1,142	1,171	1,200	1,230	1,261	1,292	1,324	1,358
Lease Payments	700	700	700	700	700	700	700	700
Risk Reserve	45	100	100	100	100	100	100	100
Subtotal Operating Costs	\$ 6,463	\$ 6,646	\$ 6,750	\$ 6,899	\$ 7,095	\$ 7,208	\$ 7,368	\$ 7,579
Taxes & Capital Costs								
Generation Taxes	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54
Capital	-	68	70	71	73	75	77	79
BPA Transmission	700	700	700	700	700	700	700	700
Subtotal Taxes & Capital Costs	\$ 754	\$ 822	\$ 824	\$ 825	\$ 827	\$ 829	\$ 831	\$ 833
Total Operating, Taxes, & Capital Disbursements	\$ 7,217	\$ 7,468	\$ 7,574	\$ 7,724	\$ 7,922	\$ 8,037	\$ 8,199	\$ 8,412

Key Assumptions/Qualifications

Escalation Rate = 2.5% FY23 = Base Year, excluding lease payments and generation taxes.

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Fiscal Year 2023 Business Development Fund Annual Budget



Prepared 4/27/22

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Summary

The Business Development Fund (BDF) was created by Executive Board Resolution No. 1006 in April 1997 for the purpose of holding, administering, disbursing, and accounting for Energy Northwest costs and revenues generated from engaging in new energy-related business opportunities.

The BDF is managed as an enterprise fund. The budgets are divided by business sector: Business Support, Energy & Professional Services, Laboratory Services, Nuclear Development, O&M Services, and Overhead Costs. Each sector may have one or more programs that are managed as a unique business activity. Revenues, expenses, and margins are reported for each program and sector.

For Fiscal Year 2023, the revenue for the BDF equals \$18,598,000 with \$1,000,000 of reimbursable capital while total funding requirements equal \$19,350,000 creating an increase in fund balance of \$248,000 (See Table 5).

A comparison of the Fiscal Year 2023 Budget is made to the original budget issued for Fiscal Year 2022.

Key Assumptions/Qualifications

- Manage, operate, maintain, modify, and support facilities related to power generation.
- Assist members with generation resources, transmission integration, and power management issues.
- Offer cost competitive resource options that manage risk and promote environmental stewardship.
- Invest in key strategic focus areas:
 - Develop New Nuclear
 - Expand Hydro and Wind O&M Services
 - Build new Solar Project on 300 Acres
 - Become a more comprehensive and active Joint Operating Agency
 - Electric Vehicle Charging Stations
 - Demand Side Management
 - Member Professional Services
 - Optimize Laboratory Services

Table 1
Summary of Revenues and Expenses by Business Sector
(Dollars in Thousands)

<u>Description</u>	<u>FY 2023</u> <u>Budget</u>	<u>Original</u> <u>FY 2022</u> <u>Budget</u>	<u>Change</u>
<u>Revenues (1)</u>			
Business Support	\$ 39	\$ 39	\$ -
Energy & Professional Services	1,004	1,022	(18)
Laboratory Services	6,925	6,250	675
Nuclear Development	7,466	3,581	3,885
O&M Services	3,164	3,548	(384)
Total Revenues	<u>\$ 18,598</u>	<u>\$ 14,440</u>	<u>\$ 4,158</u>
<u>Expenses (1)</u>			
Business Support	\$ 29	\$ 34	\$ (5)
Energy & Professional Services (2)	948	1,331	\$ (383)
Laboratory Services (3)	6,425	5,785	640
Nuclear Development	7,680	3,840	3,840
O&M Services (4)	3,172	3,103	69
Overhead Costs (5)	202	(119)	321
Total Expenses	<u>\$ 18,456</u>	<u>\$ 13,974</u>	<u>\$ 4,482</u>
Net Margin	<u>\$ 142</u>	<u>\$ 466</u>	<u>\$ (324)</u>

(1) Does not include capital

(2) Includes \$20,000 in depreciation

(3) Includes \$321,000 in depreciation

(4) Includes \$400,000 in depreciation; \$2,000 in decommissioning

(5) Includes \$21,000 in depreciation

Table 2
Detailed Financial Summary
(Dollars in Thousands)

<u>Description</u>	<u>FY 2023 Revenue</u>	<u>FY 2023 Cost</u>	<u>FY 2023 Margin</u>
<u>Business Support</u>			
Co-Location Rentals	\$ 39	\$ 29	\$ 10
Total Business Support	\$ 39	\$ 29	\$ 10
<u>Energy & Professional Services</u>			
DVRI/DSM Operations	\$ 250	\$ 263	\$ (13)
IT & Cyber Security Services	97	97	-
Power Marketing	121	121	-
Support / Member Services	375	326	49
Solar Development	68	68	-
Electric Vehicle Initiatives	93	73	20
Total Energy & Professional Services (1)	\$ 1,004	\$ 948	\$ 56
<u>Laboratory Services</u>			
Columbia Calibration Services	\$ 2,514	\$ 2,514	\$ -
Commercial Calibration Services	2,133	1,645	488
Columbia Environmental Services	2,133	2,133	-
Commercial Environmental Services	145	133	12
Total Laboratory Services (2)	\$ 6,925	\$ 6,425	\$ 500
<u>Nuclear Development</u>			
Advanced Reactor Development Program	\$ -	\$ 214	\$ (214)
Xe-100 Support	6,292	6,292	-
Sodium Support	993	993	-
Grant PUD Nuclear Dev Support	181	181	-
Total Nuclear Development	\$ 7,466	\$ 7,680	\$ (214)
<u>O&M Services</u>			
Horn Rapids O&M	\$ 64	\$ 455	\$ (391)
Portland Hydro Project	1,400	1,198	202
O&M New Project Development	135	135	-
Stone Creek Hydro Project	364	330	34
Tieton O&M Services	1,200	1,042	158
White Bluffs Solar	1	12	(11)
Total Professional Services (3)	\$ 3,164	\$ 3,172	\$ (8)
<u>Overhead Costs</u>			
Net Overhead Costs and Allocations	\$ -	\$ 202	\$ (202)
Total Overhead Costs (4)	\$ -	\$ 202	\$ (202)
Total	\$ 18,598	\$ 18,456	\$ 142

Margin - () Unfavorable

(1) Includes depreciation of \$20,000

(2) Includes depreciation of \$321,000

(3) Includes depreciation of \$400,000 and \$2,000 in decommissioning

(4) Includes depreciation of \$21,000

Note: \$3,854,000 in BDF Business Support is allocated to Energy Services & Development programs.

Table 3
Summary of Capital
(Dollars in Thousands)

<u>Description</u>	<u>FY 2023 Budget</u>	<u>FY 2023 Budget Reimbursable (1)</u>	<u>FY 2023 Net Budget</u>	<u>Original FY 2022 Budget</u>	<u>Change</u>
<u>Business Sector / Project</u>					
<u>Energy & Professional Services</u>					
Electric Vehicle Capital	\$ 1,103	\$ 1,000	\$ 103	\$ 25	\$ 78
Total Energy & Professional Services	\$ 1,103	\$ 1,000	\$ 103	\$ 25	\$ 78
<u>Laboratory Services</u>					
Calibration Laboratory Services	\$ 326	\$ -	\$ 326	\$ 358	\$ (32)
Environmental Laboratory Services	110	-	110	35	75
Total Laboratory Services	\$ 436	\$ -	\$ 436	\$ 393	\$ 43
<u>Overhead Costs</u>					
MEC - ENOC - Capital	\$ 119	\$ -	\$ 119	\$ 119	\$ -
Total Laboratory Services	\$ 119	\$ -	\$ 119	\$ 119	\$ -
Total - Capital	\$ 1,658	\$ 1,000	\$ 658	\$ 537	\$ 121

Reimbursed by expected Grant Proceeds and or receipts under established Participants Agreements.

Table 4
Summary of Full Time Equivalent Positions *

<u>Description</u>	FY 2023 Budget	Original FY 2022 Budget	Change
Laboratory Services Sector	23	22	1
Energy & Professional Services Sector	4	4	-
Nuclear Development	18	11	7
Indirect Support / Overhead Costs	17	17	-
O&M Services Sector	7	6	1
Total Positions	69	60	9

* Includes Allocations of Corporate Full Time Equivalent Positions

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Table 5
Statement of Funding Requirements
(Dollars in Thousands)

<u>Description</u>	<u>FY 2023 Budget</u>	<u>Original FY 2022 Budget</u>	<u>Change</u>
<u>Funding Requirements</u>			
Expense Requirements (1)	\$ 17,692	\$ 13,662	\$ 4,030
Capital Requirements	1,658	2,720	(1,062)
Total Funding Requirements	<u>\$ 19,350</u>	<u>\$ 16,382</u>	<u>\$ 2,968</u>
<u>Funding Sources</u>			
Revenues	\$ 18,598	\$ 14,440	\$ 4,158
Capital Reimbursement	1,000	2,183	(1,183)
Total Funding Sources	<u>\$ 19,598</u>	<u>\$ 16,623</u>	<u>\$ 2,975</u>
Change in Fund Balance from Operations	<u>\$ 248</u>	<u>\$ 241</u>	<u>\$ 7</u>

(1) Expenses exclude \$764,000 of depreciation and decommissioning (non-cash item).

Table 6
Business Development Fund - Cash Flow
(Dollars in Thousands)

Description	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2023 Total
Beginning Balance	\$ 11,481	\$ 11,502	\$ 11,523	\$ 11,544	\$ 11,564	\$ 11,585	\$ 11,604	\$ 11,625	\$ 11,646	\$ 11,667	\$ 11,688	\$ 11,710	\$ 11,481
Receipts													
Revenues	\$ 1,550	\$ 1,550	\$ 1,550	\$ 1,549	\$ 1,550	\$ 1,550	\$ 1,550	\$ 1,549	\$ 1,550	\$ 1,550	\$ 1,550	\$ 1,550	\$ 18,598
Capital Reimbursement	83	84	83	84	83	83	83	84	83	83	84	83	1,000
Total Receipts	\$ 1,633	\$ 1,634	\$ 1,633	\$ 1,633	\$ 1,633	\$ 1,633	\$ 1,633	\$ 1,633	\$ 1,633	\$ 1,633	\$ 1,634	\$ 1,633	\$ 19,598
Disbursements													
Expense Requirements	\$ 1,474	\$ 1,475	\$ 1,474	\$ 1,475	\$ 1,474	\$ 1,475	\$ 1,474	\$ 1,474	\$ 1,474	\$ 1,474	\$ 1,474	\$ 1,475	\$ 17,692
Capital Requirements	138	138	138	138	138	139	138	138	138	138	138	139	1,658
Total Disbursements	\$ 1,612	\$ 1,613	\$ 1,612	\$ 1,613	\$ 1,612	\$ 1,614	\$ 1,612	\$ 1,612	\$ 1,612	\$ 1,612	\$ 1,612	\$ 1,614	\$ 19,350
Ending Balance	\$ 11,502	\$ 11,523	\$ 11,544	\$ 11,564	\$ 11,585	\$ 11,604	\$ 11,625	\$ 11,646	\$ 11,667	\$ 11,688	\$ 11,710	\$ 11,729	\$ 11,729

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Fiscal Year 2023 General Business Unit Annual Budget



Prepared 4/27/22

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Summary

Presented within the General Business Unit Fiscal Year 2023 budget are the costs for Benefits, Corporate Programs, Organizational Overhead and General Purpose Projects.

The total Fiscal Year 2023 General Business Unit cost is estimated to be \$102,945,000 (Table 1).

Corporate Program costs and staffing are shown separately to identify the services being provided to each business unit as opposed to employee related benefits. Fiscal Year 2023 Corporate costs are estimated to be \$16,028,000 (Table 2).

Benefits which include health care, personal time/holidays, employer portion of social security and Washington State Employees' Retirement System, 401(k) matching, and other related costs are estimated to be \$68,556,000 (Table 3).

Organizational Overhead which includes at-risk compensation, tuition and relocation reimbursements as well as other related costs is estimated to be \$14,046,000 (Table 4).

General Purpose Projects are composed of Corporate IT Projects. The Corporate IT Projects are estimated to be \$4,315,000 (Table 5).

The General Business Unit costs are allocated to each Business Unit as explained on page 10. Also, the allocation process is depicted in a diagram on Table 7.

The Fiscal Year 2023 Budget has been adjusted to reclassify certain costs for comparison purposes to the Fiscal Year 2022 Budget.

Table 1
Summary of Costs
(Dollars in Thousands)

<u>Description</u>	<u>FY 2023</u> <u>Budget</u>	<u>FY 2022</u> <u>Budget</u>	<u>Variance</u>
Corporate Programs	\$ 16,028	\$ 15,234	\$ 794
Benefits/Personal Time	68,556	67,236	1,320
Organizational Overhead	14,046	15,119	(1,073)
Total O&M Costs	<u>\$ 98,630</u>	<u>\$ 97,589</u>	<u>\$ 1,041</u>
 General Purpose Project - Capital	 \$ 4,315	 \$ 3,678	 <u>\$ 637</u>
 Total Costs	 <u>\$ 102,945</u>	 <u>\$ 101,267</u>	 <u>\$ 1,678</u>

Table 2
Corporate Program Costs
(Dollars in Thousands)

<u>Description</u>	<u>FY 2023</u> <u>Budget</u>	<u>FY 2022</u> <u>Budget</u>	<u>Variance</u>
Information Services	\$ 6,601	\$ 5,807	\$ 794
Corporate Finance	2,440	2,736	(296)
Public Affairs	2,350	2,278	72
Senior Management	1,867	1,948	(81)
Human Resources	1,806	1,291	515
Legal	549	553	(4)
Organizational Effectiveness	273	401	(128)
Environmental & Regulatory Programs	238	315	(77)
Other	(96)	(95)	(1)
Total	\$ 16,028	\$ 15,234	\$ 794

Table 2A
Corporate Program Full Time Equivalent Positions

<u>Description</u>	<u>FY 2023</u> <u>Budget</u>	<u>FY 2022</u> <u>Budget</u>	<u>Variance</u>
Information Services	30	26	4
Human Resources	14	14	-
Corporate Finance	13	13	-
Public Affairs	9	8	1
Senior Management	6	6	-
Legal	3	3	-
Environmental & Regulatory Programs	2	2	-
Organizational Effectiveness	-	1	(1)
Total	77	73	4

Table 3
Employee Benefit Costs
(Dollars in Thousands)

<u>Description</u>	<u>FY 2023</u> <u>Budget</u>	<u>FY 2022</u> <u>Budget</u>	<u>Variance</u>
Medical Benefits	\$ 18,214	\$ 17,711	\$ 503
F.I.C.A.	10,028	9,873	155
Retirement:			
WA PERS Contribution	14,245	14,058	187
401(k) Match	4,009	3,948	61
Personal Time/Holidays	18,225	19,204	(979)
Unemployment/Disability/Other	2,509	2,442	67
Subtotal	\$ 67,230	\$ 67,236	\$ (6)
Outage	\$ 1,326	\$ -	\$ 1,326
Total	\$ 68,556	\$ 67,236	\$ 1,320

Table 4
Organizational Overhead
(Dollars in Thousands)

<u>Description</u>	<u>FY 2023</u> <u>Budget</u>	<u>FY 2022</u> <u>Budget</u>	<u>Variance</u>
At-Risk Compensation/Retention/ Employee Recognition	\$ 13,078	\$ 14,301	\$ (1,223)
Relocations	825	675	150
Tuition	143	143	-
Total	\$ 14,046	\$ 15,119	\$ (1,073)

Table 5
General Purpose Projects
(Dollars in Thousands)

<u>Description</u>	<u>FY 2023</u> <u>Budget</u>	<u>FY 2022</u> <u>Budget</u>	<u>Variance</u>
<u>Capital Projects</u>			
Information Technology (1)	\$ 4,315	\$ 3,678	\$ 637
Total Capital Projects	\$ 4,315	\$ 3,678	\$ 637
<u>Expense Projects</u>			
Information Technology (1)	\$ -	\$ -	\$ -
Total Expense Projects	\$ -	\$ -	\$ -
Total General Purpose Projects	\$ 4,315	\$ 3,678	\$ 637

(1) Information Technology costs are managed centrally within Energy Northwest for the benefit of all Business Units. Items must have a useful life greater than one year, and have a procurement cost of greater than \$1,000. Internally developed software projects must be greater than \$250,000 to be capitalized.

Table 6
Business Unit Allocation of Costs
(Dollars in Thousands)

<u>Business Unit Allocations (Dollars)</u>	<u>FY 2023 Budget</u>	<u>FY 2022 Budget</u>	<u>Variance</u>
Project 1	\$ 438	\$ 377	\$ 61
Columbia	90,976	90,270	706
Project 3	89	87	2
Packwood	407	431	(24)
Nine Canyon Wind Project	854	894	(40)
Business Development Fund	<u>5,889</u>	<u>5,009</u>	<u>880</u>
Total Allocations	<u>\$ 98,653</u>	<u>\$ 97,068</u>	<u>\$ 1,585</u>

<u>Business Unit Allocations (Percentages)</u>	<u>FY 2023 Budget</u>	<u>FY 2022 Budget</u>	<u>Variance</u>
Project 1	0.44%	0.39%	0.05%
Columbia	92.22%	93.00%	(0.78%)
Project 3	0.09%	0.09%	0.00%
Packwood	0.41%	0.44%	(0.03%)
Nine Canyon Wind Project	0.87%	0.92%	(0.05%)
Business Development Fund	<u>5.97%</u>	<u>5.16%</u>	<u>0.81%</u>
Total Allocations	<u>100.00%</u>	<u>100.00%</u>	<u>(0.00%)</u>

Note:

Total Business Unit Allocation dollars shown exclude non-allocated costs, thus, will not agree with Table 1.

Overview of Indirect Cost Pools

Energy Northwest makes use of three indirect cost pools. Allocation of these pools is conducted in three sequential steps. A graphical depiction of allocation steps are provided on the following page (Table 7).

Step 1 - Employee Benefits (Resource Category 703)

All costs incurred by Energy Northwest for medical and dental benefits, employer portion of social security and Washington State Employees' Retirement System, 401(k) matching, Personal Time (e.g., vacation, holiday, sick, etc.) and other costs associated with employee wellness. Employee benefit costs are allocated to business units and other intermediate cost pools based on regular labor costs. Overtime, temporary and special pay costs receive a reduced rate.

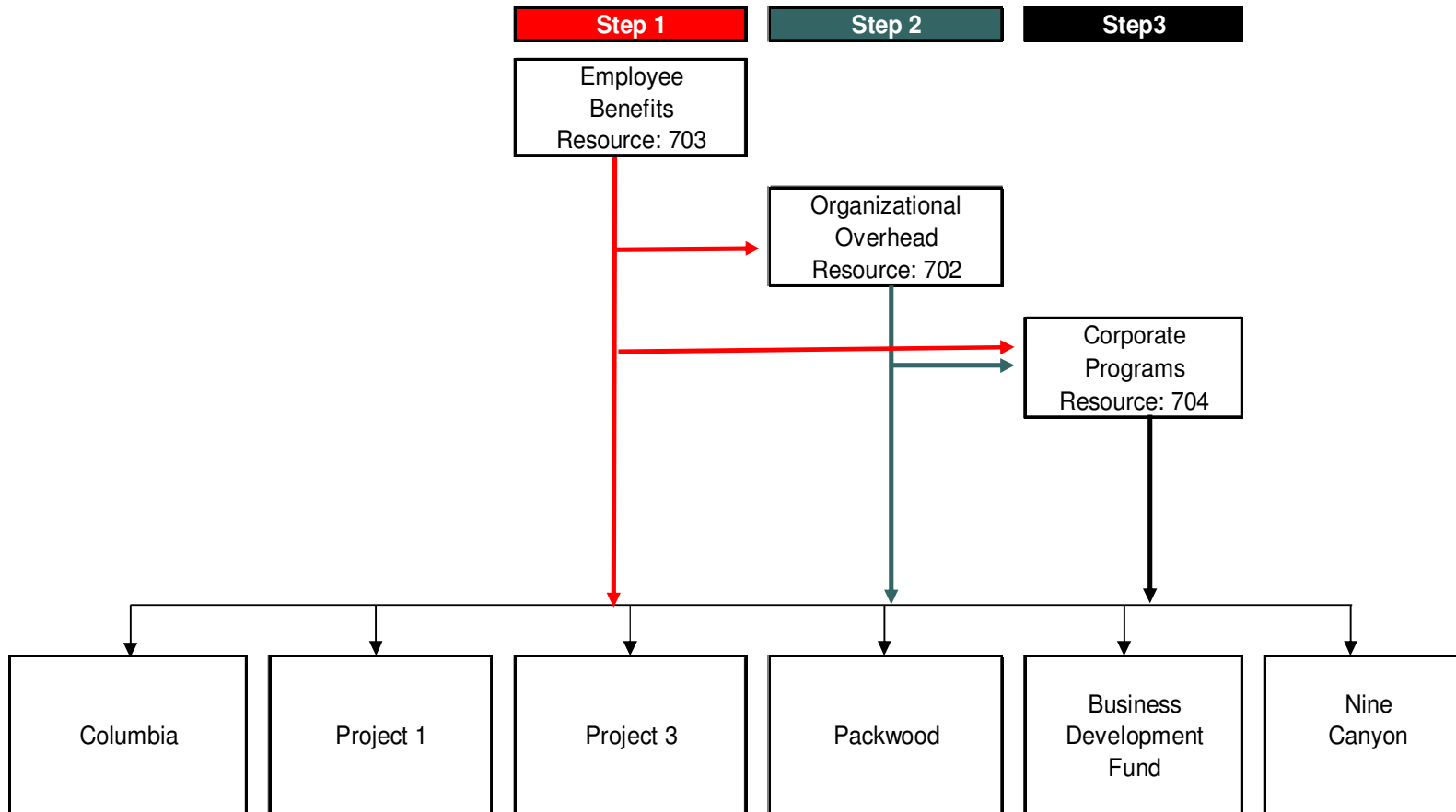
Step 2 – Organizational Overhead (Resource Category 702)

Contains costs for education reimbursement, new employee relocation, employee labor supporting corporate sponsored initiatives and labor costs determined when goals are evaluated. Also, included is a pro rata allocation of employee benefits and personal time. These costs are allocated to business units and the Corporate Programs cost pool based on regular labor costs.

Step 3 – Corporate Programs (Resource Category 704)

Contains all costs associated with management of Energy Northwest's corporate activities. These costs include costs of finance, legal, administration, human resources, procurement, and information technology. Also, included is a pro rata allocation of employee benefits, personal time, and Organizational Overhead. These costs are allocated over Total Operating and Capital costs.

Table 7
Indirect Cost Allocation Diagram



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ALLOCATION: A process to spread indirect overhead costs to other business units based on a common cost pool.

AMORTIZATION: A method of allocating (accruing) costs to fiscal periods to match costs with the revenues or benefits generated from a specific activity.

AMORTIZED FINANCING COSTS: Reflects the capitalized financing costs that were incurred to issue long-term bonds to finance construction of the project or refinance outstanding project bonds, which are being amortized over the life of the bonds.

ANNUAL BUDGET: The amount of resources, expressed in dollars, allocated to a specific project for a given fiscal year.

BASELINE COSTS: Columbia Generating Station (Columbia) direct and indirect costs not associated with projects. Estimated labor associated with projects has been included in the project line item budgets.

BILLING STATEMENTS: A contractual notification to project participants indicating their percentage and dollar share of a net-billed project's annual budget.

BOND PROCEEDS: Monies received from the issuance of bonds.

BOND RESOLUTION: A resolution passed by Energy Northwest's Board of Directors establishing a plan and system for the acquisition and construction of a particular Energy Northwest project. Each of Energy Northwest's projects has a bond resolution. Among other things, the resolution authorizes the issuance of bonds to construct the project and establishes special rules pertaining to the accounting and funding of each project. Each resolution mandates that separate funds and books of accounts be maintained and strictly prohibits the payment of obligations of one project with funds of another project.

BOND RETIREMENT: Funds deposited into the Bond Fund Principal or Bond Fund Retirement accounts used to retire maturing debt or meet sinking fund requirements.

BPA DIRECT PAY AGREEMENTS: Energy Northwest and Bonneville entered into an agreement with respect to each Net Billed Project ("Direct Pay Agreements") pursuant to which, beginning May 2006, Bonneville pays at least monthly all costs for each Net Billed Project, including debt service on the Net Billed Bonds, directly to Energy Northwest. Each Participant pays directly to Bonneville all costs associated with its power sales and other contracts with Bonneville instead of making such payments to Energy Northwest. The Net Billing Agreements provide that Energy Northwest is to bill budgeted costs less

amounts payable from sources other than the Net Billing Agreements to Participants. Direct payments received from Bonneville under the Direct Pay Agreements are considered a source other than the Net Billing Agreements and, therefore, the Net Billing Agreements were not amended. In the Direct Pay Agreements, Energy Northwest agrees to promptly bill each Participant its share of the costs of the respective Project under the Net Billing Agreements if Bonneville fails to make a payment when due under the Direct Pay Agreements.

BUSINESS DEVELOPMENT FUND (BDF): A special enterprise fund created for the purpose of holding, administering, disbursing and accounting for Energy Northwest costs and revenues generated from new energy-related business opportunities. Created by Executive Board Resolution Number 1006 in April 1997.

BUSINESS UNIT: A plan and system authorized by Energy Northwest's Board of Directors. Columbia, WNP-1, WNP-3, Packwood, Business Development Fund, Nine Canyon Wind Project, and General Business Unit are all Business Units. The General Business Unit includes indirect costs that are subsequently allocated to all other business units.

CAPITAL ADDITIONS: Includes improvements and modifications that will be made throughout the operating life of the plant that will be necessary to assure plant safety, reliability, efficiency and cost effectiveness.

CAPITAL COSTS/EQUIPMENT: Costs related to improvements and modifications to the plant or the purchase of equipment. Generally, an item is considered to be capital equipment if it exceeds \$10K, except computer equipment which is \$1K, in value and has a service life of greater than one year. Capital items are depreciated over their estimated service-lives.

CONSTRUCTION FUND: Established pursuant to Bond Fund resolutions, the Construction Fund pays for all costs of construction.

CONTROLLABLE COSTS: Controllable costs include operations, maintenance, capital and overhead costs. They exclude costs related to depreciation, fuel, and financing.

CORPORATE PROGRAMS: The administration, management and general programs that support Energy Northwest as a business entity are accumulated into a Corporate Program indirect cost pool. The Corporate Program costs are distributed based upon total Operating and Capital costs charged to Energy Northwest projects or other final cost objectives. Corporate Programs include, but are not limited to, accounting, human resources, legal services and general management.

COST OF POWER: A measurement, expressed in dollars per megawatt-hour, designed to measure the cost effectiveness of plant operations. Also see Memorandum of Agreement.

COST-TO-CASH RECONCILIATION: A schedule depicting how cost numbers, which are used to manage and control Energy Northwest business units, are converted to cash and funding requirements.

DEBT SERVICE: Amounts paid or required to be paid into the applicable Bond and Reserve & Contingency Fund for purposes of paying the semi-annual coupon interest and annual bond principal redemption.

DECOMMISSIONING: Refers to the plan of dismantlement and site restoration of Columbia. The decommissioning plan for Columbia reflects a 60-year plant life, three years to prepare for protective storage, 60 years of protective storage, and 3.5 years for facility dismantlement and site restoration. A special fund has been established to provide monies necessary to pay for decommissioning.

DEPRECIATION: A systematic and rational basis for allocating capital costs over the service life of an asset. Depreciation may be based on estimated service life in years or production capacity. Depreciation can be viewed as the wear and tear of an asset over time.

ESCALATION: The dollar amount or percentage rate that costs are expected to increase in future periods due to inflation, changes in labor contracts, tax increases, etc.

EXCESS WORKING CAPITAL: The amount in excess of \$3 million that has been designated as the required amount of working capital for the Revenue Fund. To the extent that on June 30, there is more than that amount of monies in the Revenue Fund, such amounts for the current fiscal year are excess amounts to be used to reduce the funding requirements for the project for the subsequent fiscal year.

FISCAL YEAR: The twelve-month period July 1 through June 30. Energy Northwest's accounting and budgeting cycle is based on a fiscal year that spans this period.

FIXED COSTS: Includes non-variable costs that will be incurred regardless of plant operations, output or conditions (e.g., bond interest, depreciation, decommissioning, etc.).

FUND: Established by bond resolutions, a fund is a pool of money set aside to pay specified obligations of the projects. Typically, Energy Northwest project bond resolutions call for construction costs to be paid from the Construction Fund, operations and maintenance costs to be paid from the Revenue Fund,

bond interest payments to be paid from the Interest Account within the Bond Fund, etc. Fund restrictions were established by bond resolutions as a form of security for bondholders.

FUNDING REQUIREMENTS: Identification of the amount of cash required for a given budget period to meet business unit needs.

GENERAL BUSINESS UNIT (GENERAL FUND): A fund established for accounting purposes to pay multi-project obligations and collect and allocate overhead costs to projects.

GENERATION TAXES: Pursuant to RCW 54.28.025, a tax is assessed on Columbia net generation equal to one and one-half percent of the wholesale value of energy produced. An additional surcharge is also assessed pursuant to RCW 82.02.030 equal to seven percent of the generation tax payable.

INCREMENTAL COSTS: Includes those costs that are variable in nature and are directly related to the amount of power produced (e.g., nuclear fuel amortization spent fuel disposal fees, generation taxes, etc.).

INCREMENTAL OUTAGE COSTS: Includes those costs that are needed to support an outage that are not specific to an individual project (e.g., overtime, supplies and materials).

INDIRECT COSTS: Includes costs charged to intermediate cost pools for later allocation. Includes costs associated with Administrative & General (A&G), Information Technology, Organizational Overhead, Employee Benefits, and Absence (see General Business Unit tab for further definition of these cost pools).

INTEREST EXPENSE: The interest on outstanding bonds. Funds are transferred monthly from the Revenue Funds to the Bond Fund Interest Accounts in order to pay the semi-annual coupon interest.

INVENTORY: Operational spare parts, common stock and general materials and supplies purchased by Energy Northwest and stored in warehouses for later use.

INVESTMENT INCOME: Income earned on investment securities.

MATERIALS: Included in materials is the cost of office supplies, software, fuels, oils, chemicals, gases, support materials, and resins.

NET-BILLING: A payment procedure established by net-billing agreements. More than 100 Northwest utilities have purchased all of the project capability of Nuclear Project No. 1, Columbia and Energy Northwest's 70 percent ownership

share of Nuclear Project No. 3. Project Participants have resold such capability to BPA and, in return, BPA is obligated to pay annual costs of these projects, including debt service, by a procedure referred to as net-billing. Project Participants pay Energy Northwest their respective share of annual costs, and BPA pays Project Participants identical amounts by reducing amounts due to BPA by Participants under power sales agreements.

NUCLEAR FUEL AMORTIZATION: Represents the amortization of nuclear fuel costs in a given fiscal year. The cost of nuclear fuel is first capitalized as an asset in order to reflect the value of the unused fuel. At the time the fuel is placed in the reactor, the cost of the fuel is amortized to fiscal periods on the basis of quantity of heat produced.

NUCLEAR FUEL IN PROCESS: The cost of nuclear fuel that is being converted, fabricated, enriched, etc. not having reached a finished state.

OPERATING COSTS: Includes controllable and incremental costs.

ORIGINAL BUDGET: The beginning fiscal year budget for a Business Unit.

OUTSIDE SERVICES: Includes the cost of services provided by outside companies. Energy Northwest uses outside services for various functions including data systems, legal assistance, engineering support, craft support, paying agent and trustee fees, health physics and chemistry, maintenance services and radwaste disposal.

PRIOR YEAR'S RESERVE AND CONTINGENCY FUND SURPLUS: Annually, funds remaining are to be transferred back to the Revenue Fund to be utilized to reduce the funding requirements of the project for the subsequent fiscal year. Monies deposited in the Reserve and Contingency Fund can be expended only for special purposes.

PRIVILEGE TAXES: Pursuant to RCW 54.28.020, a tax is assessed on Packwood and Nine Canyon net generation equal to five percent of the first four mills per kilowatt-hour of revenue obtained from the sale of energy for resale. An additional surcharge is also assessed pursuant to RCW 82.02.030 equal to seven percent of the generation tax payable.

PROJECT PARTICIPANT: Municipalities, public utility districts, investor-owned utilities and electric cooperatives that have purchased a share of project output.

REFINANCING: An Energy Northwest and BPA program to refund higher coupon outstanding debt issued for Projects 1, 3 and Columbia with the goal of reducing total debt service of the projects over the life of the bonds.

RESERVE AND CONTINGENCY FUND REQUIREMENT: Funds equal to 10 to 15 percent of the aggregate required monthly transfers from the Revenue Fund to the Bond Fund Debt Service Accounts are to be transferred monthly from the Revenue Fund to the Reserve and Contingency Fund.

RISK RESERVE: A reserve in the budget set aside for unplanned events.

SPENT FUEL DISPOSAL FEE: The Nuclear Waste Policy Act of 1982 specifies that a waste disposal of one mill be paid to the United States Department of Energy (DOE) for each kilowatt-hour of electricity generated. In return, DOE will accept and dispose of spent nuclear fuel.

STRATEGIC PLANNING: A process undertaken by key managers and staff, approved by the Executive Board, to establish a vision of what Energy Northwest should be in five or more years.