

Fiscal Year 2008 General Business Unit Annual Budget



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Summary

Presented within the General Business Unit Fiscal Year 2008 budget are the costs for Benefits, Corporate Programs, and General Purpose Projects.

The total Fiscal Year 2008 General Business Unit cost is estimated to be \$63,986,000 (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 2008 Corporate is estimated to be \$12,207,000 (Table 2).

Benefits which include health care, absence, employer portion of social security and Washington State Employees' Retirement System, 401(k) matching, and other related costs are estimated to be \$48,713,000 (Table 3).

General Purpose Projects are estimated to be \$3,056,000 (Table 4).

The General Business Unit costs are allocated to each Business Unit based on direct labor as explained on page 11. Also, the allocation process is depicted in a diagram on Table 6.

The Performance Fee account has been established for the purpose of depositing monies related to fees earned by Energy Northwest. Monies within this account are used to fund start-up expenses related to Business Development Fund projects, and for other purposes as directed by the Chief Executive Officer (Table 7).

Table 1
Summary of Costs
(Dollars in Thousands)

<u>Program</u>	<u>FY 2008 Budget</u>	<u>Original FY 2007 Budget</u>	<u>Variance</u>
Corporate Programs	\$ 12,207	\$ 11,459	\$ 748
Benefits/Personal Time (1)	48,713	40,027	8,686
General Purpose Projects:			
Information Technology	3,113	1,816	1,297
CDC/Other (2)	<u>(47)</u>	<u>(93)</u>	<u>46</u>
Total Cost	<u>\$ 63,986</u>	<u>\$ 53,209</u>	<u>\$ 10,777</u>

(1) **Benefits/Personal Time**

For presentation purposes, Personal Time has been combined with Benefits for Fiscal Year 2008. Fiscal Year 2007 has been reclassified for comparison purposes.

(2) **CDC/Other**

The CDC Buildings are an asset of the General Business Unit and are revenue producing. The net revenues or losses are not allocated to other Business Units and are transferred to the Performance Fee Account.

Table 2
Corporate Program Costs
(Dollars in Thousands)

<u>Program</u>	<u>FY 2008</u> <u>Budget</u>	<u>Original</u> <u>FY 2007</u> <u>Budget</u>	<u>Variance</u>
Information Systems	\$ 3,737	\$ 3,758	\$ (21)
Senior Management	1,875	1,148	727
Finance	1,789	1,803	(14)
Board & Member Relations/Sales	1,187	1,170	17
Human Resources	901	827	74
Corporate Training	841	955	(114)
Management Reserve	500	250	250
Communications/Graphics	313	272	41
Administration	288	277	11
Legal	238	175	63
Licensing	121	435	(314)
Other	417	389	28
Total Program Cost	\$ 12,207	\$ 11,459	\$ 748

Table 2A
Summary of Full Time Equivalent Positions

<u>Program</u>	FY 2008 Budget	Original FY 2007 Budget	Variance
Information Services	28	32	(4)
Finance	17	17	-
Human Resources	13	11	2
Senior Management	8	8	-
Communications/Graphics	3	3	-
Board & Member Relations/Sales	3	3	-
Corporate Training	2	3	(1)
Administration	2	3	(1)
Legal	2	2	-
Const & Maint Services	2	1	1
Other	4	3	1
Total Full Time Equivalent Positions	<u>84</u>	<u>86</u>	<u>(2)</u>

Table 3
Benefits Costs
(Dollars in Thousands)

<u>Description</u>	<u>FY 2008</u> <u>Budget</u>	<u>Original</u> <u>FY 2007</u> <u>Budget</u>	<u>Variance</u>
Medical Benefits	\$ 11,221	\$ 10,064	\$ 1,157
F.I.C.A.	7,745	7,349	396
Retirement:			
WA PERS Contribution	7,430	4,489	2,941
401(k) Match	1,854	1,428	426
Personal Time/Holidays	13,156	11,918	1,238
Unemployment/Disability/Other	3,113	1,440	1,673
Total Employee Benefit Costs	\$ 44,519	\$ 36,688	\$ 7,831
Incentives	4,194	3,339	855
Total Benefits Costs	\$ 48,713	\$ 40,027	\$ 8,686

Table 4
General Purpose Projects
(Dollars in Thousands)

<u>Description</u>	<u>FY 2008</u> <u>Budget</u>	<u>Original</u> <u>FY 2007</u> <u>Budget</u>	<u>Variance</u>
<u>Capital Projects</u>			
Information Technology (1)	\$ 2,559	\$ 1,509	\$ 1,050
Vehicle	-	20	(20)
Total Capital Projects	\$ 2,559	\$ 1,529	\$ 1,030
<u>Expense Projects</u>			
Information Technology (1)	\$ 544	\$ 307	\$ 237
CDC - Downtown Buildings (2)	(47)	(113)	66
Total Expense Projects	497	194	303
Total General Purpose Projects	\$ 3,056	\$ 1,723	\$ 1,333

- (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.
- (2) CDC Buildings are an asset of the General Business Unit and are revenue producing. The net revenues or losses are transferred to the Performance Fee Account.

Table 5
Business Unit Allocation of Costs
(Dollars in Thousands)

<u>Project Allocations (Dollars)</u>	<u>FY 2008 Budget</u>	<u>Original FY 2007 Budget</u>	<u>Variance</u>
Project 1	\$ 189	\$ 458	\$ (269)
Columbia	56,175	48,532	7,643
Project 3	85	78	7
Packwood	311	227	84
Nine Canyon Wind Project	426	345	81
Business Development Fund	4,003	3,142	861
Total Project Allocations	\$ 61,189	\$ 52,782	\$ 8,407

<u>Project Allocations (Percentages)</u>	<u>FY 2008 Budget</u>	<u>Original FY 2007 Budget</u>	<u>Variance</u>
Project 1	0.31%	0.87%	-0.56%
Columbia	91.80%	91.95%	-0.15%
Project 3	0.14%	0.15%	-0.01%
Packwood	0.51%	0.43%	0.08%
Nine Canyon Wind Project	0.70%	0.65%	0.05%
Business Development Fund	6.54%	5.95%	0.59%
Total Project Allocations	100.00%	100.00%	0.00%

Note:

Total Project Allocation dollars shown exclude CDC/Other 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 and amounts are provided on the following page (Table 6).

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, 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 – Personal Time (Resource Category 701)

All costs of labor while employees are on Personal Time (e.g., vacation, holiday, sick, etc.) and a pro rata allocation of employee benefits. These costs are allocated to business units and other intermediate cost pools based on regular labor costs.

Step 3 – Management Incentives (Resource Category 702)

Costs of labor determined when goals are evaluated and not when labor hours are entered for each pay period. These costs are allocated to business units and the Corporate Programs cost pool based on regular labor costs.

Step 4 – Corporate Programs (A&G) (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 management incentives. These costs are allocated over regular and temporary labor costs.

Table 6
Indirect Cost Allocation Diagram

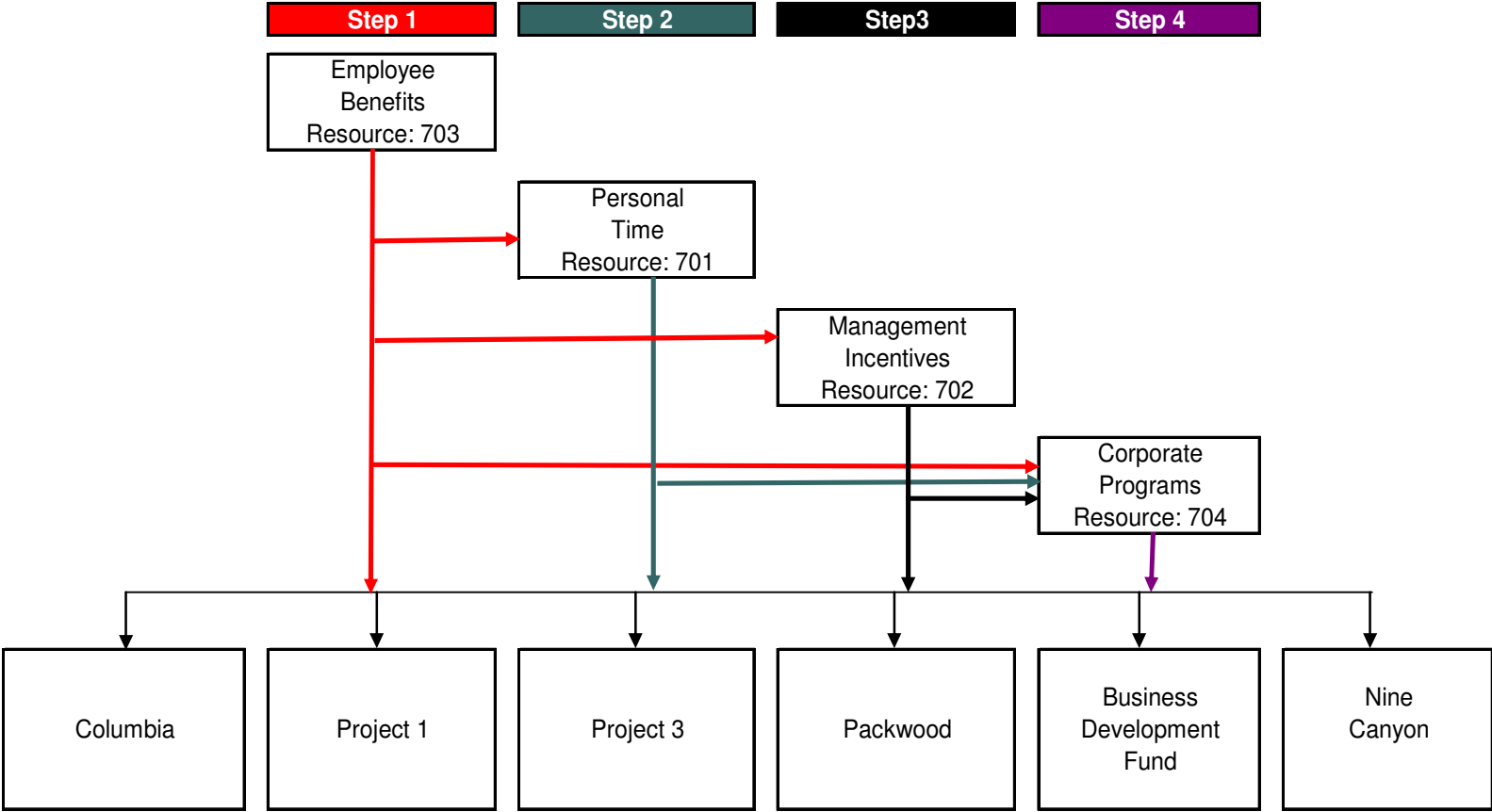


Table 7
Performance Fee Account
Statement of Funding Requirements
(Dollars in Thousands)

	FY 2008 Budget	Original FY 2007 Budget	Variance
<u>Beginning Balance</u>	\$ 8,300	\$ 9,660	\$ (1,360)
<u>Use of Funds</u>			
Transfer to Bus Dev Fund (BDF) (2)	\$ 2,990	\$ 2,183	\$ 807
Total Use of Funds	\$ 2,990	\$ 2,183	\$ 807
<u>Source of Funds</u>			
Perf. Fee (Nine Canyon)	\$ 195	\$ 175	\$ 20
CDC Margin	47	113	(66)
Transfer from BDF (2)	11,251		11,251
Investment Income	350	385	(35)
Total Funding Sources	\$ 11,843	\$ 673	\$ 11,170
Ending Balance (1)	\$ 17,153	\$ 8,150	\$ 9,003

(1) Internal policy allows portions of the Performance Fee account balance to be either transferred or encumbered by other Business Units.

(2) Funds will have to be transferred to the BDF earlier in the year and will be returned later in the year when additional revenues are received.