

Fiscal Year 2009 General Business Unit Annual Budget



Prepared 4/24/08

Table of Contents

	<u>Table</u>	<u>Page</u>
Summary		3
Summary of Costs	Table 1	4
Summary of Full Time Equivalent Regular Positions	Table 1A	4
Corporate Program Costs	Table 2	5
Corporate Program Full Time Equivalent Regular Positions	Table 2A	6
Employee Benefit Costs	Table 3	7
Organizational Overhead	Table 4	8
General Purpose Projects	Table 5	9
Business Unit Allocation of Costs	Table 6	10
Overview of Indirect Cost Pools		11
Indirect Cost Allocation Diagram	Table 7	12
Performance Fee Account Statement of Funding Requirements	Table 8	13

Summary

Presented within the General Business Unit Fiscal Year 2009 budget are the costs for Benefits, Corporate Programs, Organizational Overhead and General Purpose Projects.

The total Fiscal Year 2009 General Business Unit cost is estimated to be \$75,870,000 (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 2009 Corporate costs are estimated to be \$13,214,000 (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 \$48,434,000 (Table 3).

Organizational Overhead which includes incentives, tuition and relocation reimbursements as well as other related costs is estimated to be \$9,123,000 (Table 4).

General Purpose Projects are estimated to be \$5,099,000 (Table 5).

The General Business Unit costs are allocated to each Business Unit as explained on page 11. Also, the allocation process is depicted in a diagram on Table 7.

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 8).

The Fiscal Year 2008 Budget has been adjusted to reclassify certain costs for comparison purposes to the Fiscal Year 2009 Budget.

Table 1
Summary of Costs
(Dollars in Thousands)

Description	FY 2009 Budget	Original FY 2008 Budget (1)	Variance
Corporate Programs	\$ 13,214	\$ 11,858	\$ 1,356
Benefits/Personal Time	48,434	44,519	3,915
Organizational Overhead	9,123	7,266	1,857
General Purpose Project	5,099	3,056	2,043
Total Cost	\$ 75,870	\$ 66,699	\$ 9,171

(1) Fiscal Year 2008 has been reclassified for comparison purposes.

Table 1A
Summary of Full Time Equivalent Regular Positions (2)

Description	FY 2009 Budget	Original FY 2008 Budget	Variance
Corporate/General Purpose	84	83	1
Organizational Overhead	13	13	-
Total Positions	97	96	1

(2) Excludes project employees and contractors

**Table 2
Corporate Program Costs**

<u>Description</u>	<u>FY 2009 Budget</u>	<u>Original FY 2008 Budget</u>	<u>Variance</u>
Information Services	\$ 4,201	\$ 3,710	\$ 491
Senior Management/Auditor	2,164	2,236	(72)
Finance	1,950	1,776	174
Human Resources	1,496	889	607
Board & Member Relations/Sales	1,209	914	295
Performance Improvement	685	816	(131)
Communications/Graphics	369	312	57
Legal	329	237	92
Risk Reserve	250	500	(250)
Administrative Services	244	227	17
Licensing	128	116	12
Asset Management	87	11	76
Other	102	114	(12)
Total	<u>\$ 13,214</u>	<u>\$ 11,858</u>	<u>\$ 1,356</u>

Table 2A
Corporate Program Full Time Equivalent Regular Positions (1)

<u>Description</u>	<u>FY 2009 Budget</u>	<u>Original FY 2008 Budget</u>	<u>Variance</u>
Information Services	28	28	-
Finance	17	17	-
Human Resources	14	13	1
Senior Management	8	8	-
Communications/Graphics	4	3	1
Board & Member Relations/Sales	3	3	-
Performance Improvement	2	2	-
Administrative Services	2	2	-
Legal	2	2	-
Const & Maint Services	2	2	-
Other	2	3	(1)
Total	<u>84</u>	<u>83</u>	<u>1</u>

(1) Excludes Project employees and contractors.

Table 3
Employee Benefit Costs
(Dollars in Thousands)

<u>Description</u>	<u>FY 2009</u> <u>Budget</u>	<u>Original</u> <u>FY 2008</u> <u>Budget</u>	<u>Variance</u>
Medical Benefits	\$ 11,947	\$ 11,421	\$ 526
F.I.C.A.	8,970	7,745	1,225
Retirement:			
WA PERS Contribution	10,350	7,580	2,770
401(k) Match	2,119	1,854	265
Personal Time/Holidays	13,215	13,156	59
Unemployment/Disability/Other	1,833	2,763	(930)
Total	\$ 48,434	\$ 44,519	\$ 3,915

Table 4
Organizational Overhead
(Dollars in Thousands)

<u>Description</u>	<u>FY 2009</u> <u>Budget</u>	<u>Original</u> <u>FY 2008</u> <u>Budget</u>	<u>Variance</u>
Incentives/Retention/Awards	\$ 5,268	\$ 4,436	\$ 832
Relocations	2,372	1,560	812
Indirect Labor	923	923	-
Tuition	560	347	213
Total	\$ 9,123	\$ 7,266	\$ 1,857

Table 5
General Purpose Projects
(Dollars in Thousands)

<u>Description</u>	<u>FY 2009</u> <u>Budget</u>	<u>Original</u> <u>FY 2008</u> <u>Budget</u>	<u>Variance</u>
<u>Capital Projects</u>			
Information Technology (1)	\$ 4,917	\$ 2,559	\$ 2,358
Total Capital Projects	\$ 4,917	\$ 2,559	\$ 2,358
<u>Expense Projects</u>			
Information Technology (1)	\$ 197	\$ 544	\$ (347)
CDC - Downtown Buildings (2)	(15)	(47)	32
Total Expense Projects	182	497	(315)
Total General Purpose Projects	\$ 5,099	\$ 3,056	\$ 2,043

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

<u>Business Unit Allocations (Dollars)</u>	<u>FY 2009 Budget</u>	<u>Original FY 2008 Budget</u>	<u>Variance</u>
Project 1	\$ 153	\$ 189	\$ (36)
Columbia	66,746	57,887	8,859
Project 3	70	85	(15)
Packwood	298	311	(13)
Nine Canyon Wind Project	606	426	180
Business Development Fund	2,930	4,003	(1,073)
Total Allocations	\$ 70,803	\$ 62,901	\$ 7,902

<u>Business Unit Allocations (Percentages)</u>	<u>FY 2009 Budget</u>	<u>FY 2008 Budget</u>	<u>Variance</u>
Project 1	0.22%	0.30%	(0.08%)
Columbia	94.27%	92.03%	2.24%
Project 3	0.10%	0.14%	(0.04%)
Packwood	0.42%	0.49%	(0.07%)
Nine Canyon Wind Project	0.86%	0.68%	0.18%
Business Development Fund	4.14%	6.36%	(2.22%)
Total Allocations	100.00%	100.00%	0.00%

Note:

Total Business Unit 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 four indirect cost pools. Allocation of these pools is conducted in four 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, 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 – Organizational Overhead (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 (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 Total Operating and Capital costs.

Table 7
Indirect Cost Allocation Diagram

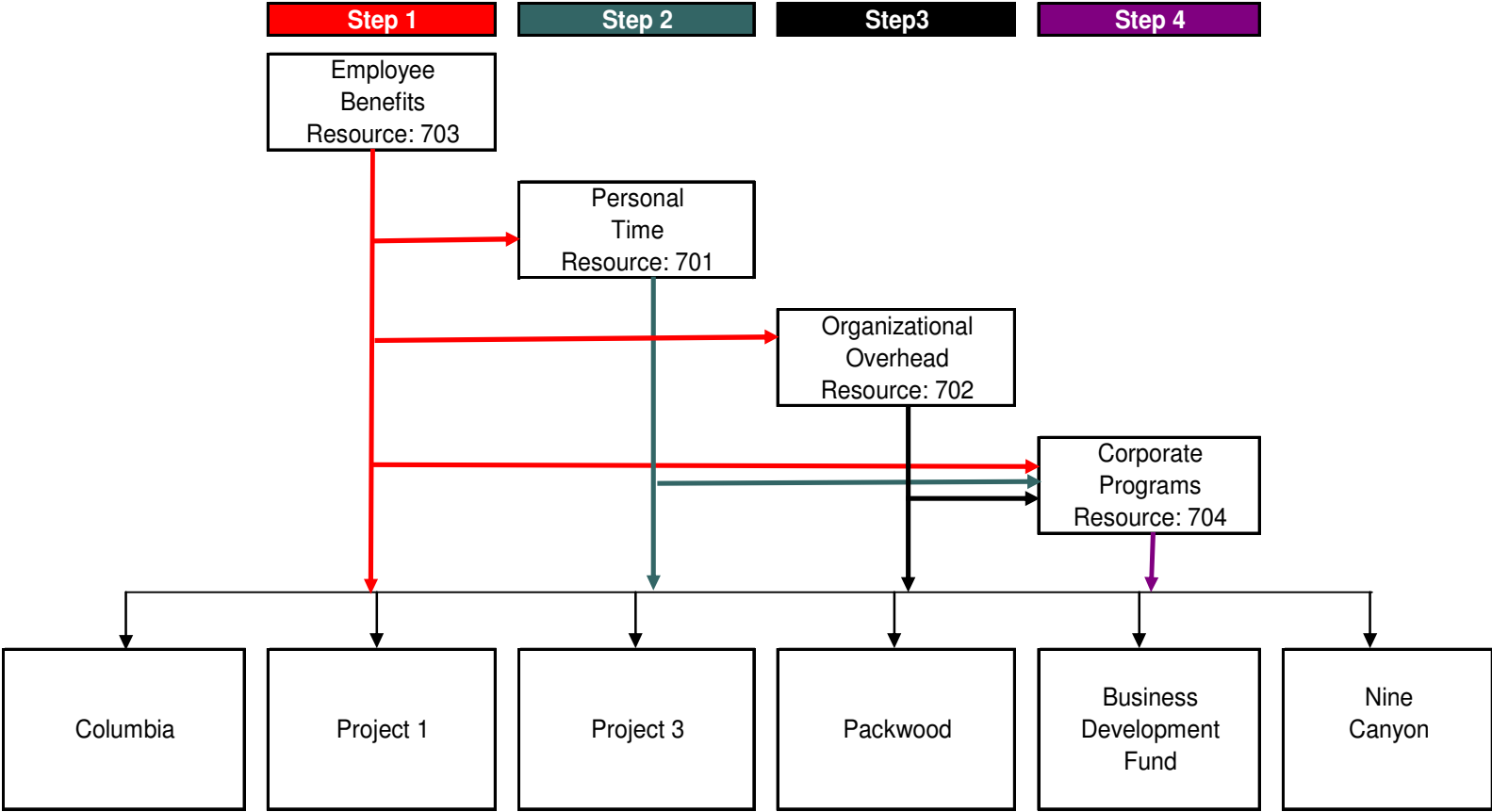


Table 8
Performance Fee Account
Statement of Funding Requirements
(Dollars in Thousands)

	FY 2009 Budget	Original FY 2008 Budget	Variance
<u>Beginning Balance</u>	<u>\$ 9,000</u>	<u>\$ 8,300</u>	<u>\$ 700</u>
<u>Use of Funds</u>			
Transfer to Bus Dev Fund (BDF)	\$ 1,574	\$ 2,990	\$ (1,416)
Total Use of Funds	<u>\$ 1,574</u>	<u>\$ 2,990</u>	<u>\$ (1,416)</u>
<u>Source of Funds</u>			
Perf. Fee (Nine Canyon)	\$ -	\$ 195	\$ (195)
CDC Margin	15	47	(32)
Transfer from BDF	-	11,251	(11,251)
Investment Income	225	350	(125)
Total Funding Sources	<u>\$ 240</u>	<u>\$ 11,843</u>	<u>\$ (11,603)</u>
Ending Balance (1)	<u>\$ 7,666</u>	<u>\$ 17,153</u>	<u>\$ (9,487)</u>

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