

Fiscal Year 2009 Project 1 Annual Budget



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Summary

The Project 1 Fiscal Year 2009 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 2009 including reuse study, annual fixed charges, minimum maintenance, and treasury related expenses. In addition, the budget includes all funding requirements identified for the project for Fiscal Year 2009.

The total cost for Fiscal Year 2009 is estimated to be \$101,690,000 (Table 1). Total Funding Requirements of \$148,132,000 (Table 5) will be 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 2009 budget is made to the original budget issued for Fiscal Year 2008.

Key Assumptions/Qualifications

This budget provides funding for costs associated with the project for Fiscal Year 2009 including reuse study, annual fixed charges, minimum maintenance, and treasury related expenses. Key assumptions and qualifications of this budget are:

- Fixed Charges are non-discretionary costs composed of the following items: Regulatory labor and permits for Nuclear Regulatory Commission, Energy Facility Site Evaluation Council, public drinking water system, elevator permits and inspections, landfill operator certification, pressure vessel inspections, and site telephone service.
- Interest on Debt includes interest on \$26,150,000 of principal maturing in July 2008 that will be refunded in the spring of 2008.
- Refunding bonds totaling approximately \$300,560,000 will be issued in the spring of 2008.

Table 1
Summary of 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>
Reuse Study	\$ 75	\$ 94	\$ (19)
Annual Fixed Charges	33	40	(7)
Minimum Maintenance	123	195	(72)
Subtotal Site	\$ 231	\$ 329	\$ (98)
<u>Other</u>			
Treasury Related Expenses	\$ 100,956	\$ 108,413	\$ (7,457)
Decommissioning	503	-	503
Subtotal Other Costs	\$ 101,459	\$ 108,413	\$ (6,954)
Total	\$ 101,690	\$ 108,742	\$ (7,052)

Table 2
Treasury Related Expenses
(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>
Interest Expense/Note (1)	\$ 100,589	\$ 103,053	\$ (2,464)
Amortized Financing Cost	130	5,852	(5,722)
Investment Income (Rev. Fund) (2)	(956)	(2,355)	1,399
Treasury Services (3)	1,193	1,863	(670)
Total	\$ 100,956	\$ 108,413	\$ (7,457)

Assumptions

- (1) Interest on variable rate debt was reduced from 4.00% to 3.50%. All prior lien debt maturing in 2009 is expected to be paid off and not refunded. Therefore, Fiscal Year 2009 does not include interest on a note.
- (2) Includes income on investment of monies held in the interest and principal accounts and the Reserve and Contingency Fund which are transferred periodically to the Revenue Fund. Investment income earnings rates are forecasted at 2.50%.
- (3) Includes all non-interest costs of fixed and variable rate debt and internal labor and overheads of \$176,000.

Table 3
Summary of Full Time Equivalent Regular Positions(1)

<u>Description</u>	<u>FY 2009 Budget</u>	<u>Original FY 2008 Budget</u>	<u>Variance</u>
Treasury related	<u>2</u>	<u>2</u>	<u>-</u>

(1) Excludes project employees and contractors

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

Description	FY 2009 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Req'ts	Prior Year's Commitments	FY 2009 Total Cash
Reuse Study	\$ 75	\$ -	\$ -	\$ -	\$ -	\$ 75
Annual Fixed Charges	33	-	-	-	-	33
Minimum Maintenance	123	-	-	-	-	123
Subtotal Site	\$ 231	\$ -	\$ -	\$ -	\$ -	\$ 231
Other						
Decommissioning	\$503	(\$503)				\$ -
Treasury Related						
Interest Expense	100,589	-	-	-	-	100,589
Bond Retirement (1)	-	-	52,915	-	-	52,915
Amortized Cost	130	(130)	-	-	-	-
Invest. Income (Rev.)	(956)	-	-	450	(1,373)	(1,879)
Treasury Services	1,193	-	-	-	-	1,193
R&C Fund (2)	-	-	2,973	-	-	2,973
Prior Year's R&C Surplus	-	-	(7,890)	-	-	(7,890)
Subtotal Treasury Expenses	100,956	(130)	47,998	450	(1,373)	147,901
Subtotal Other	\$ 101,459	\$ (130)	\$ 47,998	\$ 450	\$ (1,373)	\$ 147,901
Total Funding Requirements	\$ 101,690	\$ (130)	\$ 47,998	\$ 450	\$ (1,373)	\$ 148,132

(1) It is assumed that \$52,915,000 of the bond retirement requirements will be paid off and \$36,990,000 will be funded from bond proceeds and extended.

(2) Newer bond resolutions have eliminated R&C Fund requirements. The budget reflects R&C Fund for prior lien bonds only.

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

<u>Description</u>	<u>FY 2009 Budget</u>	<u>Original FY 2008 Budget</u>	<u>Variance</u>
<u>Programs</u>			
Reuse Study	\$ 75	\$ 94	\$ (19)
Annual Fixed Charges	33	40	(7)
Minimum Maintenance	123	195	(72)
Subtotal Programs	\$ 231	\$ 329	\$ (98)
<u>Treasury Related Expenses</u>			
Interest Expense	\$ 100,589	\$ 101,149	\$ (560)
Bond Retirement	52,915	-	52,915
Reserve & Contingency Fund	2,973	8,447	(5,474)
Investment Income (Revenue)	(1,879)	(1,228)	(651)
Prior Year's R&C Surplus	(7,890)	(4,560)	(3,330)
Interest on Note	-	1,904	(1,904)
Treasury Services	1,193	1,863	(670)
Subtotal Treasury Related	\$ 147,901	\$ 107,575	\$ 40,326
Total Funding Requirements	\$ 148,132	\$ 107,904	\$ 40,228
<u>Funding Sources</u>			
Net Billing/BPA Direct Payments	\$ 148,132	\$ 107,904	\$ 40,228
Total Funding Sources	\$ 148,132	\$ 107,904	\$ 40,228

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	FY2009 Total
Beginning Balance	\$ 3,000	\$ 8,922	\$ 6,031	\$ 6,108	\$ 6,015	\$ 54,054	\$ 6,096	\$ 6,011	\$ 6,028	\$ 6,106	\$ 6,117	\$ 78,497	\$ 3,000
Receipts													
BPA Direct Payments (1)	\$ -	\$ 103	\$ 3,107	\$ 3,014	\$ 51,054	\$ 3,096	\$ 3,011	\$ 3,028	\$ 3,106	\$ 3,117	\$ 75,497	\$ -	\$ 148,133
Total Receipts	\$ -	\$ 103	\$ 3,107	\$ 3,014	\$ 51,054	\$ 3,096	\$ 3,011	\$ 3,028	\$ 3,106	\$ 3,117	\$ 75,497	\$ -	\$ 148,133
Disbursements													
Treasury Related Expenses													
Interest Expense	\$ 657	\$ 657	\$ 657	\$ 657	\$ 658	\$ 48,805	\$ 657	\$ 657	\$ 657	\$ 658	\$ 658	\$ 45,211	\$ 100,589
Bond Retirement (2)	2,065	2,065	2,065	2,065	2,065	2,065	2,065	2,065	2,065	2,065	2,065	30,200	52,915
R&C Fund (3)	248	248	248	247	248	248	248	247	248	248	248	247	2,973
Investment Income	(1,405)	(14)	(14)	(14)	(14)	(108)	(14)	(14)	(14)	(13)	(13)	(242)	(1,879)
Prior Years R & C Surplus	(7,890)	-	-	-	-	-	-	-	-	-	-	-	(7,890)
Treasury Services	370	5	41	120	24	10	106	23	38	114	126	40	1,017
Treasury Services Labor	14	14	14	14	15	15	15	15	15	15	15	15	176
Subtotal Treasury Related	\$ (5,941)	\$ 2,975	\$ 3,011	\$ 3,089	\$ 2,996	\$ 51,035	\$ 3,077	\$ 2,993	\$ 3,009	\$ 3,087	\$ 3,099	\$ 75,471	\$ 147,901
Reuse Study	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 9	\$ 75
Annual Fixed Charges	3	3	3	2	3	3	3	2	3	3	2	3	33
Minimum Maintenance	10	10	10	10	10	10	10	10	10	10	10	13	123
Total Disbursements	\$ (5,922)	\$ 2,994	\$ 3,030	\$ 3,107	\$ 3,015	\$ 51,054	\$ 3,096	\$ 3,011	\$ 3,028	\$ 3,106	\$ 3,117	\$ 75,496	\$ 148,132
Ending Balance	\$ 8,922	\$ 6,031	\$ 6,108	\$ 6,015	\$ 54,054	\$ 6,096	\$ 6,011	\$ 6,028	\$ 6,106	\$ 6,117	\$ 78,497	\$ 3,001	\$ 3,001

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

(2) It is assumed that \$52,915,000 of the bond retirement requirements will be paid off and \$36,990,000 will be funded from bond proceeds and extended.

(3) Newer bond resolutions have eliminated R&C Fund requirements. The budget reflects R&C Fund for prior lien bonds only.

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