

Fiscal Year 2010 General Business Unit Annual Budget



Table of Contents

	<u>Table</u>	<u>Page</u>
Summary		3
Summary of Costs	Table 1	4
Summary of Full Time Equivalent Positions	Table 1A	4
Corporate Program Costs	Table 2	5
Corporate Program Full Time Equivalent 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 2010 budget are the costs for Benefits, Corporate Programs, Organizational Overhead and General Purpose Projects.

The total Fiscal Year 2010 General Business Unit cost is estimated to be \$79,809,000 (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 2010 Corporate costs are estimated to be \$13,830,000 (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 \$51,467,000 (Table 3).

Organizational Overhead which includes at-risk compensation, tuition and relocation reimbursements as well as other related costs is estimated to be \$9,041,000 (Table 4).

General Purpose Projects are estimated to be \$5,471,000 (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 2009 Budget has been adjusted to reclassify certain costs for comparison purposes to the Fiscal Year 2010 Budget.

Table 1
Summary of Costs
(Dollars in Thousands)

<u>Description</u>	<u>FY 2010 Budget</u>	<u>Original FY 2009 Budget</u>	<u>Variance</u>
Corporate Programs	\$ 13,830	\$ 13,113	\$ 717
Benefits/Personal Time	51,467	48,434	3,033
Organizational Overhead	9,041	9,123	(82)
General Purpose Project	5,471	4,900	571
Total Cost	\$ 79,809	\$ 75,570	\$ 4,239

Table 1A
Summary of Full Time Equivalent Positions

<u>Description</u>	<u>FY 2010 Budget</u>	<u>Original FY 2009 Budget</u>	<u>Variance</u>
Corporate/General Purpose	90	85	5
Organizational Overhead	13	13	-
Total Positions	103	98	5

**Table 2
Corporate Program Costs**

<u>Description</u>	Original		<u>Variance</u>
	<u>FY 2010 Budget</u>	<u>FY 2009 Budget</u>	
Information Services	\$ 4,300	\$ 4,351	\$ (51)
Senior Management/Other	2,650	2,625	25
Finance	1,941	1,950	(9)
Human Resources	1,460	1,543	(83)
Board & Member Relations/Sales	1,082	909	173
Communications/Graphics	988	369	619
Performance Improvement	443	415	28
Administrative Services	264	244	20
Legal	253	329	(76)
Risk Reserve	250	250	-
Licensing	199	128	71
Total	\$ 13,830	\$ 13,113	\$ 717

Table 2A
Corporate Program Full Time Equivalent Positions

<u>Description</u>	<u>FY 2010 Budget</u>	<u>Original FY 2009 Budget</u>	<u>Variance</u>
Information Services	28	29	(1)
Finance	17	17	-
Human Resources	14	14	-
Senior Management	7	7	-
Communications/Graphics	7	4	3
Board & Member Relations/Sales	5	4	1
Performance Improvement	2	2	-
Administrative Services	2	2	-
Legal	2	2	-
Const & Maint Services	2	2	-
EMS	2	1	1
Other	2	1	1
Total	<u>90</u>	<u>85</u>	<u>5</u>

Table 3
Employee Benefit Costs
(Dollars in Thousands)

<u>Description</u>	<u>FY 2010 Budget</u>	<u>Original FY 2009 Budget</u>	<u>Variance</u>
Medical Benefits	\$ 13,210	\$ 11,703	\$ 1,507
F.I.C.A.	7,806	8,817	(1,011)
Retirement:			
WA PERS Contribution	9,398	10,184	(786)
401(k) Match	3,105	2,074	1,031
Personal Time/Holidays	14,497	12,955	1,542
Unemployment/Disability/Other	3,451	2,701	750
Total	\$ 51,467	\$ 48,434	\$ 3,033

Table 4
Organizational Overhead
(Dollars in Thousands)

<u>Description</u>	<u>FY 2010 Budget</u>	<u>Original FY 2009 Budget</u>	<u>Variance</u>
At-Risk Compensation/Retention/ Employee Recognition	\$ 5,418	\$ 5,268	\$ 150
Relocations	1,870	2,372	(502)
Indirect Labor	981	923	58
Tuition	<u>772</u>	<u>560</u>	<u>212</u>
Total	<u>\$ 9,041</u>	<u>\$ 9,123</u>	<u>\$ (82)</u>

Table 5
General Purpose Projects
(Dollars in Thousands)

<u>Description</u>	<u>FY 2010</u> <u>Budget</u>	<u>Original</u> <u>FY 2009</u> <u>Budget (1)</u>	<u>Variance</u>
<u>Capital Projects</u>			
Information Technology (2)	\$ 5,462	\$ 4,765	\$ 697
Total Capital Projects	\$ 5,462	\$ 4,765	\$ 697
<u>Expense Projects</u>			
Information Technology (2)	\$ 60	\$ 150	\$ (90)
CDC - Downtown Building (3)	(51)	(15)	(36)
Total Expense Projects	9	135	(126)
Total General Purpose Projects	\$ 5,471	\$ 4,900	\$ 571

(1) Fiscal Year 2009 has been reclassified for comparison purposes.

(2) 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.

(3) CDC Building is an asset of the General Business Unit and is 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 2010 Budget</u>	<u>Original FY 2009 Budget</u>	<u>Variance</u>
Project 1	\$ 178	\$ 153	\$ 25
Columbia	74,807	66,746	8,061
Project 3	77	70	7
Packwood	357	298	59
Nine Canyon Wind Project	694	606	88
Business Development Fund	3,116	2,930	186
Total Allocations	<u>\$ 79,229</u>	<u>\$ 70,803</u>	<u>\$ 8,426</u>

<u>Business Unit Allocations (Percentages)</u>	<u>FY 2010 Budget</u>	<u>FY 2009 Budget</u>	<u>Variance</u>
Project 1	0.22%	0.22%	0.01%
Columbia	94.42%	94.27%	0.15%
Project 3	0.10%	0.10%	0.00%
Packwood	0.45%	0.42%	0.03%
Nine Canyon Wind Project	0.88%	0.86%	0.02%
Business Development Fund	<u>3.93%</u>	<u>4.14%</u>	<u>(0.21%)</u>
Total Allocations	<u>100.00%</u>	<u>100.00%</u>	<u>0.00%</u>

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 at-risk compensation. These costs are allocated over Total Operating and Capital costs.

Table 7
Indirect Cost Allocation Diagram

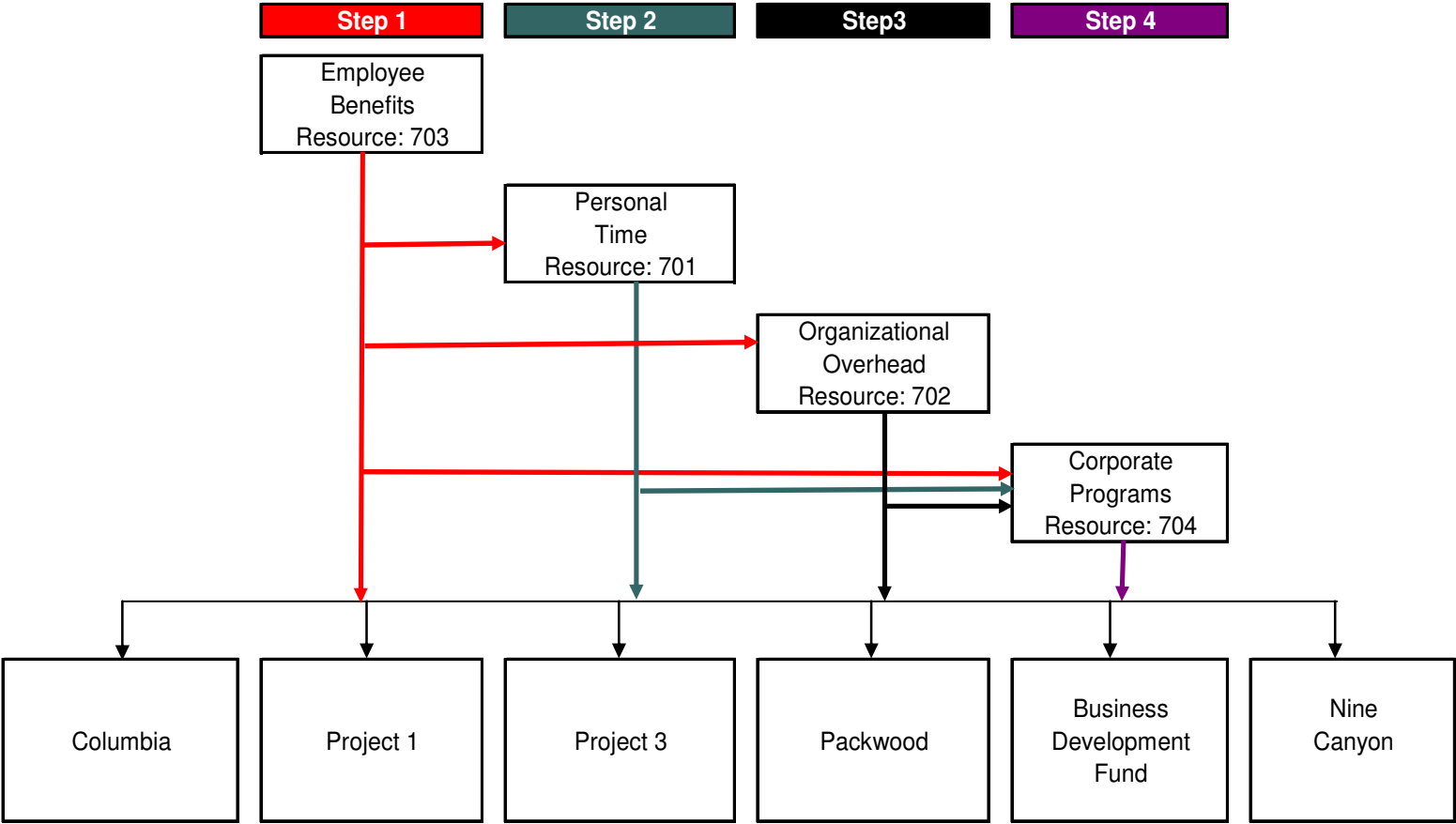


Table 8
Performance Fee Account
Statement of Funding Requirements
(Dollars in Thousands)

	FY 2010 Budget	Original FY 2009 Budget	Variance
<u>Beginning Balance</u>	<u>\$ 6,467</u>	<u>\$ 9,000</u>	<u>\$ (2,533)</u>
<u>Use of Funds</u>			
Transfer to Bus Dev Fund (BDF)	\$ -	\$ 1,574	\$ (1,574)
Total Use of Funds	<u>\$ -</u>	<u>\$ 1,574</u>	<u>\$ (1,574)</u>
<u>Source of Funds</u>			
CDC Margin	\$ 51	\$ 15	\$ 36
Transfer from BDF	-	-	0
Investment Income	24	225	(201)
Total Funding Sources	<u>\$ 75</u>	<u>\$ 240</u>	<u>\$ (165)</u>
Ending Balance (1)	<u>\$ 6,542</u>	<u>\$ 7,666</u>	<u>\$ (1,124)</u>

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