

# **Fiscal Year 2011 Project 1 Annual Budget**



Prepared 4/22/10

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### Summary

The Project 1 Fiscal Year 2011 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 2011 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 2011.

The total cost for Fiscal Year 2011 is estimated to be \$84,527,000 (Table 1). Total Funding Requirements of \$184,856,000 (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 2011 budget is made to the original budget issued for Fiscal Year 2010.

**Key Assumptions/Qualifications**

This budget provides funding for costs associated with the project for Fiscal Year 2011 including reuse study, annual fixed charges, minimum maintenance, and treasury related expenses. Key assumptions and qualifications of this budget are:

- All variable rate debt was refunded in the spring 2010 bond sale and replaced with fixed rate debt.
- The budget assumes that all \$93,045,000 of principal maturing in July 2011 will be paid off with no principal being refunded.
- Investment income earnings are forecasted to average a 0.625% return for Fiscal Year 2011.

**Table 1**  
**Summary of Costs**  
(Dollars in Thousands)

<b><u>Description</u></b>	<b>FY 2011 Budget</b>	<b>Original FY 2010 Budget</b>	<b>Variance</b>
Reuse Study	\$ 111	\$ 132	\$ (21)
Annual Fixed Charges	64	39	25
Minimum Maintenance	249	161	88
<b>Subtotal Site</b>	<b><u>\$ 424</u></b>	<b><u>\$ 332</u></b>	<b><u>\$ 92</u></b>
<b><u>Other</u></b>			
Treasury Related Expenses	\$ 83,559	\$ 88,497	\$ (4,938)
Decommissioning	544	522	22
<b>Subtotal Other Costs</b>	<b><u>\$ 84,103</u></b>	<b><u>\$ 89,019</u></b>	<b><u>\$ (4,916)</u></b>
<b>Total</b>	<b><u>\$ 84,527</u></b>	<b><u>\$ 89,351</u></b>	<b><u>\$ (4,824)</u></b>

**Table 2**  
**Treasury Related Expenses**  
(Dollars in Thousands)

<u>Description</u>	<u>FY 2011</u> <u>Budget</u>	<u>Original</u> <u>FY 2010</u> <u>Budget</u>	<u>Variance</u>
Interest Expense (1)	\$ 91,136	\$ 95,487	\$ (4,351)
Amortized Financing Cost (2)	(7,827)	(8,039)	212
Investment Income (Rev. Fund) (3)	(177)	(85)	(92)
Treasury Services (4)	427	1,134	(707)
<b>Total</b>	<b><u>\$ 83,559</u></b>	<b><u>\$ 88,497</u></b>	<b><u>\$ (4,938)</u></b>

#### **Assumptions**

- (1) Variable rate debt was replaced with fixed rate debt in the spring 2010 bond sale.
- (2) The amortized financing costs are driven by the amortization of the premiums on bond issues more than offsetting debt expense and loss on bonds.
- (3) 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 forecast was raised from 0.375% to 0.625%.
- (4) Includes all non-interest costs of fixed and variable rate debt, internal labor and overheads of \$228,000. All variable rate debt was replaced in the spring 2010 bond sale and associated non-interest costs were removed.

**Table 3**  
**Summary of Full Time Equivalent Positions**

<u>Description</u>	<u>FY 2011 Budget</u>	<u>Original 2010 Budget</u>
Total Positions	<u>4</u>	<u>4</u>

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

Description	FY 2011 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Req'ts	Prior Year's Commitments	FY 2011 Total Cash
Reuse Study	\$ 111	\$ -	\$ -	\$ -	\$ -	\$ 111
Annual Fixed Charges	64	-	-	-	-	64
Minimum Maintenance	249	-	-	-	-	249
<b>Subtotal Site</b>	<b>\$ 424</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 424</b>
<b>Other</b>						
Decommissioning	\$544	(\$544)	\$ -	\$ -	\$ -	\$ -
Treasury Related						
Interest Expense	91,136	-	-	-	-	91,136
Bond Retirement (1)	-	-	93,045	-	-	93,045
Amortized Cost	(7,827)	7,827	-	-	-	-
Invest. Income (Rev.)	(177)	-	-	24	(47)	(200)
Treasury Services	427	-	-	-	-	427
R&C Fund (2)	-	-	293	-	-	293
Prior Year's R&C Surplus	-	-	(269)	-	-	(269)
Subtotal Treasury Expenses	\$ 83,559	\$ 7,827	\$ 93,069	\$ 24	\$ (47)	\$ 184,432
<b>Subtotal Other</b>	<b>\$ 84,103</b>	<b>\$ 7,283</b>	<b>\$ 93,069</b>	<b>\$ 24</b>	<b>\$ (47)</b>	<b>\$ 184,432</b>
<b>Total Funding Requirements</b>	<b>\$ 84,527</b>	<b>\$ 7,283</b>	<b>\$ 93,069</b>	<b>\$ 24</b>	<b>\$ (47)</b>	<b>\$ 184,856</b>

(1) It is assumed that all \$93,045,000 of the bond retirement requirements will be paid off.

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



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

<u>Description</u>	<u>FY 2011</u> <u>Budget</u>	<u>Original</u> <u>FY 2010</u> <u>Budget</u>	<u>Variance</u>
<u>Programs</u>			
Reuse Study	\$ 111	\$ 132	\$ (21)
Annual Fixed Charges	64	39	25
Minimum Maintenance	249	161	88
<b>Subtotal Programs</b>	<b>\$ 424</b>	<b>\$ 332</b>	<b>\$ 92</b>
<u>Treasury Related Expenses</u>			
Interest Expense	\$ 91,136	\$ 95,487	\$ (4,351)
Bond Retirement	93,045	84,670	8,375
Reserve & Contingency Fund	293	293	-
Investment Income (Revenue)	(200)	(222)	22
Prior Year's R&C Surplus	(269)	(2,177)	1,908
Treasury Services	427	959	(532)
<b>Subtotal Treasury Related</b>	<b>\$ 184,432</b>	<b>\$ 179,010</b>	<b>\$ 5,422</b>
<b>Total Funding Requirements</b>	<b>\$ 184,856</b>	<b>\$ 179,342</b>	<b>\$ 5,514</b>
<u>Funding Sources</u>			
Net Billing/BPA Direct Payments	\$ 184,856	\$ 179,342	\$ 5,514
<b>Total Funding Sources</b>	<b>\$ 184,856</b>	<b>\$ 179,342</b>	<b>\$ 5,514</b>

**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	FY2011 Total
<b>Beginning Balance</b>	\$ 3,000	\$ 3,336	\$ 3,336	\$ 3,336	\$ 3,332	\$ 47,424	\$ 3,332	\$ 3,335	\$ 3,334	\$ 3,369	\$ 3,332	\$ 140,372	\$ 3,000
Receipts													
BPA Direct Payments (1)	\$ 354	\$ 336	\$ 336	\$ 332	\$ 44,424	\$ 332	\$ 335	\$ 334	\$ 369	\$ 332	\$ 137,372	\$ -	\$ 184,856
<b>Total Receipts</b>	\$ 354	\$ 336	\$ 336	\$ 332	\$ 44,424	\$ 332	\$ 335	\$ 334	\$ 369	\$ 332	\$ 137,372	\$ -	\$ 184,856
Disbursements													
Treasury Related Expenses													
Interest Expense	\$ 244	\$ 244	\$ 244	\$ 244	\$ 244	\$ 44,349	\$ 243	\$ 244	\$ 244	\$ 244	\$ 243	\$ 44,349	\$ 91,136
Bond Retirement (2)	-	-	-	-	-	-	-	-	-	-	-	93,045	93,045
R&C Fund (3)	24	25	24	25	24	25	24	25	24	25	24	24	293
Investment Income	(48)	(1)	(1)	(2)	(2)	(20)	(2)	(2)	(2)	(3)	(3)	(114)	(200)
Prior Years R & C Surplus	(269)	-	-	-	-	-	-	-	-	-	-	-	(269)
Treasury Services	35	36	36	36	35	36	35	36	35	36	35	36	427
<b>Subtotal Treasury Related</b>	\$ (14)	\$ 304	\$ 303	\$ 303	\$ 301	\$ 44,390	\$ 300	\$ 303	\$ 301	\$ 302	\$ 299	\$ 137,340	\$ 184,432
Reuse Study	\$ 9	\$ 9	\$ 10	\$ 9	\$ 9	\$ 10	\$ 9	\$ 9	\$ 10	\$ 9	\$ 9	\$ 9	\$ 111
Annual Fixed Charges	2	3	2	3	2	3	2	3	2	37	3	2	64
Minimum Maintenance	21	20	21	21	20	21	21	20	21	21	21	21	249
<b>Total Disbursements</b>	\$ 18	\$ 336	\$ 336	\$ 336	\$ 332	\$ 44,424	\$ 332	\$ 335	\$ 334	\$ 369	\$ 332	\$ 137,372	\$ 184,856
<b>Ending Balance</b>	\$ 3,336	\$ 3,336	\$ 3,336	\$ 3,332	\$ 47,424	\$ 3,332	\$ 3,335	\$ 3,334	\$ 3,369	\$ 3,332	\$ 140,372	\$ 3,000	\$ 3,000

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

(2) It is assumed that all \$93,045,000 of the bond retirement requirements will be paid off.

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

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