

# **Fiscal Year 2012 General Business Unit Annual Budget**



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### Summary

Presented within the General Business Unit Fiscal Year 2012 budget are the costs for Benefits, Corporate Programs, Organizational Overhead and General Purpose Projects.

The total Fiscal Year 2012 General Business Unit cost is estimated to be \$80,193,000 (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 2012 Corporate costs are estimated to be \$13,408,000 (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 \$56,517,000 (Table 3).

Organizational Overhead which includes at-risk compensation, tuition and relocation reimbursements as well as other related costs is estimated to be \$8,300,000 (Table 4).

General Purpose Projects are composed of Corporate IT Projects and the Capital Development Corporation (CDC) facility. The Corporate IT Projects are estimated to be \$1,990,000 (Table 5). The CDC facility is estimated to have revenues of \$391,000 and \$369,000 in costs for a net income of \$22,000 (Table 5). The CDC facility estimated net income of \$22,000 (Table 8) will be deposited into the Performance Fee Account.

The General Business Unit costs are allocated to each Business Unit as explained on page 10. 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 2011 Budget has been adjusted to reclassify certain costs for comparison purposes to the Fiscal Year 2012 Budget.

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

<u>Description</u>	<u>FY 2012</u> <u>Budget</u>	<u>Original</u> <u>FY 2011</u> <u>Budget</u>	<u>Variance</u>
Corporate Programs	\$ 13,408	\$ 14,077	\$ (669)
Benefits/Personal Time	56,517	53,105	3,412
Organizational Overhead	8,300	7,180	1,120
General Purpose Project	<u>1,968</u>	<u>3,694</u>	<u>(1,726)</u>
<b>Total Cost</b>	<b><u>\$ 80,193</u></b>	<b><u>\$ 78,056</u></b>	<b><u>\$ 2,137</u></b>

**Table 2**  
**Corporate Program Costs**  
(Dollars in Thousands)

<u>Description</u>	FY 2012	Original	Variance
	<u>Budget</u>	<u>FY 2011 Budget</u>	
Information Services	\$ 4,980	\$ 4,960	\$ 20
Public Affairs	2,284	2,380	(96)
Finance	1,811	1,820	(9)
Human Resources	1,772	1,805	(33)
Senior Management	1,766	2,045	(279)
Other	421	524	(103)
Legal	374	293	81
Risk Reserve	-	250	(250)
<b>Total</b>	<b>\$ 13,408</b>	<b>\$ 14,077</b>	<b>\$ (669)</b>

**Table 2A**  
**Corporate Program Full Time Equivalent Positions**

<u>Description</u>	FY 2012	Original	Variance
	<u>Budget</u>	<u>FY 2011 Budget</u>	
Information Services	29	30	(1)
Finance	16	16	-
Human Resources	16	16	-
Public Affairs	11	12	(1)
Senior Management	5	6	(1)
Other	10	10	-
<b>Total</b>	<b>87</b>	<b>90</b>	<b>(3)</b>

**Table 3**  
**Employee Benefit Costs**  
(Dollars in Thousands)

<u>Description</u>	<u>FY 2012</u> <u>Budget</u>	<u>Original</u> <u>FY 2011</u> <u>Budget</u>	<u>Variance</u>
Medical Benefits	\$ 15,091	\$ 14,170	\$ 921
F.I.C.A.	8,371	8,335	36
Retirement:			
WA PERS Contribution	10,731	6,501	4,230
401(k) Match	3,565	3,465	100
Personal Time/Holidays	15,595	15,464	131
Unemployment/Disability/Other	3,164	3,381	(217)
<b>Subtotal</b>	<b><u>\$ 56,517</u></b>	<b><u>\$ 51,316</u></b>	<b><u>\$ 5,201</u></b>
Outage	\$ -	\$ 1,789	\$ (1,789)
<b>Total</b>	<b><u>\$ 56,517</u></b>	<b><u>\$ 53,105</u></b>	<b><u>\$ 3,412</u></b>

**Table 4**  
**Organizational Overhead**  
(Dollars in Thousands)

<u>Description</u>	<u>FY 2012</u> <u>Budget</u>	<u>Original</u> <u>FY 2011</u> <u>Budget</u>	<u>Variance</u>
At-Risk Compensation/Retention/ Employee Recognition	\$ 6,033	\$ 4,424	\$ 1,609
Relocations	1,102	1,462	(360)
Indirect Labor	692	563	129
Tuition	473	731	(258)
<b>Total</b>	<b>\$ 8,300</b>	<b>\$ 7,180</b>	<b>\$ 1,120</b>

**Table 5**  
**General Purpose Projects**  
(Dollars in Thousands)

<u>Description</u>	<u>FY 2012 Budget</u>	<u>Original FY 2011 Budget</u>	<u>Variance</u>
<b><u>Capital Projects</u></b>			
Information Technology (1)	\$ 1,990	\$ 3,626	\$ (1,636)
<b>Total Capital Projects</b>	<b><u>\$ 1,990</u></b>	<b><u>\$ 3,626</u></b>	<b><u>\$ (1,636)</u></b>
<b><u>Expense Projects</u></b>			
Information Technology (1)	\$ -	\$ -	\$ -
CDC - Downtown Building (2)	<u>(22)</u>	<u>68</u>	<u>(90)</u>
<b>Total Expense Projects</b>	<b><u>(22)</u></b>	<b><u>68</u></b>	<b><u>(90)</u></b>
<b>Total General Purpose Projects</b>	<b><u>\$ 1,968</u></b>	<b><u>\$ 3,694</u></b>	<b><u>\$ (1,726)</u></b>

- (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 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 2012 Budget</u>	<u>Original FY 2010 Budget</u>	<u>Variance</u>
Project 1	\$ 210	\$ 190	\$ 20
Columbia	75,085	73,317	1,768
Project 3	67	72	(5)
Packwood	376	379	(3)
Nine Canyon Wind Project	803	675	128
Business Development Fund	<u>3,482</u>	<u>3,053</u>	<u>429</u>
<b>Total Allocations</b>	<b><u>\$ 80,023</u></b>	<b><u>\$ 77,686</u></b>	<b><u>\$ 2,337</u></b>

<u>Business Unit Allocations (Percentages)</u>	<u>FY 2012 Budget</u>	<u>FY 2011 Budget</u>	<u>Variance</u>
Project 1	0.26%	0.24%	0.02%
Columbia	93.83%	94.38%	(0.55%)
Project 3	0.08%	0.09%	(0.01%)
Packwood	0.47%	0.49%	(0.02%)
Nine Canyon Wind Project	1.00%	0.87%	0.13%
Business Development Fund	<u>4.35%</u>	<u>3.93%</u>	<u>0.42%</u>
<b>Total Allocations</b>	<b><u>100.00%</u></b>	<b><u>100.00%</u></b>	<b><u>0.00%</u></b>

**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.

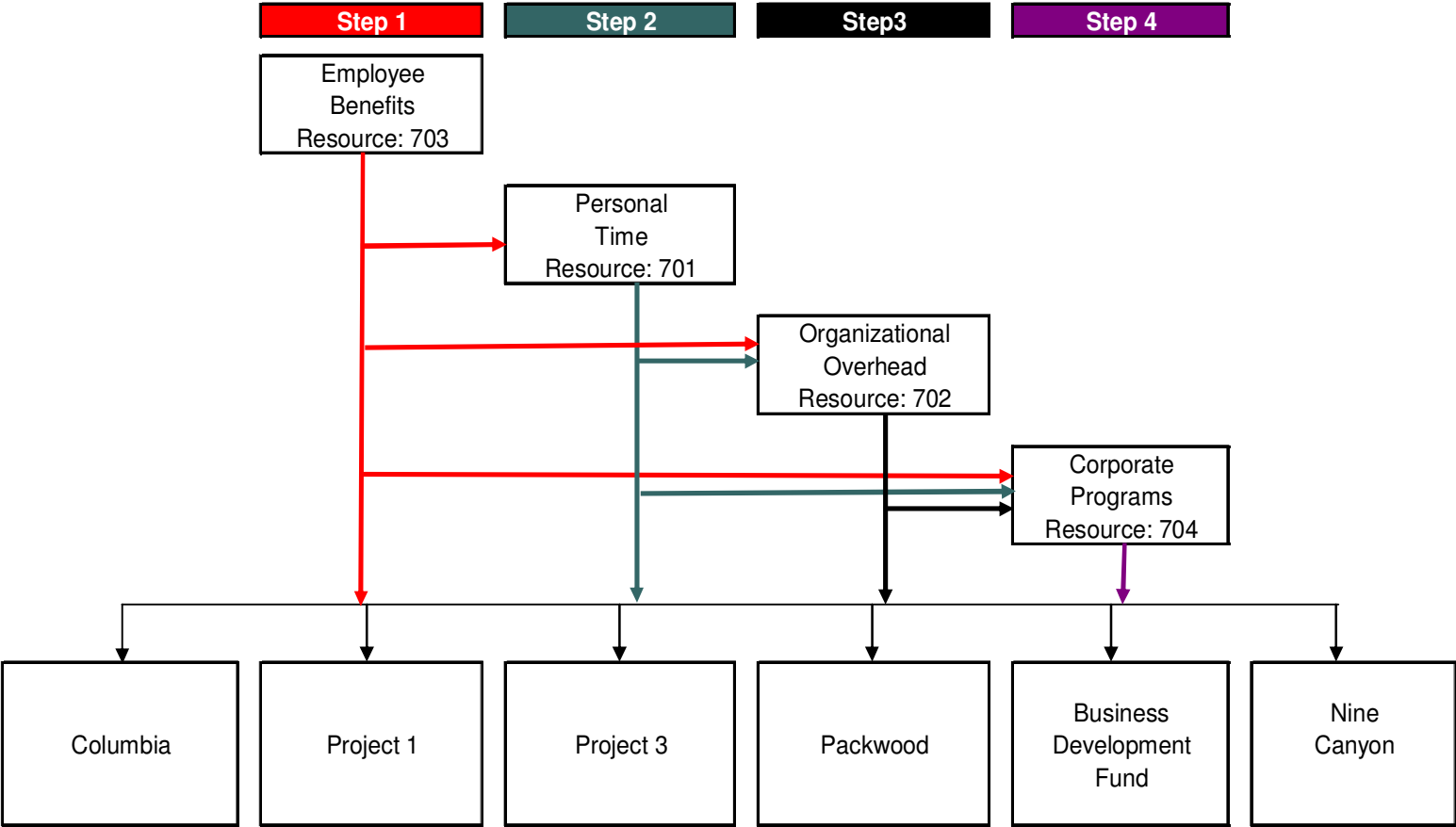
#### **Step 3 – Organizational Overhead (Resource Category 702)**

Contains costs for education reimbursement, new employee relocation, employee labor supporting corporate sponsored initiatives and labor costs determined when goals are evaluated. Also, included is a pro rata allocation of employee benefits and personal time. 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 Organizational Overhead. 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 2012 Budget	Original FY 2011 Budget	Variance
<b><u>Beginning Balance</u></b>	<b>\$ 4,155</b>	<b>\$ 3,367</b>	<b>\$ 788</b>
<b><u>Use of Funds</u></b>			
Transfer to Bus Dev Fund (BDF)	\$ -	\$ -	\$ -
<b>Total Use of Funds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b><u>Source of Funds</u></b>			
CDC Margin	\$ 22	\$ (68)	\$ 90
Transfer from BDF			0
Packwood Project Loan Payback	250		250
Investment Income	18	21	(3)
<b>Total Funding Sources</b>	<b>\$ 290</b>	<b>\$ (47)</b>	<b>\$ 337</b>
<b>Ending Balance (1)</b>	<b>\$ 4,445</b>	<b>\$ 3,320</b>	<b>\$ 1,125</b>

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