

**Fiscal Year 2012
Packwood
Annual Operating Budget**



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Summary

The Packwood Lake Hydroelectric Project (Packwood), the first electrical generating project undertaken by Energy Northwest, began commercial operation in June 1964. Occupying 660 acres of the Gifford Pinchot National Forest in south central Washington, Packwood consists of a dam at Packwood Lake; a five mile long system of pipeline, tunnels and Penstock; and a 27,500 kilowatt-rated, underground powerhouse located 1,800 feet below the lake elevation. The reservoir is fed by Upper Lake Creek and several small tributaries that rely exclusively on direct rainfall and snow melt for their water supply.

Electrical energy from Packwood is currently sold directly to Snohomish PUD who purchases all of the project output. The sales agreement provides a pre-determined rate for all firm delivery, per the contract schedule and the Mid-Columbia based rate for any deliveries above firm, or secondary power. Any revenue in excess of net funding requirements is distributed by Energy Northwest to the 12 members in the subsequent fiscal year or by participants' decision, retained to apply towards future costs.

The total net Fiscal Year 2012 program and capital cost combined is estimated to be \$2,116,000 (Table 1), with associated net funding requirements of \$2,318,000 (Table 5). The difference between total program cost and net funding requirements is due to depreciation and loan retirement (Table 4).

Key Assumptions/Qualifications

- Generation is estimated at 84,640 MWh, which reflects a decrease to the 30-year average of the plant output (based on average water year) due to increased by-passed flows as a requirement for relicensing.
- This budget includes the current sale's agreement with Snohomish County PUD which expires October 1, 2011. After this the Participants will be funding the Project.

Table 1
Summary of Operating and Capital Costs
(Dollars in Thousands)

<u>Description</u>	<u>FY 2012 Budget</u>	<u>Original FY 2011 Budget</u>	<u>Variance</u>
<u>Operating Costs</u>			
Operating & Support Services	\$ 2,038	\$ 2,065	\$ (27)
Generation Taxes	18	17	1
Depreciation	48	25	23
Subtotal Operating Costs	<u>\$ 2,104</u>	<u>\$ 2,107</u>	<u>\$ (3)</u>
Interest/Financing (Net)	12	31	(19)
Total Cost	<u>\$ 2,116</u>	<u>\$ 2,138</u>	<u>\$ (22)</u>
Total Net Generation (MWh)	<u>84,640</u>	<u>84,640</u>	<u>-</u>
Cost of Power (\$/MWh)	<u>\$ 25.00</u>	<u>\$ 25.26</u>	<u>\$ (0.26)</u>
Total Capital Cost	<u>\$ -</u>	<u>\$ 1,355</u>	<u>\$ (1,355)</u>

Table 2
Summary of Revenues
(Dollars in Thousands)

<u>Description</u>	<u>FY 2012 Budget</u>	<u>Original FY 2011 Budget</u>	<u>Variance</u>
<u>Revenues</u>			
Sales for Resale (1)	\$ 400	\$ 2,535	\$ (2,135)
Receipt from Participants	1,918		1,918
Grant	-	600	(600)
Total Revenues	\$ 2,318	\$ 3,135	\$ (817)

Variance - () Unfavorable

(1) Revenues are based on selling the generation for the first three months and then the participants paying after that.

Table 3
Summary of Full Time Equivalent Positions

<u>Description</u>	<u>FY 2012 Budget</u>	<u>Original FY 2011 Budget</u>	<u>Variance</u>
Operations & Maintenance	5	5	-

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

Description	FY 2012 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2012 Total Cash
Operating						
O&M and Support Services	\$ 2,038	\$ -	\$ -	\$ -	\$ -	\$ 2,038
Generation Taxes	18	-	-	-	-	18
Depreciation	48	(48)	-	-	-	-
Subtotal Operating	\$ 2,104	\$ (48)	\$ -	\$ -	\$ -	\$ 2,056
Net Debt Service						
Interest on Loan	\$ 9	\$ -	\$ -	\$ -	\$ -	\$ 9
Interest Income	(2)	-	-	-	-	(2)
Treasury Services	5	-	-	-	-	5
Loan Repayment	-	-	250	-	-	250
Subtotal Net Debt Service	\$ 12	\$ -	\$ 250	\$ -	\$ -	\$ 262
Capital		\$ -	\$ -	\$ -	\$ -	\$ -
Total Disbursements	\$ 2,116	\$ (48)	\$ 250	\$ -	\$ -	\$ 2,318
Funding Sources						
Sales for Resale	\$ 400	\$ -	\$ -	\$ -	\$ -	\$ 400
From Participants	1,918	-	-	-	-	1,918
Beginning Packwood Funds	-	-	607	-	-	607
Total Funding Sources	\$ 2,318	\$ -	\$ 607	\$ -	\$ -	\$ 2,925
Ending Working Capital	\$ 202	\$ (48)	\$ 357	\$ -	\$ -	\$ 607

Table 5
Statement of Funding Requirements
(Dollars in Thousands)

<u>Description</u>	<u>FY 2012 Budget</u>	<u>Original FY 2011 Budget</u>	<u>Variance</u>
Beginning Packwood Funds Balance	\$ 607	\$ 1,073	\$ (466)
<u>Funding Requirements</u>			
<u>Operating</u>			
Operating & Support Services	\$ 2,038	\$ 2,065	\$ (27)
Generation Taxes	18	17	1
Subtotal Operating	\$ 2,056	\$ 2,082	\$ (26)
<u>Net Debt Service</u>			
Interest on Bank Loan	\$ 9	\$ 29	\$ (20)
Interest Income	(2)	(3)	1
Treasury Services	5	5	-
Debt Retirement	250	500	(250)
Subtotal Net Debt Service	\$ 262	\$ 531	\$ (269)
Capital	\$ -	\$ 1,355	\$ (1,355)
Total Funding Requirements	\$ 2,318	\$ 3,968	\$ (1,650)
<u>Funding Sources</u>			
Sales for Resale	\$ 400	\$ 2,535	\$ (2,135)
Receipts from Participants	1,918	-	1,918
Grant	-	600	(600)
Total Funding Sources	\$ 2,318	\$ 3,135	\$ (817)
Ending Packwood Funds Balance	\$ 607	\$ 240	\$ 367

Table 6
Monthly Statement of Funding Requirements
(Dollars in Thousands)

Description	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2012 Total
Beginning Balance	\$ 607	\$ 913	\$ 920	\$ 922	\$ 906	\$ 924	\$ 954	\$ 862	\$ 912	\$ 937	\$ 900	\$ 911	\$ 607
Receipts													
From Participants	\$ 160	\$ 160	\$ 160	\$ 160	\$ 160	\$ 159	\$ 160	\$ 160	\$ 160	\$ 160	\$ 160	\$ 159	\$ 1,918
Sales for Resale	330	25	45	-	-	-	-	-	-	-	-	-	400
Total Receipts	\$ 490	\$ 185	\$ 205	\$ 160	\$ 160	\$ 159	\$ 160	\$ 160	\$ 160	\$ 160	\$ 160	\$ 159	\$ 2,318
Disbursements													
Operations Disbursements													
O&M and Support Services	\$ 183	\$ 176	\$ 202	\$ 176	\$ 141	\$ 128	\$ 251	\$ 109	\$ 134	\$ 195	\$ 130	\$ 213	\$ 2,038
Generation Taxes	-	-	-	-	-	-	-	-	-	-	18	-	18
Subtotal Operations	\$ 183	\$ 176	\$ 202	\$ 176	\$ 141	\$ 128	\$ 251	\$ 109	\$ 134	\$ 195	\$ 148	\$ 213	\$ 2,056
Debt Service													
Interest Expense	\$ 1	\$ 1	\$ 1	\$ -	\$ 1	\$ 1	\$ 1	\$ -	\$ 1	\$ 1	\$ 1	\$ -	\$ 9
Principal Payment on Loan	-	-	-	-	-	-	-	-	-	-	-	250	250
Investment Income	-	-	-	-	-	(1)	-	-	-	-	-	(1)	(2)
Treasury Services	-	1	-	-	-	1	-	1	-	1	-	1	5
Subtotal Debt Service	\$ 1	\$ 2	\$ 1	\$ -	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 2	\$ 1	\$ 250	\$ 262
Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Disbursements	\$ 184	\$ 178	\$ 203	\$ 176	\$ 142	\$ 129	\$ 252	\$ 110	\$ 135	\$ 197	\$ 149	\$ 463	\$ 2,318
Ending Balance	\$ 913	\$ 920	\$ 922	\$ 906	\$ 924	\$ 954	\$ 862	\$ 912	\$ 937	\$ 900	\$ 911	\$ 607	\$ 607

Table 7
Long Range Plan
(Dollars in Thousands)

Description	Budget FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Operating Costs											
Operating & Support Services	\$ 1,875	\$ 1,875	\$ 1,875	\$ 1,875	\$ 1,875	\$ 1,875	\$ 1,875	\$ 1,875	\$ 1,875	\$ 1,875	\$ 1,875
Relicensing O&M	163	103	75	117	50	50	45	50	45	50	45
Subtotal Operating Costs	\$ 2,038	\$ 1,978	\$ 1,950	\$ 1,992	\$ 1,925	\$ 1,925	\$ 1,920	\$ 1,925	\$ 1,920	\$ 1,925	\$ 1,920
Generation Taxes	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18
Depreciation	48	48	48	48	48	48	48	48	48	48	48
Subtotal Other Costs	\$ 2,104	\$ 2,044	\$ 2,016	\$ 2,058	\$ 1,991	\$ 1,991	\$ 1,986	\$ 1,991	\$ 1,986	\$ 1,991	\$ 1,986
Interest/Financing (Net)	12	5	5	5	5	5	5	5	5	5	5
Subtotal Program Cost	\$ 2,116	\$ 2,049	\$ 2,021	\$ 2,063	\$ 1,996	\$ 1,996	\$ 1,991	\$ 1,996	\$ 1,991	\$ 1,996	\$ 1,991
Escalation on Select Program Costs	\$ -	\$ 56	\$ 114	\$ 174	\$ 235	\$ 299	\$ 364	\$ 431	\$ 500	\$ 571	\$ 645
Total Escalated Program Costs	\$ 2,116	\$ 2,105	\$ 2,135	\$ 2,237	\$ 2,231	\$ 2,295	\$ 2,355	\$ 2,427	\$ 2,491	\$ 2,567	\$ 2,636
Capital Costs											
Total Capital Costs	\$ -	\$ 84	\$ 493	\$ 486	\$ 35	\$ 32	\$ 32	\$ 32	\$ 32	\$ 32	\$ 32
Subtotal Capital Costs	\$ -	\$ 84	\$ 493	\$ 486	\$ 35	\$ 32	\$ 32	\$ 32	\$ 32	\$ 32	\$ 32
Escalation on Capital Costs	\$ -	\$ 3	\$ 30	\$ 45	\$ 4	\$ 5	\$ 6	\$ 7	\$ 9	\$ 10	\$ 11
Total Escalated Capital Costs	\$ -	\$ 87	\$ 523	\$ 531	\$ 39	\$ 37	\$ 38	\$ 39	\$ 41	\$ 42	\$ 43
Total Un-escalated Costs	\$ 2,116	\$ 2,133	\$ 2,514	\$ 2,549	\$ 2,031	\$ 2,028	\$ 2,023	\$ 2,028	\$ 2,023	\$ 2,028	\$ 2,023
Total Escalation	\$ -	\$ 59	\$ 144	\$ 219	\$ 240	\$ 304	\$ 370	\$ 438	\$ 509	\$ 581	\$ 656
Total Escalated Costs	\$ 2,116	\$ 2,192	\$ 2,658	\$ 2,768	\$ 2,271	\$ 2,332	\$ 2,393	\$ 2,466	\$ 2,532	\$ 2,609	\$ 2,679
From Participants	\$ 1,918	\$ 2,192	\$ 2,658	\$ 2,768	\$ 2,271	\$ 2,332	\$ 2,393	\$ 2,466	\$ 2,532	\$ 2,609	\$ 2,679
Sale for Resale	400	-	-	-	-	-	-	-	-	-	-
Total Net Generation (MWh)	84,640	84,640	84,640	84,640	84,640	84,640	84,640	84,640	84,640	84,640	84,640
Cost of Power (\$/MWh)	\$ 25.00	\$ 24.87	\$ 25.23	\$ 26.43	\$ 26.36	\$ 27.11	\$ 27.82	\$ 28.67	\$ 29.43	\$ 30.33	\$ 31.14

Key Assumptions/Qualifications:

Escalation Rate = 1.03 starting FY 2013 for costs. Cost of power excludes capital costs. At the beginning of FY12 there is an outstanding \$250k loan.

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