Fiscal Year 2012
Project 3
Annual Budget

ENERGY NORTHWEST

Prepared 4/28/11

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Summary

Energy Northwest's Project 3 was terminated in June 1994. Transfer of the Project 3 site to the Satsop Redevelopment Project was completed during Fiscal Year 2000.

This Project 3 Fiscal Year 2012 Annual Budget is prepared by Energy Northwest pursuant to the provisions and requirements of Board of Directors' Resolution No. 775 and the Net Billing Agreements. The Budget includes all costs and funding requirements associated with the debt on Project 3. No other costs are incurred on this project.

The total cost for Fiscal Year 2012 is estimated to be $67,586,000 (Table 1). The total net funding requirements for Fiscal Year 2012 are $166,796,000 (Table 4). 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.

Table 1
Summary of Costs
(Dollars in Thousands)

Description	FY 2012 Budget	Original FY 2011 Budget	Variance
Interest Expense (1)	$ 79,818	$ 87,454	$ (7,636)
Amortized Financing Cost (2)	(12,494)	(6,058)	(6,436)
Investment Income (3)	(187)	(274)	87
Treasury Services (4)	449	402	47
Total	**$ 67,586**	**$ 81,524**	**$ (13,938)**

Assumptions

(1) Budget assumes both a spring of 2011 and spring of 2012 bond transactions for rate case restructuring.

(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 & Contingency Fund which are transferred periodically to the Revenue Fund. Investment income earnings rate forecast was lowered from 0.625% to 0.440%

(4) Includes all non-interest costs of fixed rate debt, internal labor and overheads of $167,000. The increase is due to cost of issuance related to the spring 2012 bond transaction.

Table 2
Summary of Full Time Equivalent Positions

Description	FY 2012 Budget	Original FY 2011 Budget	Variance
Treasury Related	1	1	-

Table 3
Cost-to-Cash Reconciliation
(Dollars in Thousands)

Description	FY 2012 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Req'ts	Prior Year's Commitments	FY 2012 Total Cash
Treasury Related Expenses						
Interest Expense	$ 79,818	$ -	$ -	$ (9,242)	$ -	$ 70,576
Bond Retirement (1)	-	-	95,540	-	-	95,540
Amortized Financing Cost	(12,494)	12,494		-	-	-
Investment Income	(187)	-	-	83	(13)	(117)
Treasury Services (2)	449	-	348	-	-	797
Prior Year's R&C Surplus	-	-	(3,843)	-	-	(3,843)
Reserve & Contingency Fund (3)	-	-	3,843	-	-	3,843
Subtotal Treasury Related	**$ 67,586**	**$ 12,494**	**$ 95,888**	**$ (9,159)**	**$ (13)**	**$ 166,796**
Total Funding Requirements	**$ 67,586**	**$ 12,494**	**$ 95,888**	**$ (9,159)**	**$ (13)**	**$ 166,796**

(1) It is assumed that all $95,540,000 of the maturing 7/1/2012 bonds will be paid off.
(2) Includes estimated $348,000 cost of issuance expected to be paid at closing of spring 2012 bond transaction.
(3) The budget reflects R&C Fund for prior lien bonds only. Newer bond resolutions have eliminated R&C Fund requirements.

Table 4
Annual Budget
Statement of Funding Requirements
(Dollars in Thousands)

Description	**FY 2012 Budget**	**Original FY 2011 Budget**	**Variance**
Treasury Related Expenses			
Interest Expense	$ 70,576	$ 75,958	$ (5,382)
Bond Retirement	95,540	108,070	(12,530)
Reserve & Contingency Fund	3,843	3,843	-
Investment Income (Rev)	(117)	(239)	122
Prior Year's R&C Surplus	(3,843)	(4,937)	1,094
Treasury Services	797	402	395
Total Funding Requirements	**$ 166,796**	**$ 183,097**	**$ (16,301)**
Funding Sources			
Net Billing/BPA Direct Payments	$ 166,796	$ 183,097	$ (16,301)
Total Funding Sources	**$ 166,796**	**$ 183,097**	**$ (16,301)**

Table 5
Monthly Statement of Funding Requirements - Revenue Fund
(Dollars in Thousands)

Description	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY2012 Total
Beginning Balance	**$ 3,000**	**$ 5,730**	**$ 4,603**	**$ 4,163**	**$ 4,128**	**$ 36,266**	**$ 8,966**	**$ 8,966**	**$ 8,964**	**$ 9,312**	**$ 9,033**	**$ 104,474**	**$ 3,000**
Receipts													
BPA Direct Payments (1)	$ -	$ -	$ 687	$ 1,128	$ 33,266	$ 5,966	$ 5,966	$ 5,964	$ 6,312	$ 6,033	$ 101,474	$ -	$ 166,796
Total Receipts	**$ -**	**$ -**	**$ 687**	**$ 1,128**	**$ 33,266**	**$ 5,966**	**$ 5,966**	**$ 5,964**	**$ 6,312**	**$ 6,033**	**$ 101,474**	**$ -**	**$ 166,796**
Disbursements													
Treasury Related													
Interest Expense	$ 452	$ 452	$ 452	$ 452	$ 453	$ 32,597	$ 452	$ 452	$ 452	$ 452	$ 452	$ 33,458	$ 70,576
Bond Retirement (2)	549	549	549	549	549	549	4,951	4,951	4,951	4,951	4,951	67,491	95,540
R&C Fund (3)	100	100	100	101	100	101	540	540	540	540	540	541	3,843
Investment Income	(15)	(1)	(1)	(1)	(1)	(8)	(4)	(4)	(6)	(6)	(6)	(64)	(117)
Prior Year R&C Surplus	(3,843)	-	-	-	-	-	-	-	-	-	-	-	(3,843)
Treasury Services	27	27	27	62	27	27	27	27	27	375	96	48	797
Total Disbursements	**$ (2,730)**	**$ 1,127**	**$ 1,127**	**$ 1,163**	**$ 1,128**	**$ 33,266**	**$ 5,966**	**$ 5,966**	**$ 5,964**	**$ 6,312**	**$ 6,033**	**$ 101,474**	**$ 166,796**
Ending Balance	**$ 5,730**	**$ 4,603**	**$ 4,163**	**$ 4,128**	**$ 36,266**	**$ 8,966**	**$ 8,966**	**$ 8,964**	**$ 9,312**	**$ 9,033**	**$ 104,474**	**$ 3,000**	**$ 3,000**

(1) BPA is billed, through the Direct Payment Agreements, one month in advace for the following month's expenses.
(2) It is assumed that all of the Fiscal Year 2012 bond maturities will be paid off and not refunded.
(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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