



**ENERGY
NORTHWEST**

Energy/Business Services (E/BS) FY13 Budget Overview

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March 20, 2012**

Key Strategies

- ✦ Provide Services at Cost to all Public Customers
- ✦ Continue High Quality Operation of Generation Facilities, Increasing the Value to the Participants:
 - Nine Canyon
 - Packwood
 - White Bluffs Solar
 - Mason County PUD #3 – Olympic View Generating Plant
- ✦ Provide Generation Options to our Members and Public Power
- ✦ Provide Technical and Aggregated Services to our Members
- ✦ Maintain a sustainable Business Development Fund
- ✦ Improve member relations and their knowledge of E/BS

Key Strategies - Continued

✦ **Develop New Business Opportunities**

- Seek & Partner with Public Utilities to Meet Their Base Load Gas & Renewable Resources Needs
- Continue Permitting of the Kalama Site
- Meet Professional/O&M Services Needs of our Members
- Continue to Refine Rental Business to Improve Net Margin and Consider Potential Sale.

Key Strategies - Continued

✦ **Energy/Business Services (E/BS) Overhead**

- Continue Focus on Cost Reductions and Cost Recovery
- Liquidate Internal Business Costs

✦ **What Types of Costs are Covered in E/BS Overheads?**

- Management Oversight, Finance & Contracting Support, Legal, Audits, Admin. Support, Insurance, Communications, Sales & Marketing, General Supplies, etc.

Key Strategies - Continued

- ✦ **Ability to Recover Generation Development Cost with Successful Projects**
 - Continue and refine the concept of participant funding on future project development

Financial Summary

E/BS Revenue

(Dollars in Thousands)

Project	FY12	FY13	Change	
Project 1	\$ 200	\$ 203	\$ 3	
Columbia Generating Station	3,139	3,025	(114)	A)
Nine Canyon	16,876	18,992	2,116	B)
Packwood	2,317	2,000	(317)	C)
Business Development	10,940	11,344	404	D)
Internal Service Fund (CDC)	391	255	(136)	E)
Total E/BS	<u>\$33,863</u>	<u>\$35,819</u>	<u>\$1,956</u>	
Change - () Unfavorable				

- A) Eliminated telecommunication efforts
- B) Pre-planned Phase III debt shaping
- C) Eliminated secondary sales and use of FY12 excess cash
- D) Kalama permitting increase and Grays Harbor 50 MW Option decrease
- E) Increased vacancy assumption

Financial Summary - Fund Balances

(Dollars in Thousands)

	FY13 Budget		FY13 Budget
<u>Beginning Balances</u>		<u>Sources of Funds</u>	
Performance Fee Account (PFA)	\$ 4,423	Revenues (BDF)	\$ 11,344
Business Development Fund (BDF)	<u>3,285</u>	Investment Income (PFA)	18
Total Beginning Balance	<u>\$ 7,708</u>	Investment Income (BDF)	19
		CDC Margin (PFA)	(124)
Grays Harbor Escrow	<u>\$ 2,500</u>	Transfer from PFA to BDF	
Gross Beginning Balance	<u>\$ 10,208</u>	Total Sources of Funds	<u>\$ 11,257</u>
<u>Use of Funds</u>		<u>Ending Balances</u>	
Expenses (BDF)	\$ 12,039	PFA	\$ 4,317
Capital (BDF)	210	BDF	<u>2,399</u>
Transfer from PFA to BDF		Total Ending Balance	<u>\$ 6,716</u>
Total Use of Funds	<u>\$ 12,249</u>		
		Grays Harbor Escrow	<u>\$ 2,500</u>
		Gross Ending Balance	<u>\$ 9,216</u>

Business Development Full Time Equivalents

Description	FY 2013 Budget	FY 2012 Budget	Variance
Generation	3	5	(2)
Facilities / Leasing	6	6	-
Business Services	31	32	(1)
Indirect	14	15	(1)
Professional Services	3	3	-
Total FTEs	<u>57</u>	<u>61</u>	<u>(4)</u>

Budget Book Reference: BDF Tab, Table 4, Page 6 for the FY 2013 Budget



Business Development Generation

March 20, 2012

Business Development - Generation

✦ Business Goals

- Prioritize Development Efforts According to Member & Regional Public Power Needs
- Assist Members with Generation Resources, Transmission Integration, and Power Management Issues
- Offer Cost Competitive Resource Options that Manage Risk and Promote Environmental Stewardship
- Position EN as a Recognized Top Regional Generation Developer

Business Development - Generation

✦ Budget Anticipates

- Continued to monitor Public Power Interest in Renewable Generation Supply to Comply with the State Renewable Portfolio Standard in the 2013 to 2016 Time Frame
- Growing Interest in Flexible Intermediate-load & Peaking Generation Resources for Public Utility Load Variations and Renewable Integration
- Increased Need for Understanding Wholesale Power System Dynamics, Evaluation of BPA Tier 2 Alternatives and Emerging Energy Policies
- Continued Evaluation of Emerging Renewable Technologies and Distributed Generation Options
- Active Power Management Program for Grays Harbor Power Option
- Fund Raising for at least 75% of Project Development Costs

Business Development - Generation

✦ Thermal Resource Generation

- Kalama
 - Continue to Implement Agreement to Complete Project Permitting and Development
 - EN Paid for Development Services and Lead SEPA Review
 - All Development Costs Recovered - \$1.3 Million in FY13 (\$1.0 Million FY12 LRE)
 - EN Retains Ownership Until Project Finance
 - \$5 Million Payment at Project Finance
 - Market Kalama Energy to Regional Utilities
 - Power Option for Public Power
 - EN Option for O&M
 - Future NG Peaking Project Option
- NG Peaker Business Plan & Initial Development
- Modular Nuclear – Post 2020

Business Development - Generation

- Renewable Resource Generation
 - Biomass Feasibility and Initial Development
 - Solar Feasibility and Initial Development
 - Wind Partnering
 - Monitor and Evaluate New Opportunities
 - Develop Partnering Agreements
 - Energy Storage Feasibility
 - Small Hydro Feasibility

Business Development - Generation

- Power Management & Supply
 - Power Management of GH 50 MW Option
 - Utility Wholesale Power Support & Management Outreach
 - Strengthen EN Relationships with Member Utilities
 - » Meet with General Managers & Power Managers
 - » Customize Efforts to Meet Utility Needs
 - Provide Advisory Support and Evaluation
 - Transmission Integration
 - Integrated Resource Planning
 - BPA Tier II Alignment
 - Renewable Portfolio Standard Compliance

Financial Summary - Generation

(Dollars in Thousands)

<u>Description</u>	<u>Revenue</u>	<u>Costs</u>	<u>Gross Margin</u>
Kalama Energy Project	\$ 1,293	\$1,290	\$ 3
Other Generation		421	(421)
Modular Nuclear	35	35	-
Solar		144	(144)
Wind Generation		142	(142)
BioMass		186	(186)
Power Management & Supply	2,107	2,178	(71)
Total	<u>\$ 3,435</u>	<u>\$4,396</u>	<u>\$ (961)</u>

Gross Margin - () Unfavorable

Budget Book Reference: BDF Tab, Table 2, Page 6 for the FY 2013 Budget

Financial Summary Generation - History (Dollars in Thousands)

	Actual			FY12 LRE	FY13 Budget
	FY09	FY10	FY11		
Revenue	\$ 1,343	\$3,048	\$ 3,208	\$1,616	\$3,435
Costs	3,574	3,708	4,212	1,937	4,396
Gross Margin	\$(2,231)	\$ (660)	\$(1,004)	\$ (321)	\$ (961)

Gross Margin - () Unfavorable



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Business Development O&M/Professional Services

March 20, 2012

Business Development O&M/Professional Services

✦ Focus Areas

- Manage, operate, maintain, modify and support facilities related to power generation
- Understand and meet the current and future O&M needs of our members
- Develop non-member markets to ensure economic and technical sustainability
 - EN members – services provided at cost
 - All Others – services provided with margin

Business Development O&M/Professional Services

✦ Strategy to Meet Objectives

- High quality operation and maintenance of current facilities
- Continue to provide professional and technical services
- Analyze/prepare to aggregate public power needs (minimize costs/maximize results)

Financial Summary O&M/ Professional Services

(Dollars in Thousands)

Description	Revenue	Costs	Gross Margin
Engineering Services	\$ 450	\$ 448	\$ 2
Technical Services	501	501	-
Roving Work Force	56	56	-
Special Coatings	50	49	1
Miscellaneous	8	7	1
Total	<u>1,065</u>	<u>1,061</u>	<u>4</u>

Budget Book Reference: BDF Tab, Table 2, Page 6 for the FY 2013 Budget

Financial Summary O&M/ Professional Services - History

(Dollars in Thousands)

	Actual			FY12 LRE	FY13 Budget
	FY09	FY10	FY11		
Revenue	\$ 883	\$ 794	\$ 1,445	\$ 1,499	\$ 1,065
Costs	1,121	903	1,495	1,531	1,061
Gross Margin	\$ (238)	\$ (109)	\$ (50)	\$ (32)	\$ 4

Gross Margin - () Unfavorable



Nine Canyon Wind Project

March 20, 2012

Nine Canyon Wind Project Budget Assumptions

- ✦ Generation Budget is 244,083 MWh
- ✦ Combined Average Billing Price to Participants = \$74.86 per MWh

Financial Summary

Nine Canyon Wind Project

(Dollars in Thousands)

Description	FY 2013 Budget	Original FY 2012 Budget	Variance
Operating Costs			
Labor / Benefits / Overheads	\$ 2,042	\$ 1,959	\$ 83
Equipment / Materials / Services / Taxes	3,550	2,492	1,058 A)
O&M Contract	385	510	(125)
Insurance	375	399	(24)
Risk Reserve	50	50	-
Total Operating Costs	\$ 6,402	\$ 5,410	\$ 992
Capital	\$ 116	\$ 176	\$ (60)
Debt Service	13,265	11,083	2,182 B)
Total Project Funding Requirements	\$19,783	\$ 16,669	\$ 3,114
BPA Scheduling Costs	\$ 720	\$ 660	\$ 60

The Nine Canyon Participants have approved the FY13 Budget

A) \$1.200 is for Gearboxes

B) Increase based on plan of Phase III Participants to levelize payments starting in FY13

Budget Book Reference: Nine Canyon Tab, Table 4, Page 9 for the FY 2013 Budget

Financial Summary

Nine Canyon Wind Project - History

(Dollars in Thousands)

	Actual			FY12 LRE	FY13 Budget
	FY09	FY10	FY11		
O&M Costs / Taxes	\$4,506	\$4,490	\$4,017	\$5,208	\$6,402
Capital	147	114	25	65	40
Debt Service	10,844	10,928	11,034	11,083	13,265
Generation (GWh)	226.3	226.7	264.7	248.6	244.1
Cost of Power (\$/MWh)	77.92	78.82	65.57	73.52	79.37

Nine Canyon Full Time Equivalents

<u>Description</u>	<u>FY 2013 Budget</u>	<u>FY 2012 Budget</u>	<u>Variance</u>
Total Positions	13	13	-

Budget Book Reference: Nine Canyon Tab, Table 2, Page 6 for the FY 2013 Budget



Packwood Hydroelectric Project

March 20, 2012

Packwood Hydroelectric Project

- ✦ Generation Budget is 84,640 MWh
- ✦ Implementation of new operating parameters and additional monitoring/reporting with new Federal Energy Regulatory Commission (FERC) license
- ✦ Packwood Participants will fund 100% of the costs of the Project
- ✦ Participants take 100% of the Output from the Project

Financial Summary

Packwood Hydroelectric Project

(Dollars in Thousands)

<u>Description</u>	<u>FY 2013 Budget</u>	<u>Original FY 2012 Budget</u>	<u>Variance</u>
Operating & Support Services	\$2,197	\$ 2,038	\$ 159 A)
Generation Taxes	18	18	-
Sub-Total	<u>\$2,215</u>	<u>\$ 2,056</u>	<u>\$ 159</u>
Capital C)	680	-	680
Treasury Services / Loan Repayment	3	262	(259)
Total Funding Requirements	<u><u>\$2,898</u></u>	<u><u>\$ 2,318</u></u>	<u><u>\$ 580</u></u>
<u>Funding Sources</u>			-
Revenue	\$2,000	\$ 2,318	\$ (318) B)
Beginning Packwood Funds	\$1,900	\$ 607	\$ 1,293
Ending Packwood Funds	\$1,002	\$ 607	\$ 395

A) New Scheduling Fees - \$90k: Increased Transmission Fees - \$140k

B) Total Funding for the Project as of October 2011 is from the Participants

C) Replacement of 4160 volt power supply cable from the power house to the surge tank and installation of a transformer oil containment structure

The Packwood Participants have approved the FY13 Budget.

Budget Book Reference: Packwood Tab, Table 5, Page 9 for the FY 2013 Budget

Financial Summary

Packwood Hydroelectric Project-History

(Dollars in Thousands)

	Actual			FY12 LRE	FY13 Budget
	FY09	FY10	FY11		
Revenue	\$2,910	\$2,077	\$2,639	\$2,844	\$2,000
O&M Costs / Taxes	\$1,536	\$1,496	\$1,633	\$1,978	\$2,215
Capital	83	98	-	-	680
Re-Licensing	231	88	-	-	-
Generation (GWh)	99.4	86.1	108.2	109.8	84.6
Cost of Power (\$/MWh)	16.23	18.21	15.87	18.59	26.90

FY13 increase \$140k due to mitigation costs

Note: Beginning in October 2011 the Participants are paying the revenue

Packwood Full Time Equivalents

<u>Description</u>	<u>FY 2013 Budget</u>	<u>FY 2012 Budget</u>	<u>Variance</u>
Operations & Maintenance	5	5	-

Budget Book Reference: Packwood Tab, Table 3, Page 6 for the FY 2013 Budget



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Business Services

March 20, 2012

Business Services

✦ Calibration Services

- Hanford Calibration Services is on an extension of the previous contract. We continue to negotiate a five year contract. Anticipate completion at the end of FY12. FY13 revenue will decrease to \$942K due to reduced number of items to be calibrated and an expected price reduction.
- CGS Calibration Services FY13 revenue = \$1,974K with Margin = \$0
- Commercial Calibration Services FY13 revenue = \$769K; The largest customer is Bechtel.
- No Change in FTEs for FY13.

✦ Environmental Services

- CGS Environmental services FY13 revenue = \$1,674K with Margin = \$0.
- Commercial Environmental Services FY13 revenue target is \$306K.

Business Services

✧ Information Services

- Broadband Services - Co-location services in APEL
\$42K Revenue with Margin = \$12K
- Telecom Services will be discontinued in FY13. This was service to Bechtel National in the CDC and the MPF.
- Rattlesnake Mountain O&M – Combined
Community Communication Facility (CCCF) on Rattlesnake
Mountain; \$152K Revenue with Margin = \$0

NoaNet Debt Services

- There will be no NoaNet assessment in FY13.

Financial Summary - Business Services

(Dollars in Thousands)

Description		Revenue	Costs	Gross Margin
Operations				
Calibrations Services	A)	\$ 3,685	\$ 3,550	\$ 135
Environmental Services		2,053	2,053	-
Information Services		195	183	12
Sub-Total Operations		<u>5,933</u>	<u>5,786</u>	<u>147</u>
Capital / Miscellaneous				
Calibrations Services	A)	\$ -	\$ 210	\$ (210)
Sub-Total Capital / Misc		<u>-</u>	<u>210</u>	<u>(210)</u>
Total		<u>\$ 5,933</u>	<u>\$ 5,996</u>	<u>\$ (63)</u>

Gross Margin - () Unfavorable

A) Budget Book Reference: BDF Tab, Table 2, Page 6 for the FY 2013 Budget

Financial Summary

Business Services - History

(Dollars in Thousands)

		Actual			FY12	FY13
		FY09	FY10	FY11	LRE	Budget
Operating Facilities	Calibrations Services					
	Revenue	\$ 3,521	\$ 3,600	\$ 4,111	\$ 3,824	\$ 3,685
	Costs	3,154	3,082	3,182	3,340	3,550
	Gross Margin	\$ 367	\$ 518	\$ 929	\$ 484	\$ 135
	Environmental Services					
	Revenue	\$ 2,019	\$ 1,885	\$ 1,904	\$ 1,917	\$ 2,053
	Costs	1,853	1,707	1,715	1,865	2,053
	Gross Margin	\$ 166	\$ 178	\$ 189	\$ 52	\$ -
	Information Services					
Revenue	\$ 199	\$ 1,215	\$ 878	\$ 239	\$ 195	
Costs	79	1,107	789	153	183	
Gross Margin	\$ 120	\$ 108	\$ 89	\$ 86	\$ 12	
Capital / Miscellaneous	Calibrations Lab	\$ 83	\$ 182	\$ 185	\$ 106	\$ 210
	Environmental Lab	27	39	71	24	
	NoaNet	186	112	63		
	Gross Margin - () Unfavorable					



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Industrial Development Complex (IDC)

March 20, 2012

Industrial Development Complex (IDC)

✦ IDC Facilities Leasing

- 85% Occupied
- FY13 revenue target is \$1,138K; slight increase over FY12 Budget due to more Washington Closure Hanford revenue
- Current tenants are Washington Closure Hanford, Energy Solutions, Layne Christiansen, and CGS

✦ Reuse Funding

- FY13 = \$433K to be used for infrastructure maintenance/repair and prepare facilities for leasing. Increase due to high voltage cable replacement project.

Industrial Development Complex (IDC)

✦ Fixed Maintenance Costs

- Facilities & equipment maintenance, DOE lease, state licensing, utilities
- FY13 Fixed Maintenance Net Cost Budget = \$221K; This is similar to the FY12 Original Budget of \$220K.

✦ Variable Costs (cost will eventually go away)

- FY13 Variable Costs = \$68K;
- EFSEC fees \$25K

Industrial Development Complex Summary of Costs (Dollars in Thousands)

Description		Revenue	Costs	Gross Margin
IDC Leasing	A)	\$ 1,137	\$1,091	\$ 46
Reuse Funds	B)		433	(433)
Variable Costs	B)		68	(68)
Fixed Costs	B)	203	424	(221)
Net IDC		<u>1,340</u>	<u>2,016</u>	<u>(676)</u>

Gross Margin - () Unfavorable

- A) Budget Book Reference: BDF Tab, Table 2, Page 6 for the FY 2013 Budget
This is a Business Development Project
- B) Budget Book Reference: WNP1 Tab, Table 1, Page 4 for the FY 2013 Budget
BPA pays for these activities

Industrial Development Complex History

(Dollars in Thousands)

	Actual			FY12 LRE	FY13 Budget
	FY09	FY10	FY11		
Gross Margin					
IDC Leasing	\$ 77	\$ 162	\$ 228	\$ 123	\$ 46
Reuse Funds	(159)	(140)	(696)	(180)	(433)
Variable Costs	(39)	(118)	(64)	(68)	(68)
Fixed Cost	(123)	(85)	(142)	(216)	(221)
Total IDC Gross Margin	<u>\$(244)</u>	<u>\$(181)</u>	<u>\$ (674)</u>	<u>\$(341)</u>	<u>\$(676)</u>

Gross Margin - () Unfavorable



Facilities

March 20, 2012

Energy Northwest Office Complex (ENOC) Facilities

✦ **Advanced Process Engineering Lab (APEL) Facility**

- FY13 90% occupancy. (FY12 = 90%)
- IsoRay leasing APEL Annex & High Bay - \$320K revenue / yr
- PNNL anchor tenant - \$1,306K revenue / yr

Multi-Purpose Facility (MPF) Facility

- FY13 99% occupancy in available space (FY12 = 99%)
- Bechtel National and B&N Enterprises - \$1,050K revenue / yr
- EN occupies about 35% of the 76,000 sq. ft. rentable space

Energy Northwest Office Complex (ENOC) Facilities

✦ Capital Development Corporation (CDC) Facility

- Bechtel National will vacate the CDC on April 9, 2012
- Anticipate 6 months to fully lease the 20,000 sq ft facility
- Also anticipating a 14% drop in rate

Financial Summary

Energy Northwest Office Complex

(Dollars in Thousands)

<u>Description</u>	<u>Revenue</u>	<u>Costs</u>	<u>Gross Margin</u>
Facilities			
APEL	\$ 1,695	\$1,616	\$ 79
CDC	255	379	(124)
MPF	1,050	1,086	(36)
Sub-Total Facilities	<u>3,000</u>	<u>3,081</u>	<u>(81)</u>
Miscellaneous			
Sale the MPF	\$ -	\$ 218	\$(218)
Maintenance Shop	-	12	(12)
Sub-Total Miscellaneous	<u>-</u>	<u>230</u>	<u>(230)</u>
Total	<u>\$ 3,000</u>	<u>\$3,311</u>	<u>\$(311)</u>

Gross Margin - () Unfavorable

Financial Summary

Energy Northwest Office Complex-History

(Dollars in Thousands)

	FY09	FY10	FY11	FY12 LRE	FY13 Budget
Operating Facilities					
Revenue	\$3,187	\$3,072	\$3,136	\$3,082	\$3,000
Costs	2,983	3,064	2,762	3,045	3,081
Gross Margin	\$ 204	\$ 8	\$ 374	\$ 37	\$ (81)
Capital / Miscellaneous	\$ 198	\$ 9	\$ 189	\$ 60	\$ 230

Gross Margin - () Unfavorable