

# **Fiscal Year 2012 Project 1 Annual Budget**



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### Summary

The Project 1 Fiscal Year 2012 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 2012 including reuse funding, fixed and variable costs, and treasury related expenses. In addition, the budget includes all funding requirements identified for the project for Fiscal Year 2012.

The total cost for Fiscal Year 2012 is estimated to be \$75,202,000 (Table 1). Total Funding Requirements of \$322,533,000 (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 2012 budget is made to the original budget issued for Fiscal Year 2011.

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

<u>Description</u>	<u>FY 2012 Budget</u>	<u>Original FY 2011 Budget</u>	<u>Variance</u>
Reuse	\$ 180	\$ 111	\$ 69
Variable Costs	81	64	17
Fixed Costs	220	249	(29)
<b>Subtotal Site</b>	<b>\$ 481</b>	<b>\$ 424</b>	<b>\$ 57</b>
<u>Other</u>			
Treasury Related Expenses	\$ 74,156	\$ 83,559	\$ (9,403)
Decommissioning	565	544	21
<b>Subtotal Other Costs</b>	<b>\$ 74,721</b>	<b>\$ 84,103</b>	<b>\$ (9,382)</b>
<b>Total</b>	<b>\$ 75,202</b>	<b>\$ 84,527</b>	<b>\$ (9,325)</b>

#### **Assumptions**

This budget provides funding for costs associated with the project for Fiscal Year 2012 including reuse, fixed and variable costs, and treasury related expenses. The key assumptions and qualifications for this budget are:

- It is assumed that all \$56,030,000 of the maturing 7/1/2012 bonds will be paid off and an additional \$180,000,000 of bonds maturing in years 2013 through 2017 will be called and retired.
- Investment income earnings are forecasted to average a 0.44% return for Fiscal Year 2012.

**Table 2**  
**Treasury Related Expenses**  
(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>
Interest Expense (1)	\$ 84,749	\$ 91,136	\$ (6,387)
Amortized Financing Cost (2)	(11,051)	(7,827)	(3,224)
Investment Income (Rev. Fund) (3)	(103)	(177)	74
Treasury Services (4)	561	427	134
<b>Total</b>	<b><u>\$ 74,156</u></b>	<b><u>\$ 83,559</u></b>	<b><u>\$ (9,403)</u></b>

#### Assumptions

- (1) Budget assumes both spring 2011 and spring 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 and Contingency Fund which are transferred periodically to the Revenue Fund. Investment income earnings rates 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 3**  
**Summary of Full Time Equivalent Positions**

<u>Description</u>	<u>FY 2012 Budget</u>	<u>Original 2011 Budget</u>	<u>Variance</u>
Industrial Development	1	1	-
Commercial Engineering	1	1	-
Treasury	1	1	-
Other	1	1	-
<b>Total Positions</b>	<b>4</b>	<b>4</b>	<b>-</b>

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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 Req'ts	Prior Year's Commitments	FY 2012 Total Cash
Reuse	\$ 180	\$ -	\$ -	\$ -	\$ -	\$ 180
Variable Costs	81	-	-	-	-	81
Fixed Costs	220	-	-	-	-	220
<b>Subtotal Site</b>	<b>\$ 481</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 481</b>
<b>Other</b>						
Decommissioning	\$565	(\$565)	\$ -	\$ -	\$ -	\$ -
Treasury Related						
Interest Expense	84,749	-	-	-	-	84,749
Bond Retirement (1)	-	-	236,030	-	-	236,030
Amortized Cost	(11,051)	11,051	-	-	-	-
Invest. Income (Rev.)	(103)	-	-	18	(4)	(89)
Treasury Services (2)	561	-	801	-	-	1,362
R&C Fund (3)	-	-	293	-	-	293
Prior Year's R&C Surplus	-	-	(293)	-	-	(293)
Subtotal Treasury Expenses	\$ 74,156	\$ 11,051	\$ 236,831	\$ 18	\$ (4)	\$ 322,052
<b>Subtotal Other</b>	<b>\$ 74,721</b>	<b>\$ 10,486</b>	<b>\$ 236,831</b>	<b>\$ 18</b>	<b>\$ (4)</b>	<b>\$ 322,052</b>
<b>Total Funding Requirements</b>	<b>\$ 75,202</b>	<b>\$ 10,486</b>	<b>\$ 236,831</b>	<b>\$ 18</b>	<b>\$ (4)</b>	<b>\$ 322,533</b>

- (1) It is assumed that all \$56,030,000 of the maturing 7/1/2012 bonds will be paid off and an additional \$180,000,000 of bonds maturing in years 2013 through 2017 will be called and retired.
- (2) Includes estimated \$801,000 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 5**  
**Annual Budget and**  
**Statement of Funding Requirements**  
(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>
<u>Programs</u>			
Reuse	\$ 180	\$ 111	\$ 69
Variable Costs	81	64	17
Fixed Costs	220	249	(29)
<b>Subtotal Programs</b>	<b><u>\$ 481</u></b>	<b><u>\$ 424</u></b>	<b><u>\$ 57</u></b>
<u>Treasury Related Expenses</u>			
Interest Expense	\$ 84,749	\$ 91,136	\$ (6,387)
Bond Retirement	236,030	93,045	142,985
Reserve & Contingency Fund	293	293	-
Investment Income (Revenue)	(89)	(200)	111
Prior Year's R&C Surplus	(293)	(269)	(24)
Treasury Services	1,362	427	935
<b>Subtotal Treasury Related</b>	<b><u>\$ 322,052</u></b>	<b><u>\$ 184,432</u></b>	<b><u>\$ 137,620</u></b>
<b>Total Funding Requirements</b>	<b><u>\$ 322,533</u></b>	<b><u>\$ 184,856</u></b>	<b><u>\$ 137,677</u></b>
<u>Funding Sources</u>			
Net Billing/BPA Direct Payments	\$ 322,533	\$ 184,856	\$ 137,677
<b>Total Funding Sources</b>	<b><u>\$ 322,533</u></b>	<b><u>\$ 184,856</u></b>	<b><u>\$ 137,677</u></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	FY2012 Total
<b>Beginning Balance</b>	\$ 3,000	\$ 3,328	\$ 3,345	\$ 3,315	\$ 3,312	\$ 43,230	\$ 3,312	\$ 3,323	\$ 3,346	\$ 4,123	\$ 3,478	\$ 281,672	\$ 3,000
Receipts													
BPA Direct Payments (1)	\$ 349	\$ 345	\$ 315	\$ 312	\$ 40,230	\$ 312	\$ 323	\$ 346	\$ 1,123	\$ 478	\$ 278,672	\$ -	\$ 322,805
<b>Total Receipts</b>	\$ 349	\$ 345	\$ 315	\$ 312	\$ 40,230	\$ 312	\$ 323	\$ 346	\$ 1,123	\$ 478	\$ 278,672	\$ -	\$ 322,805
Disbursements													
Treasury Related Expenses													
Interest Expense	\$ 244	\$ 244	\$ 244	\$ 244	\$ 244	\$ 40,165	\$ 243	\$ 244	\$ 244	\$ 244	\$ 244	\$ 42,145	\$ 84,749
Bond Retirement (2)	-	-	-	-	-	-	-	-	-	-	-	236,030	236,030
R&C Fund (3)	24	25	24	25	24	25	24	25	24	25	24	24	293
Investment Income	(5)	(1)	(1)	(1)	(1)	(9)	(1)	(1)	(1)	(2)	(2)	(64)	(89)
Prior Years R & C Surplus	(293)	-	-	-	-	-	-	-	-	-	-	-	(293)
Treasury Services	25	38	28	26	24	25	25	33	33	836	191	78	1,362
<b>Subtotal Treasury Related</b>	\$ (5)	\$ 306	\$ 295	\$ 294	\$ 291	\$ 40,206	\$ 291	\$ 301	\$ 300	\$ 1,103	\$ 457	\$ 278,213	\$ 322,052
Reuse	\$ 5	\$ 5	\$ 5	\$ 6	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 124	\$ 180
Variable Costs	3	3	28	3	2	3	3	3	24	3	3	3	81
Fixed Costs	18	14	17	12	14	16	13	14	17	12	13	60	220
<b>Total Disbursements</b>	\$ 21	\$ 328	\$ 345	\$ 315	\$ 312	\$ 40,230	\$ 312	\$ 323	\$ 346	\$ 1,123	\$ 478	\$ 278,400	\$ 322,533
<b>Ending Balance</b>	\$ 3,328	\$ 3,345	\$ 3,315	\$ 3,312	\$ 43,230	\$ 3,312	\$ 3,323	\$ 3,346	\$ 4,123	\$ 3,478	\$ 281,672	\$ 3,272	\$ 3,272

(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 \$56,030,000 of the maturing 7/1/2012 bonds will be paid off and \$180,000,000 of bonds maturing in years 2013 through 2017 will be called and retired.

(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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