

Fiscal Year 2013 General Business Unit Annual Budget

DRAFT



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Summary

Presented within the General Business Unit Fiscal Year 2013 budget are the costs for Benefits, Corporate Programs, Organizational Overhead and General Purpose Projects.

The total Fiscal Year 2013 General Business Unit cost is estimated to be \$83,372,000 (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 2013 Corporate costs are estimated to be \$13,364,000 (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 \$58,622,000 (Table 3).

Organizational Overhead which includes at-risk compensation, tuition and relocation reimbursements as well as other related costs is estimated to be \$10,483,000 (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 \$779,000 (Table 5). The CDC facility is estimated to have revenues of \$255,000 and \$379,000 in costs for a net loss of \$124,000 (Table 5). The CDC facility estimated net loss of \$124,000 (Table 8) will be funded from 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 2012 Budget has been adjusted to reclassify certain costs for comparison purposes to the Fiscal Year 2013 Budget.

Table 1
Summary of Costs
(Dollars in Thousands)

<u>Description</u>	<u>FY 2013</u> <u>Budget</u>	<u>Original</u> <u>FY 2012</u> <u>Budget</u>	<u>Variance</u>
Corporate Programs	\$ 13,364	\$ 13,408	\$ (44)
Benefits/Personal Time	58,622	56,517	2,105
Organizational Overhead	10,483	8,300	2,183
General Purpose Project	903	1,968	(1,065)
Total Cost	<u>\$ 83,372</u>	<u>\$ 80,193</u>	<u>\$ 3,179</u>

Table 2
Corporate Program Costs
(Dollars in Thousands)

<u>Description</u>	<u>FY 2013</u> <u>Budget</u>	<u>Original</u> <u>FY 2012</u> <u>Budget</u>	<u>Variance</u>
Information Services	\$ 5,158	\$ 4,980	\$ 178
Public Affairs	2,351	2,284	67
Senior Management	1,696	1,766	(70)
Human Resources	1,613	1,772	(159)
Finance	876	1,060	(184)
Enterprise Risk Management	769	789	(20)
Legal	456	374	82
Other	445	383	62
Total	\$ 13,364	\$ 13,408	\$ (44)

Table 2A
Corporate Program Full Time Equivalent Positions

<u>Description</u>	<u>FY 2013</u> <u>Budget</u>	<u>FY 2012</u> <u>Budget</u>	<u>Variance</u>
Information Services	27	29	(2)
Human Resources	16	16	-
Finance	14	17	(3)
Public Affairs	11	11	-
Senior Management	6	6	-
Other	7	8	(1)
Total	81	87	(6)

Table 3
Employee Benefit Costs
(Dollars in Thousands)

<u>Description</u>	<u>FY 2013</u> <u>Budget</u>	<u>Original</u> <u>FY 2012</u> <u>Budget</u>	<u>Variance</u>
Medical Benefits	\$ 15,217	\$ 15,091	\$ 126
F.I.C.A.	8,607	8,371	236
Retirement:			
WA PERS Contribution	11,732	10,731	1,001
401(k) Match	3,243	3,565	(322)
Personal Time/Holidays	15,155	15,595	(440)
Unemployment/Disability/Other	3,339	3,164	175
Subtotal	\$ 57,293	\$ 56,517	\$ 776
Outage	\$ 1,329	\$ -	\$ 1,329
Total	\$ 58,622	\$ 56,517	\$ 2,105

Table 4
Organizational Overhead
(Dollars in Thousands)

<u>Description</u>	<u>FY 2013</u> <u>Budget</u>	<u>Original</u> <u>FY 2012</u> <u>Budget</u>	<u>Variance</u>
At-Risk Compensation/Retention/ Employee Recognition	\$ 8,578	\$ 6,033	\$ 2,545
Relocations	780	1,102	(322)
Indirect Labor	652	692	(40)
Tuition	473	473	-
Total	\$ 10,483	\$ 8,300	\$ 2,183

Table 5
General Purpose Projects
(Dollars in Thousands)

<u>Description</u>	<u>FY 2013</u> <u>Budget</u>	<u>Original</u> <u>FY 2012</u> <u>Budget</u>	<u>Variance</u>
<u>Capital Projects</u>			
Information Technology (1)	\$ 779	\$ 1,990	\$ (1,211)
Total Capital Projects	\$ 779	\$ 1,990	\$ (1,211)
<u>Expense Projects</u>			
Information Technology (1)	\$ -	\$ -	\$ -
CDC - Downtown Building (2)	124	(22)	146
Total Expense Projects	124	(22)	146
Total General Purpose Projects	\$ 903	\$ 1,968	\$ (1,065)

- (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 2013 Budget</u>	<u>Original FY 2012 Budget</u>	<u>Variance</u>
Project 1	\$ 218	\$ 210	\$ 8
Columbia	78,337	75,085	3,252
Project 3	62	67	(5)
Packwood	371	376	(5)
Nine Canyon Wind Project	831	803	28
Business Development Fund	<u>3,274</u>	<u>3,482</u>	<u>(208)</u>
Total Allocations	<u>\$ 83,093</u>	<u>\$ 80,023</u>	<u>\$ 3,070</u>

<u>Business Unit Allocations (Percentages)</u>	<u>FY 2013 Budget</u>	<u>FY 2012 Budget</u>	<u>Variance</u>
Project 1	0.26%	0.26%	(0.00%)
Columbia	94.28%	93.83%	0.45%
Project 3	0.07%	0.08%	(0.01%)
Packwood	0.45%	0.47%	(0.02%)
Nine Canyon Wind Project	1.00%	1.00%	(0.00%)
Business Development Fund	<u>3.94%</u>	<u>4.35%</u>	<u>(0.41%)</u>
Total Allocations	<u>100.00%</u>	<u>100.00%</u>	<u>0.00%</u>

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

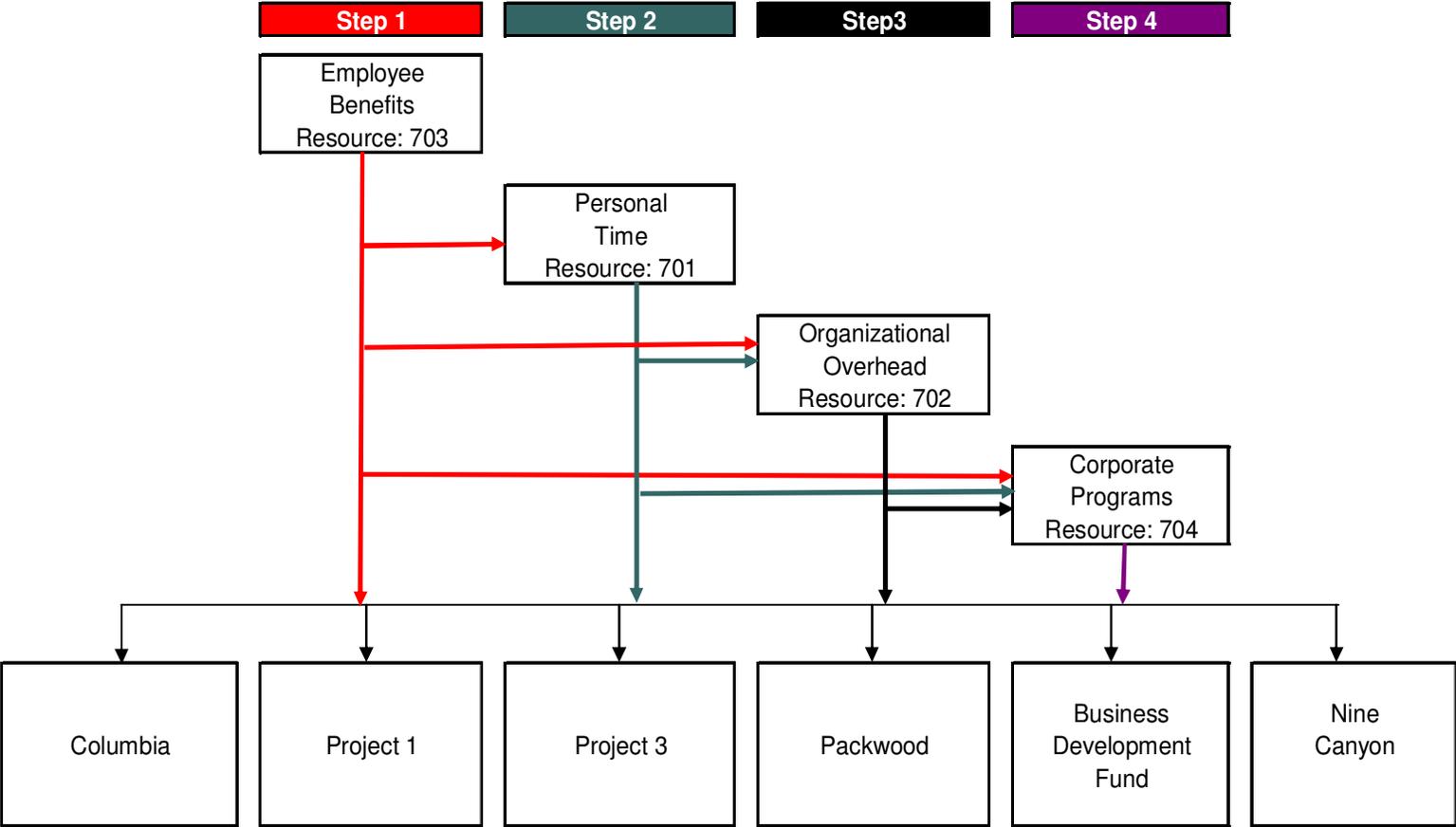


Table 8
Performance Fee Account
Statement of Funding Requirements
(Dollars in Thousands)

	FY 2013 Budget	Original FY 2012 Budget	Variance
<u>Beginning Balance</u>	<u>\$ 4,423</u>	<u>\$ 4,155</u>	<u>\$ 268</u>
<u>Use of Funds</u>			
Transfer to Bus Dev Fund (BDF)	\$ -	\$ -	\$ -
Total Use of Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Source of Funds</u>			
CDC Margin	\$ (124)	\$ 22	\$ (146)
Transfer from BDF			-
Packwood Project Loan Payback		250	(250)
Investment Income	18	18	-
Total Funding Sources	<u>\$ (106)</u>	<u>\$ 290</u>	<u>\$ (396)</u>
Ending Balance (1)	<u>\$ 4,317</u>	<u>\$ 4,445</u>	<u>\$ (128)</u>

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