

**Fiscal Year 2013  
Packwood  
Annual Operating Budget**

DRAFT



**Table of Contents**

	<b><u>Table</u></b>	<b><u>Page</u></b>
Summary		3
Key Assumptions/Qualifications		4
Summary of Operating and Capital Costs	Table 1	5
Summary of Revenues	Table 2	6
Summary of Full Time Equivalent Positions	Table 3	6
Cost-to-Cash Reconciliation	Table 4	8
Statement of Funding Requirements	Table 5	9
Monthly Statement of Funding Requirements	Table 6	10
Long Range Plan	Table 7	11

### **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.

The total net Fiscal Year 2013 program and capital cost combined is estimated to be \$2,957,000 (Table 1), with associated net funding requirements of \$2,898,000 (Table 5). The difference between total program cost and net funding requirements is due to depreciation (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.
- Capital projects include replacement of the 4160 volt power supply cable from the power house to the surge tank and installation of a transformer oil containment structure.

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

<u>Description</u>	<u>FY 2013 Budget</u>	<u>Original FY 2012 Budget</u>	<u>Variance</u>
<u>Operating Costs</u>			
Operating & Support Services	\$ 2,197	\$ 2,038	\$ 159
Generation Taxes	18	18	-
Depreciation	59	48	11
Subtotal Operating Costs	<u>\$ 2,274</u>	<u>\$ 2,104</u>	<u>\$ 170</u>
Interest/Financing (Net)	3	12	(9)
<b>Total Cost</b>	<b><u>\$ 2,277</u></b>	<b><u>\$ 2,116</u></b>	<b><u>\$ 161</u></b>
<b>Total Net Generation (MWh)</b>	<b><u>84,640</u></b>	<b><u>84,640</u></b>	<b><u>-</u></b>
<b>Cost of Power (\$/MWh)</b>	<b><u>\$ 26.90</u></b>	<b><u>\$ 25.00</u></b>	<b><u>\$ 1.90</u></b>
<b>Total Capital Cost</b>	<b><u>\$ 680</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 680</u></b>
<b>Total Operating and Capital Cost</b>	<b><u>\$ 2,957</u></b>	<b><u>\$ 2,116</u></b>	<b><u>\$ 841</u></b>

**Table 2**  
**Summary of Revenues**  
(Dollars in Thousands)

<u>Description</u>	<u>FY 2013 Budget</u>	<u>Original FY 2012 Budget</u>	<u>Variance</u>
<u>Revenues</u>			
Sales for Resale	\$ -	\$ 400	\$ (400)
Receipt from Participants (1)	<u>2,000</u>	<u>1,918</u>	<u>82</u>
<b>Total Revenues</b>	<b><u>\$ 2,000</u></b>	<b><u>\$ 2,318</u></b>	<b><u>\$ (318)</u></b>

**Variance - ( ) Unfavorable**

(1) As of October 2011 the Participants are funding 100% of the project.

**Table 3**  
**Summary of Full Time Equivalent Positions \***

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

\* Includes Allocations of Corporate Full Time Equivalent Positions

(Page intentionally left blank)

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

<b>Description</b>	<b>FY 2013 Total Cost</b>	<b>Non-Cash Items</b>	<b>Non-Cost Items</b>	<b>Deferred Cash Requirements</b>	<b>Prior Year Commitments</b>	<b>FY 2013 Total Cash</b>
Operating						
O&M and Support Services	\$ 2,197	\$ -	\$ -	\$ -	\$ -	\$ 2,197
Generation Taxes	18	-	-	-	-	18
Depreciation	59	(59)	-	-	-	-
Subtotal Operating	\$ 2,274	\$ (59)	\$ -	\$ -	\$ -	\$ 2,215
Net Debt Service						
Interest on Loan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Income	(2)	-	-	-	-	(2)
Treasury Services	5	-	-	-	-	5
Loan Repayment	-	-	-	-	-	-
Subtotal Net Debt Service	\$ 3	\$ -	\$ -	\$ -	\$ -	\$ 3
Capital	\$ 680	\$ -	\$ -	\$ -	\$ -	\$ 680
Total Disbursements	\$ 2,957	\$ (59)	\$ -	\$ -	\$ -	\$ 2,898
Funding Sources						
From Participants	\$ 2,000	\$ -	\$ -	\$ -	\$ -	\$ 2,000
Beginning Packwood Funds	-	-	1,900	-	-	1,900
Total Funding Sources	\$ 2,000	\$ -	\$ 1,900	\$ -	\$ -	\$ 3,900
Ending Working Capital	\$ (957)	\$ (59)	\$ 1,900	\$ -	\$ -	\$ 1,002



**Table 5**  
**Statement of Funding Requirements**  
(Dollars in Thousands)

<u>Description</u>	<u>FY 2013 Budget</u>	<u>Original FY 2012 Budget</u>	<u>Variance</u>
<b>Beginning Packwood Funds Balance</b>	<b>\$ 1,900</b>	<b>\$ 607</b>	<b>\$ 1,293</b>
<b><u>Funding Requirements</u></b>			
<u>Operating</u>			
Operating & Support Services	\$ 2,197	\$ 2,038	\$ 159
Generation Taxes	18	18	-
<b>Subtotal Operating</b>	<b>\$ 2,215</b>	<b>\$ 2,056</b>	<b>\$ 159</b>
<u>Net Debt Service</u>			
Interest on Bank Loan	\$ -	\$ 9	\$ (9)
Interest Income	(2)	(2)	-
Treasury Services	5	5	-
Debt Retirement	-	250	(250)
<b>Subtotal Net Debt Service</b>	<b>\$ 3</b>	<b>\$ 262</b>	<b>\$ (259)</b>
Capital	\$ 680	\$ -	\$ 680
<b>Total Funding Requirements</b>	<b>\$ 2,898</b>	<b>\$ 2,318</b>	<b>\$ 580</b>
<b><u>Funding Sources</u></b>			
Sales for Resale	\$ -	\$ 400	\$ (400)
Receipts from Participants	2,000	1,918	82
<b>Total Funding Sources</b>	<b>\$ 2,000</b>	<b>\$ 2,318</b>	<b>\$ (318)</b>
<b>Ending Packwood Funds Balance</b>	<b>\$ 1,002</b>	<b>\$ 607</b>	<b>\$ 395</b>

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

Description	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2013 Total
<b>Beginning Balance</b>	\$ 1,900	\$ 1,793	\$ 1,618	\$ 1,293	\$ 1,149	\$ 1,164	\$ 1,181	\$ 1,071	\$ 1,103	\$ 1,108	\$ 1,081	\$ 1,084	\$ 1,900
Receipts													
From Participants	\$ 167	\$ 167	\$ 166	\$ 167	\$ 167	\$ 166	\$ 167	\$ 167	\$ 166	\$ 167	\$ 167	\$ 166	\$ 2,000
<b>Total Receipts</b>	\$ 167	\$ 167	\$ 166	\$ 167	\$ 167	\$ 166	\$ 167	\$ 167	\$ 166	\$ 167	\$ 167	\$ 166	\$ 2,000
Disbursements													
Operations Disbursements													
O&M and Support Services	\$ 174	\$ 191	\$ 216	\$ 156	\$ 152	\$ 149	\$ 277	\$ 134	\$ 161	\$ 193	\$ 146	\$ 248	\$ 2,197
Generation Taxes	-	-	-	-	-	-	-	-	-	-	18	-	18
<b>Subtotal Operations</b>	\$ 174	\$ 191	\$ 216	\$ 156	\$ 152	\$ 149	\$ 277	\$ 134	\$ 161	\$ 193	\$ 164	\$ 248	\$ 2,215
Debt Service													
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Principal Payment on Loan	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment Income	-	-	-	-	-	(1)	-	-	-	-	-	(1)	(2)
Treasury Services	-	1	-	-	-	1	-	1	-	1	-	1	5
<b>Subtotal Debt Service</b>	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ 1	\$ -	\$ -	\$ 3
Capital	\$ 100	\$ 150	\$ 275	\$ 155	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 680
<b>Total Disbursements</b>	\$ 274	\$ 342	\$ 491	\$ 311	\$ 152	\$ 149	\$ 277	\$ 135	\$ 161	\$ 194	\$ 164	\$ 248	\$ 2,898
<b>Ending Balance</b>	\$ 1,793	\$ 1,618	\$ 1,293	\$ 1,149	\$ 1,164	\$ 1,181	\$ 1,071	\$ 1,103	\$ 1,108	\$ 1,081	\$ 1,084	\$ 1,002	\$ 1,002

**Table 7**  
**Long Range Plan**  
(Dollars in Thousands)

Description	Budget FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>Operating Costs</b>											
Operating & Support Services	\$ 2,055	\$ 2,055	\$ 2,055	\$ 2,055	\$ 2,055	\$ 2,055	\$ 2,055	\$ 2,055	\$ 2,055	\$ 2,055	\$ 2,055
Relicensing O&M	142	152	106	121	75	72	67	72	67	72	67
<b>Subtotal Operating Costs</b>	<b>\$ 2,197</b>	<b>\$ 2,207</b>	<b>\$ 2,161</b>	<b>\$ 2,176</b>	<b>\$ 2,130</b>	<b>\$ 2,127</b>	<b>\$ 2,122</b>	<b>\$ 2,127</b>	<b>\$ 2,122</b>	<b>\$ 2,127</b>	<b>\$ 2,122</b>
Generation Taxes	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18
Depreciation	59	59	59	59	59	59	59	59	59	59	59
<b>Subtotal Other Costs</b>	<b>\$ 2,274</b>	<b>\$ 2,284</b>	<b>\$ 2,238</b>	<b>\$ 2,253</b>	<b>\$ 2,207</b>	<b>\$ 2,204</b>	<b>\$ 2,199</b>	<b>\$ 2,204</b>	<b>\$ 2,199</b>	<b>\$ 2,204</b>	<b>\$ 2,199</b>
Interest/Financing (Net)	3	3	3	3	3	3	3	3	3	3	3
<b>Subtotal Program Cost</b>	<b>\$ 2,277</b>	<b>\$ 2,287</b>	<b>\$ 2,241</b>	<b>\$ 2,256</b>	<b>\$ 2,210</b>	<b>\$ 2,207</b>	<b>\$ 2,202</b>	<b>\$ 2,207</b>	<b>\$ 2,202</b>	<b>\$ 2,207</b>	<b>\$ 2,202</b>
Escalation on Select Program Costs	\$ -	\$ 66	\$ 132	\$ 202	\$ 267	\$ 339	\$ 412	\$ 489	\$ 566	\$ 648	\$ 730
<b>Total Escalated Program Costs</b>	<b>\$ 2,277</b>	<b>\$ 2,353</b>	<b>\$ 2,373</b>	<b>\$ 2,458</b>	<b>\$ 2,477</b>	<b>\$ 2,546</b>	<b>\$ 2,614</b>	<b>\$ 2,696</b>	<b>\$ 2,768</b>	<b>\$ 2,855</b>	<b>\$ 2,932</b>
<b>Capital Costs</b>											
Total Capital Costs	\$ 680	\$ 75	\$ 337	\$ 472	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal Capital Costs</b>	<b>\$ 680</b>	<b>\$ 75</b>	<b>\$ 337</b>	<b>\$ 472</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Escalation on Capital Costs	\$ -	\$ 2	\$ 21	\$ 44	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Escalated Capital Costs</b>	<b>\$ 680</b>	<b>\$ 77</b>	<b>\$ 358</b>	<b>\$ 516</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Un-escalated Costs</b>	<b>\$ 2,957</b>	<b>\$ 2,362</b>	<b>\$ 2,578</b>	<b>\$ 2,728</b>	<b>\$ 2,210</b>	<b>\$ 2,207</b>	<b>\$ 2,202</b>	<b>\$ 2,207</b>	<b>\$ 2,202</b>	<b>\$ 2,207</b>	<b>\$ 2,202</b>
<b>Total Escalation</b>	<b>\$ -</b>	<b>\$ 68</b>	<b>\$ 152</b>	<b>\$ 246</b>	<b>\$ 267</b>	<b>\$ 339</b>	<b>\$ 412</b>	<b>\$ 489</b>	<b>\$ 566</b>	<b>\$ 648</b>	<b>\$ 730</b>
<b>Total Escalated Costs</b>	<b>\$ 2,957</b>	<b>\$ 2,430</b>	<b>\$ 2,730</b>	<b>\$ 2,974</b>	<b>\$ 2,477</b>	<b>\$ 2,546</b>	<b>\$ 2,614</b>	<b>\$ 2,696</b>	<b>\$ 2,768</b>	<b>\$ 2,855</b>	<b>\$ 2,932</b>
<b>From Participants</b>	<b>\$ 2,000</b>	<b>\$ 2,600</b>	<b>\$ 2,600</b>	<b>\$ 2,600</b>	<b>\$ 2,600</b>	<b>\$ 2,600</b>	<b>\$ 2,500</b>	<b>\$ 2,500</b>	<b>\$ 2,500</b>	<b>\$ 2,800</b>	<b>\$ 2,900</b>
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)	\$ 26.90	\$ 27.80	\$ 28.03	\$ 29.04	\$ 29.27	\$ 30.08	\$ 30.88	\$ 31.85	\$ 32.70	\$ 33.73	\$ 34.64

**Key Assumptions/Qualifications:**

Escalation Rate = 1.03 starting FY 2014 for costs. Cost of power excludes capital costs.

(Page left intentionally blank)