

**Fiscal Year 2013
Project 1
Annual Budget**

DRAFT



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Summary

The Project 1 Fiscal Year 2013 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 2013 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 2013.

The total cost for Fiscal Year 2013 is estimated to be \$55,848,000 (Table 1). Total Funding Requirements of \$341,902,000 (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 2013 budget is made to the original budget issued for Fiscal Year 2012.

Table 1
Summary of Costs
(Dollars in Thousands)

<u>Description</u>	<u>FY 2013 Budget</u>	<u>Original FY 2012 Budget</u>	<u>Variance</u>
Reuse	\$ 433	\$ 180	\$ 253
Variable Costs	68	81	(13)
Fixed Costs	221	220	1
Subtotal Site	<u>\$ 722</u>	<u>\$ 481</u>	<u>\$ 241</u>
<u>Other</u>			
Treasury Related Expenses	\$ 54,561	\$ 74,156	\$ (19,595)
Decommissioning	565	565	-
Subtotal Other Costs	<u>\$ 55,126</u>	<u>\$ 74,721</u>	<u>\$ (19,595)</u>
Total	<u>\$ 55,848</u>	<u>\$ 75,202</u>	<u>\$ (19,354)</u>

Table 2
Treasury Related Expenses
(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>
Interest Expense (1)	\$ 67,691	\$ 84,749	\$ (17,058)
Amortized Financing Cost (2)	(13,557)	(11,051)	(2,506)
Investment Income (Rev. Fund) (3)	(90)	(103)	13
Treasury Services (4)	517	561	(44)
Total	<u>\$ 54,561</u>	<u>\$ 74,156</u>	<u>\$ (19,595)</u>

Assumptions

- (1) Budget assumes the successful close of the 2012A bond transaction on April 3, 2012.
- (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 are forecasted to average 0.25%.
- (4) Includes all non-interest costs of fixed rate debt, internal labor and overheads.

Table 3
Summary of Full Time Equivalent Positions *

<u>Description</u>	<u>FY 2013 Budget</u>	<u>FY 2012 Budget</u>	<u>Variance</u>
Industrial Development	1	1	-
Commercial Engineering	1	1	-
Treasury	1	1	-
Other	1	1	-
Total Positions	<u>4</u>	<u>4</u>	<u>-</u>

* Includes Allocations of Corporate Full Time Equivalent Positions

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

Description	FY 2013 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Req'ts	Prior Year's Commitments	FY 2013 Total Cash
Reuse	\$ 433	\$ -	\$ -	\$ -	\$ -	\$ 433
Variable Costs	68	-	-	-	-	68
Fixed Costs	221	-	-	-	-	221
Subtotal Site	\$ 722	\$ -	\$ -	\$ -	\$ -	\$ 722
Other						
Decommissioning	\$565	(\$565)	\$ -	\$ -	\$ -	\$ -
Treasury Related						
Interest Expense	67,691	-	-	-	-	67,691
Bond Retirement (1)	-	-	273,055	-	-	273,055
Amortized Cost	(13,557)	13,557	-	-	-	-
Invest. Income (Rev.)	(90)	-	-	12	(5)	(83)
Treasury Services	517	-	-	-	-	517
R&C Fund (2)	-	-	293	-	-	293
Prior Year's R&C Surplus	-	-	(293)	-	-	(293)
Subtotal Treasury Expenses	\$ 54,561	\$ 13,557	\$ 273,055	\$ 12	\$ (5)	\$ 341,180
Subtotal Other	\$ 55,126	\$ 12,992	\$ 273,055	\$ 12	\$ (5)	\$ 341,180
Total Funding Requirements	\$ 55,848	\$ 12,992	\$ 273,055	\$ 12	\$ (5)	\$ 341,902

(1) It is assumed that all \$273,055,000 of the maturing 7/1/2013 bonds will be paid off.

(2) 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 2013 Budget</u>	<u>Original FY 2012 Budget</u>	<u>Variance</u>
<u>Programs</u>			
Reuse	\$ 433	\$ 180	\$ 253
Variable Costs	68	81	(13)
Fixed Costs	221	220	1
Subtotal Programs	\$ 722	\$ 481	\$ 241
<u>Treasury Related Expenses</u>			
Interest Expense	\$ 67,691	\$ 84,749	\$ (17,058)
Bond Retirement	273,055	236,030	37,025
Reserve & Contingency Fund	293	293	-
Investment Income (Revenue)	(83)	(89)	6
Prior Year's R&C Surplus	(293)	(293)	-
Treasury Services	517	1,362	(845)
Subtotal Treasury Related	\$ 341,180	\$ 322,052	\$ 19,128
Total Funding Requirements	\$ 341,902	\$ 322,533	\$ 19,369
<u>Funding Sources</u>			
Net Billing/BPA Direct Payments	\$ 341,902	\$ 322,533	\$ 19,369
Total Funding Sources	\$ 341,902	\$ 322,533	\$ 19,369

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	FY2013 Total
Beginning Balance	\$ 3,000	\$ 3,313	\$ 3,326	\$ 3,306	\$ 3,287	\$ 43,186	\$ 10,781	\$ 10,772	\$ 10,783	\$ 11,536	\$ 11,683	\$ 309,124	\$ 3,000
Receipts													
BPA Direct Payments (1)	\$ 349	\$ 345	\$ 315	\$ 312	\$ 40,230	\$ 312	\$ 323	\$ 346	\$ 1,123	\$ 478	\$ 297,769	\$ -	\$ 341,902
Total Receipts	\$ 349	\$ 345	\$ 315	\$ 312	\$ 40,230	\$ 312	\$ 323	\$ 346	\$ 1,123	\$ 478	\$ 297,769	\$ -	\$ 341,902
Disbursements													
Treasury Related Expenses													
Interest Expense	\$ 244	\$ 244	\$ 244	\$ 244	\$ 244	\$ 32,626	\$ 243	\$ 244	\$ 244	\$ 244	\$ 244	\$ 32,626	\$ 67,691
Bond Retirement (2)	-	-	-	-	-	-	-	-	-	-	-	273,055	273,055
R&C Fund (3)	24	25	24	25	24	25	24	25	24	25	24	24	293
Investment Income	(5)	(1)	(1)	(1)	(1)	(8)	(1)	(1)	(1)	(1)	(1)	(61)	(83)
Prior Years R & C Surplus	(293)	-	-	-	-	-	-	-	-	-	-	-	(293)
Treasury Services	43	43	43	43	43	43	43	43	44	43	43	43	517
Subtotal Treasury Related	\$ 13	\$ 311	\$ 310	\$ 311	\$ 310	\$ 32,686	\$ 309	\$ 311	\$ 311	\$ 311	\$ 310	\$ 305,687	\$ 341,180
Reuse	\$ 5	\$ 5	\$ 5	\$ 6	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 377	\$ 433
Variable Costs	3	3	3	3	2	3	3	3	36	3	3	3	68
Fixed Costs	15	13	17	11	14	23	15	16	18	12	10	57	221
Total Disbursements	\$ 36	\$ 332	\$ 335	\$ 331	\$ 331	\$ 32,717	\$ 332	\$ 335	\$ 370	\$ 331	\$ 328	\$ 306,124	\$ 341,902
Ending Balance	\$ 3,313	\$ 3,326	\$ 3,306	\$ 3,287	\$ 43,186	\$ 10,781	\$ 10,772	\$ 10,783	\$ 11,536	\$ 11,683	\$ 309,124	\$ 3,000	\$ 3,000

(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 \$273,055 of the maturing 7/1/2013 bonds will be paid off.

(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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