

# **Fiscal Year 2014 Packwood Annual Operating Budget**



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### 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 2014 program and capital cost combined is estimated to be \$2,514,000 (Table 1), with associated net funding requirements of \$2,420,000 (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.
- The Fiscal Year 2014 Budget includes costs for mitigation activities required under the new operating license.

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

<u>Description</u>	<u>FY 2014 Budget</u>	<u>Original FY 2013 Budget</u>	<u>Variance</u>
<u>Operating Costs</u>			
Operating & Support Services	\$ 2,399	\$ 2,197	\$ 202
Generation Taxes	20	18	2
Depreciation	94	59	35
Subtotal Operating Costs	<u>\$ 2,513</u>	<u>\$ 2,274</u>	<u>\$ 239</u>
Interest/Financing (Net)	1	3	(2)
<b>Total Cost</b>	<u><b>\$ 2,514</b></u>	<u><b>\$ 2,277</b></u>	<u><b>\$ 237</b></u>
<b>Total Net Generation (MWh)</b>	<u><b>84,640</b></u>	<u><b>84,640</b></u>	<u><b>-</b></u>
<b>Cost of Power (\$/MWh) (1)</b>	<u><b>\$ 29.70</b></u>	<u><b>\$ 26.90</b></u>	<u><b>\$ 2.80</b></u>
<b>Total Capital Cost</b>	<u><b>\$ -</b></u>	<u><b>\$ 680</b></u>	<u><b>\$ (680)</b></u>
<b>Total Operating and Capital Cost</b>	<u><b>\$ 2,514</b></u>	<u><b>\$ 2,957</b></u>	<u><b>\$ (443)</b></u>

(1) Cost of Power includes Operating & Support Services, Generation Taxes, Depreciation, and Net Interest/Financing costs.

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

<u>Description</u>	<u>FY 2014</u> <u>Budget</u>	<u>Original</u> <u>FY 2013</u> <u>Budget</u>	<u>Variance</u>
<u>Revenues</u>			
Participant Billings (1)	\$ 2,300	\$ 2,000	\$ 300

**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 2014</u> <u>Budget</u>	<u>FY 2013</u> <u>Budget</u>	<u>Variance</u>
Operations & Maintenance	5	4	1

\* Includes Allocations of Corporate Full Time Equivalent Positions

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

<b>Description</b>	<b>FY 2014 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 2014 Total Cash</b>
Operating						
O&M and Support Services	\$ 2,399	\$ -	\$ -	\$ -	\$ -	\$ 2,399
Generation Taxes	20	-	-	-	-	20
Depreciation	94	(94)	-	-	-	-
<b>Subtotal Operating</b>	<b>\$ 2,513</b>	<b>\$ (94)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,419</b>
Net Debt Service						
Interest on Loan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Income	(4)	-	-	-	-	(4)
Treasury Services	5	-	-	-	-	5
<b>Subtotal Net Debt Service</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1</b>
Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Disbursements</b>	<b>\$ 2,514</b>	<b>\$ (94)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,420</b>
Funding Sources						
Participants Billings	\$ 2,300	\$ -	\$ -	\$ -	\$ -	\$ 2,300
Beginning Packwood Funds	-	-	1,293	-	-	1,293
<b>Total Funding Sources</b>	<b>\$ 2,300</b>	<b>\$ -</b>	<b>\$ 1,293</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,593</b>
<b>Ending Working Capital</b>	<b>\$ (214)</b>	<b>\$ (94)</b>	<b>\$ 1,293</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,173</b>



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

<u>Description</u>	<u>FY 2014 Budget</u>	<u>Original FY 2013 Budget</u>	<u>Variance</u>
<b>Beginning Packwood Funds Balance</b>	<b>\$ 1,293</b>	<b>\$ 1,900</b>	<b>\$ (607)</b>
<b><u>Funding Requirements</u></b>			
<u>Operating</u>			
Operating & Support Services	\$ 2,399	\$ 2,197	\$ 202
Generation Taxes	20	18	2
<b>Subtotal Operating</b>	<b>\$ 2,419</b>	<b>\$ 2,215</b>	<b>\$ 204</b>
<u>Net Debt Service</u>			
Interest Income	\$ (4)	\$ (2)	\$ (2)
Treasury Services	5	5	-
<b>Subtotal Net Debt Service</b>	<b>\$ 1</b>	<b>\$ 3</b>	<b>\$ (2)</b>
Capital	\$ -	\$ 680	\$ (680)
<b>Total Funding Requirements</b>	<b>\$ 2,420</b>	<b>\$ 2,898</b>	<b>\$ (478)</b>
<b><u>Funding Sources</u></b>			
Participants Billings	2,300	2,000	300
<b>Total Funding Sources</b>	<b>\$ 2,300</b>	<b>\$ 2,000</b>	<b>\$ 300</b>
<b>Ending Packwood Funds Balance</b>	<b>\$ 1,173</b>	<b>\$ 1,002</b>	<b>\$ 171</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 2014 Total
<b>Beginning Balance</b>	\$ 1,293	\$ 1,284	\$ 1,275	\$ 1,268	\$ 1,259	\$ 1,251	\$ 1,243	\$ 1,234	\$ 1,225	\$ 1,218	\$ 1,208	\$ 1,180	\$ 1,293
Receipts													
Participants Billings	\$ 191	\$ 192	\$ 192	\$ 191	\$ 192	\$ 192	\$ 191	\$ 192	\$ 192	\$ 191	\$ 192	\$ 192	\$ 2,300
<b>Total Receipts</b>	<b>\$ 191</b>	<b>\$ 192</b>	<b>\$ 192</b>	<b>\$ 191</b>	<b>\$ 192</b>	<b>\$ 192</b>	<b>\$ 191</b>	<b>\$ 192</b>	<b>\$ 192</b>	<b>\$ 191</b>	<b>\$ 192</b>	<b>\$ 192</b>	<b>\$ 2,300</b>
Disbursements													
Operations Disbursements													
O&M and Support Services	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 199	\$ 2,399
Generation Taxes	-	-	-	-	-	-	-	-	-	-	20	-	20
<b>Subtotal Operations</b>	<b>\$ 200</b>	<b>\$ 200</b>	<b>\$ 200</b>	<b>\$ 200</b>	<b>\$ 200</b>	<b>\$ 200</b>	<b>\$ 200</b>	<b>\$ 200</b>	<b>\$ 200</b>	<b>\$ 200</b>	<b>\$ 220</b>	<b>\$ 199</b>	<b>\$ 2,419</b>
Treasury Related													
Investment Income	-	-	(1)	-	-	(1)	-	-	(1)	-	-	(1)	(4)
Treasury Services	-	1	-	-	-	1	-	1	-	1	-	1	5
<b>Subtotal Treasury Related</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ (1)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ (1)</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1</b>
Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Disbursements</b>	<b>\$ 200</b>	<b>\$ 201</b>	<b>\$ 199</b>	<b>\$ 200</b>	<b>\$ 200</b>	<b>\$ 200</b>	<b>\$ 200</b>	<b>\$ 201</b>	<b>\$ 199</b>	<b>\$ 201</b>	<b>\$ 220</b>	<b>\$ 199</b>	<b>\$ 2,420</b>
<b>Ending Balance</b>	<b>\$ 1,284</b>	<b>\$ 1,275</b>	<b>\$ 1,268</b>	<b>\$ 1,259</b>	<b>\$ 1,251</b>	<b>\$ 1,243</b>	<b>\$ 1,234</b>	<b>\$ 1,225</b>	<b>\$ 1,218</b>	<b>\$ 1,208</b>	<b>\$ 1,180</b>	<b>\$ 1,173</b>	<b>\$ 1,173</b>

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

Description	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	\$ 2,304	\$ 2,304	\$ 2,178	\$ 2,178	\$ 2,178	\$ 2,178	\$ 2,178	\$ 2,178	\$ 2,178	\$ 2,178
Mitigation	95	160	163	562	361	55	50	50	55	45
<b>Subtotal Operating Costs</b>	<b>\$ 2,399</b>	<b>\$ 2,464</b>	<b>\$ 2,341</b>	<b>\$ 2,740</b>	<b>\$ 2,539</b>	<b>\$ 2,233</b>	<b>\$ 2,228</b>	<b>\$ 2,228</b>	<b>\$ 2,233</b>	<b>\$ 2,223</b>
Generation Taxes	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20
<b>Subtotal Other Costs</b>	<b>\$ 2,419</b>	<b>\$ 2,484</b>	<b>\$ 2,361</b>	<b>\$ 2,760</b>	<b>\$ 2,559</b>	<b>\$ 2,253</b>	<b>\$ 2,248</b>	<b>\$ 2,248</b>	<b>\$ 2,253</b>	<b>\$ 2,243</b>
Interest/Financing (Net)	1	1	-	-	(2)	(2)	(3)	(3)	(4)	(4)
<b>Subtotal Program Cost</b>	<b>\$ 2,420</b>	<b>\$ 2,485</b>	<b>\$ 2,361</b>	<b>\$ 2,760</b>	<b>\$ 2,557</b>	<b>\$ 2,251</b>	<b>\$ 2,245</b>	<b>\$ 2,245</b>	<b>\$ 2,249</b>	<b>\$ 2,239</b>
Escalation on Select Program Costs	\$ -	\$ 75	\$ 144	\$ 256	\$ 321	\$ 359	\$ 436	\$ 517	\$ 601	\$ 684
<b>Total Escalated Program Costs</b>	<b>\$ 2,420</b>	<b>\$ 2,560</b>	<b>\$ 2,505</b>	<b>\$ 3,016</b>	<b>\$ 2,878</b>	<b>\$ 2,610</b>	<b>\$ 2,681</b>	<b>\$ 2,762</b>	<b>\$ 2,850</b>	<b>\$ 2,923</b>
<b>Total Un-escalated Costs</b>	<b>\$ 2,420</b>	<b>\$ 2,485</b>	<b>\$ 2,361</b>	<b>\$ 2,760</b>	<b>\$ 2,557</b>	<b>\$ 2,251</b>	<b>\$ 2,245</b>	<b>\$ 2,245</b>	<b>\$ 2,249</b>	<b>\$ 2,239</b>
<b>Total Escalation</b>	<b>\$ -</b>	<b>\$ 75</b>	<b>\$ 144</b>	<b>\$ 256</b>	<b>\$ 321</b>	<b>\$ 359</b>	<b>\$ 436</b>	<b>\$ 517</b>	<b>\$ 601</b>	<b>\$ 684</b>
<b>Total Escalated Costs</b>	<b>\$ 2,420</b>	<b>\$ 2,560</b>	<b>\$ 2,505</b>	<b>\$ 3,016</b>	<b>\$ 2,878</b>	<b>\$ 2,610</b>	<b>\$ 2,681</b>	<b>\$ 2,762</b>	<b>\$ 2,850</b>	<b>\$ 2,923</b>
<b>Participants Billings</b>	<b>\$ 2,300</b>	<b>\$ 2,700</b>	<b>\$ 2,700</b>	<b>\$ 2,700</b>	<b>\$ 2,700</b>	<b>\$ 2,700</b>	<b>\$ 2,700</b>	<b>\$ 2,700</b>	<b>\$ 2,850</b>	<b>\$ 2,850</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
Participant Billing Cost (\$/MWh) (1)	\$ 27.17	\$ 31.90	\$ 31.90	\$ 31.90	\$ 31.90	\$ 31.90	\$ 31.90	\$ 31.90	\$ 33.67	\$ 33.67

**Key Assumptions/Qualifications:**

Escalation Rate = 3.00% starting FY 2015 for costs.

(1) Participant Billing Cost reflects actual funding from participants to meet expected cash requirements.

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