

Fiscal Year 2014 Project 1 Annual Budget



Prepared 5/16/13

Table of Contents

	<u>Table</u>	<u>Page</u>
Summary		3
Summary of Costs	Table 1	4
Treasury Related Expenses	Table 2	5
Summary of Full Time Equivalent Positions	Table 3	6
Cost-to-Cash Reconciliation	Table 4	8
Annual Budget and Statement of Funding Requirements	Table 5	9
Monthly Statement of Funding Requirements- Revenue Fund	Table 6	10

Summary

The Project 1 Fiscal Year 2014 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 2014 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 2014.

The total net cost for Fiscal Year 2014 is estimated to be \$41,554,000 (Table 1). Total Funding Requirements of \$386,056,000 (Table 5) less revenue from asset sales and leasing totaling \$946,000 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 2014 budget is made to the original budget issued for Fiscal Year 2013.

Table 1
Summary of Costs
(Dollars in Thousands)

	FY 2014 Budget	Original FY 2013 Budget	Variance
Revenue			
Asset Sales	\$ 840	\$ -	\$ 840
Fixed Costs	106	203	(97)
Total Revenue	\$ 946	\$ 203	\$ 743
Costs			
Site Costs			
Asset Sales	\$ 356	\$ -	\$ 356
Reuse	325	433	(108)
Variable Costs	51	68	(17)
Fixed Costs	474	424	50
Subtotal Site Costs	\$ 1,206	\$ 925	\$ 281
Other			
Treasury Related Expenses	\$ 40,729	\$ 54,561	\$ (13,832)
Decommissioning	565	565	-
Subtotal Other Costs	\$ 41,294	\$ 55,126	\$ (13,832)
Total Costs	\$ 42,500	\$ 56,051	\$ (13,551)
Total Net Costs	\$ 41,554	\$ 55,848	\$ (14,294)

Table 2
Treasury Related Expenses
(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>
Interest Expense (1)	\$ 52,401	\$ 67,691	\$ (15,290)
Amortized Financing Cost (2)	(12,015)	(13,557)	1,542
Investment Income (Rev. Fund) (3)	(80)	(90)	10
Treasury Services (4)	423	517	(94)
Total	<u>\$ 40,729</u>	<u>\$ 54,561</u>	<u>\$ (13,832)</u>

Assumptions

- (1) Budget assumes no refinancing or restructuring activity will occur.
- (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 0.20%.
- (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 2014 Budget</u>	<u>FY 2013 Budget</u>	<u>Variance</u>
Asset Sales	2	-	2
Site Support	3	3	-
Treasury	1	1	-
Total Positions	6	4	2

* Includes Allocations of Corporate Full Time Equivalent Positions

(Page left intentionally blank)

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

Description	FY 2014 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Req'ts	Prior Year's Commitments	FY 2014 Total Cash
Asset Sales	\$ 356	\$ -	\$ -	\$ -	\$ -	\$ 356
Reuse	325	-	-	-	-	325
Variable Costs	51	-	-	-	-	51
Fixed Costs	474	-	-	-	-	474
Subtotal Site	\$ 1,206	\$ -	\$ -	\$ -	\$ -	\$ 1,206
Other						
Decommissioning (1)	\$565	(\$565)	\$ -	\$ -	\$ -	\$ -
Treasury Related						
Interest Expense	52,401	-	-	-	-	52,401
Bond Retirement (2)	-	-	332,100	-	-	332,100
Amortized Cost	(12,015)	12,015	-	-	-	-
Invest. Income (Rev.)	(80)	-	-	6	-	(74)
Treasury Services	423	-	-	-	-	423
R&C Fund (3)	-	-	293	-	-	293
Prior Year's R&C Surplus	-	-	(293)	-	-	(293)
Subtotal Treasury Expenses	\$ 40,729	\$ 12,015	\$ 332,100	\$ 6	\$ -	\$ 384,850
Subtotal Other	\$ 41,294	\$ 11,450	\$ 332,100	\$ 6	\$ -	\$ 384,850
Total Funding Requirements	\$ 42,500	\$ 11,450	\$ 332,100	\$ 6	\$ -	\$ 386,056

(1) BPA directly funds the requirements for the Decommissioning Fund on behalf of Energy Northwest.

(2) It is assumed that all \$332,100,000 of the maturing 7/1/2014 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.

Table 5
Annual Budget and
Statement of Funding Requirements
(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>Programs</u>			
Asset Sales	\$ 356	\$ -	\$ 356
Reuse	325	433	(108)
Variable Costs	51	68	(17)
Fixed Costs	474	424	50
Subtotal Programs	<u>\$ 1,206</u>	<u>\$ 925</u>	<u>\$ 281</u>
<u>Treasury Related Expenses</u>			
Interest Expense	\$ 52,401	\$ 67,691	\$ (15,290)
Bond Retirement	332,100	273,055	59,045
Reserve & Contingency Fund	293	293	-
Investment Income (Revenue)	(74)	(83)	9
Prior Year's R&C Surplus	(293)	(293)	-
Treasury Services	423	517	(94)
Subtotal Treasury Related	<u>\$ 384,850</u>	<u>\$ 341,180</u>	<u>\$ 43,670</u>
Total Funding Requirements	<u>\$ 386,056</u>	<u>\$ 342,105</u>	<u>\$ 43,951</u>
<u>Funding Sources</u>			
Asset Sales	\$ 840	\$ -	\$ 840
Revenue - Fixed Costs	106	203	(97)
Net Billing/BPA Direct Payments	385,110	341,902	43,208
Total Funding Sources	<u>\$ 386,056</u>	<u>\$ 342,105</u>	<u>\$ 43,951</u>

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	FY2014 Total
Beginning Balance	\$ 3,000	\$ 3,411	\$ 3,381	\$ 3,387	\$ 3,416	\$ 3,386	\$ 3,385	\$ 3,433	\$ 3,405	\$ 3,405	\$ 3,437	\$ 3,349	\$ 3,000
Receipts													
BPA Direct Payments (1)	\$ 487	\$ 370	\$ 377	\$ 408	\$ 378	\$ 25,114	\$ 425	\$ 397	\$ 397	\$ 149	\$ 60	\$ 356,548	\$ 385,110
Asset Sales	-	-	-	-	-	-	-	-	-	280	280	280	840
Revenue - Leasing	11	11	10	8	8	8	8	8	8	8	9	9	106
Total Receipts	\$ 498	\$ 381	\$ 387	\$ 416	\$ 386	\$ 25,122	\$ 433	\$ 405	\$ 405	\$ 437	\$ 349	\$ 356,837	\$ 386,056
Disbursements													
Treasury Related Expenses													
Interest Expense	\$ 244	\$ 244	\$ 244	\$ 244	\$ 244	\$ 24,981	\$ 243	\$ 244	\$ 244	\$ 244	\$ 244	\$ 24,981	\$ 52,401
Bond Retirement (2)	-	-	-	-	-	-	-	-	-	-	-	332,100	332,100
R&C Fund (3)	24	25	24	25	24	25	24	25	24	25	24	24	293
Investment Income	(1)	(1)	(1)	(1)	(1)	(5)	(1)	(1)	(1)	(1)	(1)	(59)	(74)
Prior Years R & C Surplus	(293)	-	-	-	-	-	-	-	-	-	-	-	(293)
Treasury Services	25	55	25	25	55	25	25	55	25	26	56	26	423
Subtotal Treasury Related	\$ (1)	\$ 323	\$ 292	\$ 293	\$ 322	\$ 25,026	\$ 291	\$ 323	\$ 292	\$ 294	\$ 323	\$ 357,072	\$ 384,850
Asset Sales	\$ 23	\$ 23	\$ 23	\$ 23	\$ 23	\$ 23	\$ 23	\$ 39	\$ 39	\$ 39	\$ 39	\$ 39	\$ 356
Reuse	26	26	26	27	27	28	27	27	28	27	28	28	325
Variable Costs	3	3	4	4	4	5	4	4	5	5	5	5	51
Fixed Costs	36	36	36	40	40	41	40	40	41	40	42	42	474
Total Disbursements	\$ 87	\$ 411	\$ 381	\$ 387	\$ 416	\$ 25,123	\$ 385	\$ 433	\$ 405	\$ 405	\$ 437	\$ 357,186	\$ 386,056
Ending Balance	\$ 3,411	\$ 3,381	\$ 3,387	\$ 3,416	\$ 3,386	\$ 3,385	\$ 3,433	\$ 3,405	\$ 3,405	\$ 3,437	\$ 3,349	\$ 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 \$332,100 of the maturing 7/1/2014 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.

(Page left intentionally blank)