

**Fiscal Year 2015
Packwood
Annual Operating Budget**



Table of Contents

	<u>Table</u>	<u>Page</u>
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 2015 program and capital cost combined is estimated to be \$2,572,000 (Table 1), with associated net funding requirements of \$2,475,000 (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 2015 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 2015 Budget</u>	<u>Original FY 2014 Budget</u>	<u>Variance</u>
<u>Operating Costs</u>			
Operating & Support Services	\$ 2,214	\$ 2,399	\$ (185)
Generation Taxes	20	20	-
Depreciation	97	94	3
Subtotal Operating Costs	<u>\$ 2,331</u>	<u>\$ 2,513</u>	<u>\$ (182)</u>
Interest/Financing (Net)	1	1	-
Total Cost	<u>\$ 2,332</u>	<u>\$ 2,514</u>	<u>\$ (182)</u>
Total Net Generation (MWh)	<u>84,640</u>	<u>84,640</u>	<u>-</u>
Cost of Power (\$/MWh) (1)	<u>\$ 27.55</u>	<u>\$ 29.70</u>	<u>\$ (2.15)</u>
Total Capital Cost	<u>\$ 240</u>	<u>\$ -</u>	<u>\$ 240</u>
Total Operating and Capital Cost	<u>\$ 2,572</u>	<u>\$ 2,514</u>	<u>\$ 58</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 2015</u> <u>Budget</u>	<u>Original</u> <u>FY 2014</u> <u>Budget</u>	<u>Variance</u>
<u>Revenues</u>			
Participant Billings (1)	\$ 2,500	\$ 2,300	\$ 200

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 2015</u> <u>Budget</u>	<u>FY 2014</u> <u>Budget</u>	<u>Variance</u>
Operations & Maintenance	4	5	(1)

*** Includes Allocations of Corporate Full Time Equivalent Positions**

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

Description	FY 2015 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2015 Total Cash
Operating						
O&M and Support Services	\$ 2,214	\$ -	\$ -	\$ -	\$ -	\$ 2,214
Generation Taxes	20	-	-	-	-	20
Depreciation	97	(97)	-	-	-	-
Subtotal Operating	\$ 2,331	\$ (97)	\$ -	\$ -	\$ -	\$ 2,234
Net Debt Service						
Interest Income	\$ (4)	\$ -	\$ -	\$ -	\$ -	\$ (4)
Treasury Services	5	-	-	-	-	5
Subtotal Net Debt Service	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 1
Capital	\$ 240	\$ -	\$ -	\$ -	\$ -	\$ 240
Total Disbursements	\$ 2,572	\$ (97)	\$ -	\$ -	\$ -	\$ 2,475
Funding Sources						
Participants Billings	\$ 2,500	\$ -	\$ -	\$ -	\$ -	\$ 2,500
Beginning Packwood Funds	-	-	1,316	-	-	1,316
Total Funding Sources	\$ 2,500	\$ -	\$ 1,316	\$ -	\$ -	\$ 3,816
Ending Working Capital	\$ (72)	\$ (97)	\$ 1,316	\$ -	\$ -	\$ 1,341

Table 5
Statement of Funding Requirements
(Dollars in Thousands)

<u>Description</u>	FY 2015 Budget	Original FY 2014 Budget	Variance
Beginning Packwood Funds Balance	\$ 1,316	\$ 1,293	\$ 23
<u>Funding Requirements</u>			
<u>Operating</u>			
Operating & Support Services	\$ 2,214	\$ 2,399	\$ (185)
Generation Taxes	20	20	-
Subtotal Operating	\$ 2,234	\$ 2,419	\$ (185)
<u>Net Debt Service</u>			
Interest Income	\$ (4)	\$ (4)	\$ -
Treasury Services	5	5	-
Subtotal Net Debt Service	\$ 1	\$ 1	\$ -
Capital	\$ 240	\$ -	\$ 240
Total Funding Requirements	\$ 2,475	\$ 2,420	\$ 55
<u>Funding Sources</u>			
Participants Billings	2,500	2,300	200
Total Funding Sources	\$ 2,500	\$ 2,300	\$ 200
Ending Packwood Funds Balance	\$ 1,341	\$ 1,173	\$ 168

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

Description	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2015 Total
Beginning Balance	\$ 1,316	\$ 1,341	\$ 1,363	\$ 1,389	\$ 1,287	\$ 1,311	\$ 1,334	\$ 1,358	\$ 1,381	\$ 1,406	\$ 1,429	\$ 1,433	\$ 1,316
Receipts													
Participants Billings	\$ 209	\$ 208	\$ 209	\$ 208	\$ 208	\$ 208	\$ 208	\$ 209	\$ 208	\$ 209	\$ 208	\$ 208	\$ 2,500
Total Receipts	\$ 209	\$ 208	\$ 209	\$ 208	\$ 208	\$ 208	\$ 208	\$ 209	\$ 208	\$ 209	\$ 208	\$ 208	\$ 2,500
Disbursements													
Operations Disbursements													
O&M and Support Services	\$ 184	\$ 185	\$ 184	\$ 185	\$ 184	\$ 185	\$ 184	\$ 185	\$ 184	\$ 185	\$ 184	\$ 185	\$ 2,214
Generation Taxes	-	-	-	-	-	-	-	-	-	-	20	-	20
Subtotal Operations	\$ 184	\$ 185	\$ 184	\$ 185	\$ 184	\$ 185	\$ 184	\$ 185	\$ 184	\$ 185	\$ 204	\$ 185	\$ 2,234
Treasury Related													
Investment Income	-	-	(1)	-	-	(1)	-	-	(1)	-	-	(1)	(4)
Treasury Services	-	1	-	-	-	1	-	1	-	1	-	1	5
Subtotal Treasury Related	\$ -	\$ 1	\$ (1)	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ (1)	\$ 1	\$ -	\$ -	\$ 1
Capital	\$ -	\$ -	\$ -	\$ 125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 115	\$ 240
Total Disbursements	\$ 184	\$ 186	\$ 183	\$ 310	\$ 184	\$ 185	\$ 184	\$ 186	\$ 183	\$ 186	\$ 204	\$ 300	\$ 2,475
Ending Balance	\$ 1,341	\$ 1,363	\$ 1,389	\$ 1,287	\$ 1,311	\$ 1,334	\$ 1,358	\$ 1,381	\$ 1,406	\$ 1,429	\$ 1,433	\$ 1,341	\$ 1,341

Table 7
Long Range Plan
(Dollars in Thousands)

Description	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Operating Costs										
Operating & Support Services	\$ 2,119	\$ 2,119	\$ 2,119	\$ 2,119	\$ 2,119	\$ 2,119	\$ 2,119	\$ 2,119	\$ 2,119	\$ 2,119
Mitigation	95	160	163	562	361	56	50	51	55	45
Escalation on Select Program Costs	-	57	115	206	258	285	346	409	475	538
Subtotal Operating Costs	\$ 2,214	\$ 2,336	\$ 2,397	\$ 2,887	\$ 2,738	\$ 2,460	\$ 2,515	\$ 2,579	\$ 2,649	\$ 2,702
Capital & Other Costs										
Capital Costs	\$ 240	\$ 450	\$ -	\$ 40	\$ 300	\$ 80	\$ 125	\$ 100	\$ -	\$ 700
Generation Taxes	20	20	20	20	20	20	20	20	20	20
Interest/Financing (Net)	1	1	-	-	(2)	(2)	(3)	(3)	(4)	(4)
Escalation on Capital Costs	-	11	-	3	31	11	20	19	-	174
Subtotal Capital & Other Costs	\$ 261	\$ 482	\$ 20	\$ 63	\$ 349	\$ 109	\$ 162	\$ 136	\$ 16	\$ 890
Total Escalated Program Costs	\$ 2,475	\$ 2,818	\$ 2,417	\$ 2,950	\$ 3,087	\$ 2,569	\$ 2,677	\$ 2,715	\$ 2,665	\$ 3,592
Total Un-escalated Costs	\$ 2,475	\$ 2,750	\$ 2,302	\$ 2,741	\$ 2,798	\$ 2,273	\$ 2,311	\$ 2,287	\$ 2,190	\$ 2,880
Total Escalation	\$ -	\$ 68	\$ 115	\$ 209	\$ 289	\$ 296	\$ 366	\$ 428	\$ 475	\$ 712
Total Escalated Costs	\$ 2,475	\$ 2,818	\$ 2,417	\$ 2,950	\$ 3,087	\$ 2,569	\$ 2,677	\$ 2,715	\$ 2,665	\$ 3,592
Participants Billings	\$ 2,500	\$ 2,700	\$ 2,700	\$ 2,700	\$ 2,700	\$ 2,700	\$ 2,700	\$ 2,700	\$ 2,700	\$ 3,500
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)	\$ 29.54	\$ 31.90	\$ 31.90	\$ 31.90	\$ 31.90	\$ 31.90	\$ 31.90	\$ 31.90	\$ 31.90	\$ 41.35

Key Assumptions/Qualifications:

Escalation Rate = 2.50% starting FY 2016 for costs.

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

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