

# **Fiscal Year 2015 Project 1 Annual Budget**



Prepared 4/23/14

**Table of Contents**

	<b><u>Table</u></b>	<b><u>Page</u></b>
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 2015 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 2015 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 2015.

The total net cost for Fiscal Year 2015 is estimated to be \$27,207,000 (Table 1). Total Funding Requirements of \$228,046,000 (Table 5) less revenue from asset sales and leasing totaling \$514,000 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 2015 budget is made to the original budget issued for Fiscal Year 2014.

**Table 1**  
**Summary of Costs**  
(Dollars in Thousands)

	<u>FY 2015</u> <u>Budget</u>	<u>Original</u> <u>FY 2014</u> <u>Budget</u>	<u>Variance</u>
<b>Revenue</b>			
Asset Sales	\$ 400	\$ 840	\$ (440)
Fixed Costs	114	106	8
<b>Total Revenue</b>	<b>\$ 514</b>	<b>\$ 946</b>	<b>\$ (432)</b>
<b><u>Costs</u></b>			
<b><u>Site Costs</u></b>			
Asset Sales	\$ 174	\$ 356	\$ (182)
Reuse	217	325	(108)
Variable Costs	39	51	(12)
Fixed Costs	458	474	(16)
<b>Subtotal Site Costs</b>	<b>\$ 888</b>	<b>\$ 1,206</b>	<b>\$ (318)</b>
<b><u>Other</u></b>			
Treasury Related Expenses	\$ 26,268	\$ 40,729	\$ (14,461)
Decommissioning	565	565	-
<b>Subtotal Other Costs</b>	<b>\$ 26,833</b>	<b>\$ 41,294</b>	<b>\$ (14,461)</b>
<b>Total Costs</b>	<b>\$ 27,721</b>	<b>\$ 42,500</b>	<b>\$ (14,779)</b>
<b>Total Net Costs</b>	<b>\$ 27,207</b>	<b>\$ 41,554</b>	<b>\$ (14,347)</b>

**Table 2**  
**Treasury Related Expenses**  
(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>
Interest Expense (1)	\$ 35,443	\$ 52,401	\$ (16,958)
Amortized Financing Cost (2)	(9,451)	(12,015)	2,564
Investment Income (Rev. Fund) (3)	(25)	(80)	55
Treasury Services (4)	301	423	(122)
<b>Total</b>	<b><u>\$ 26,268</u></b>	<b><u>\$ 40,729</u></b>	<b><u>\$ (14,461)</u></b>

**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.
- (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 2015 Budget</u>	<u>FY 2014 Budget</u>	<u>Variance</u>
Asset Sales	1	2	(1)
Site Support	3	3	-
Treasury	1	1	-
<b>Total Positions</b>	<b><u>5</u></b>	<b><u>6</u></b>	<b><u>(1)</u></b>

\* 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 Req'ts	Prior Year's Commitments	FY 2015 Total Cash
Asset Sales	\$ 174	\$ -	\$ -	\$ -	\$ -	\$ 174
Reuse	217	-	-	-	-	217
Variable Costs	39	-	-	-	-	39
Fixed Costs	458	-	-	-	-	458
<b>Subtotal Site</b>	<b>\$ 888</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 888</b>
<b>Other</b>						
Decommissioning (1)	\$565	(\$565)	\$ -	\$ -	\$ -	\$ -
Treasury Related						
Interest Expense	35,443	-	-	-	-	35,443
Bond Retirement (2)	-	-	191,430	-	-	191,430
Amortized Cost	(9,451)	9,451	-	-	-	-
Invest. Income (Rev.)	(25)	-	-	9	-	(16)
Treasury Services	301	-	-	-	-	301
R&C Fund (3)	-	-	293	-	-	293
Prior Year's R&C Surplus	-	-	(293)	-	-	(293)
Subtotal Treasury Expenses	\$ 26,268	\$ 9,451	\$ 191,430	\$ 9	\$ -	\$ 227,158
<b>Subtotal Other</b>	<b>\$ 26,833</b>	<b>\$ 8,886</b>	<b>\$ 191,430</b>	<b>\$ 9</b>	<b>\$ -</b>	<b>\$ 227,158</b>
<b>Total Funding Requirements</b>	<b>\$ 27,721</b>	<b>\$ 8,886</b>	<b>\$ 191,430</b>	<b>\$ 9</b>	<b>\$ -</b>	<b>\$ 228,046</b>

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

(2) It is assumed that all \$191,430,000 of the maturing 7/1/2015 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 2015</u> <u>Budget</u>	<u>Original</u> <u>FY 2014</u> <u>Budget</u>	<u>Variance</u>
<u>Programs</u>			
Asset Sales	\$ 174	\$ 356	\$ (182)
Reuse	217	325	(108)
Variable Costs	39	51	(12)
Fixed Costs	458	474	(16)
<b>Subtotal Programs</b>	<b>\$ 888</b>	<b>\$ 1,206</b>	<b>\$ (318)</b>
<u>Treasury Related Expenses</u>			
Interest Expense	\$ 35,443	\$ 52,401	\$ (16,958)
Bond Retirement	191,430	332,100	(140,670)
Reserve & Contingency Fund	293	293	-
Investment Income (Revenue)	(16)	(74)	58
Prior Year's R&C Surplus	(293)	(293)	-
Treasury Services	301	423	(122)
<b>Subtotal Treasury Related</b>	<b>\$ 227,158</b>	<b>\$ 384,850</b>	<b>\$ (157,692)</b>
<b>Total Funding Requirements</b>	<b>\$ 228,046</b>	<b>\$ 386,056</b>	<b>\$ (158,010)</b>
<u>Funding Sources</u>			
Asset Sales	\$ 400	\$ 840	\$ (440)
Revenue - Fixed Costs	114	106	8
Net Billing/BPA Direct Payments	227,532	385,110	(157,578)
<b>Total Funding Sources</b>	<b>\$ 228,046</b>	<b>\$ 386,056</b>	<b>\$ (158,010)</b>

**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	FY2015 Total
<b>Beginning Balance</b>	\$ 3,000	\$ 3,005	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Receipts													
BPA Direct Payments (1)	\$ -	\$ 282	\$ 288	\$ 288	\$ 287	\$ 16,627	\$ 365	\$ 342	\$ 343	\$ 342	\$ 342	\$ 208,026	\$ 227,532
Asset Sales	80	80	80	80	80	-	-	-	-	-	-	-	400
Revenue - Leasing	9	10	9	10	9	10	9	10	9	10	9	10	114
<b>Total Receipts</b>	\$ 89	\$ 372	\$ 377	\$ 378	\$ 376	\$ 16,637	\$ 374	\$ 352	\$ 352	\$ 352	\$ 351	\$ 208,036	\$ 228,046
Disbursements													
Treasury Related Expenses													
Interest Expense	\$ 244	\$ 244	\$ 244	\$ 244	\$ 244	\$ 16,502	\$ 243	\$ 244	\$ 244	\$ 244	\$ 244	\$ 16,502	\$ 35,443
Bond Retirement (2)	-	-	-	-	-	-	-	-	-	-	-	191,430	191,430
R&C Fund (3)	24	25	24	25	24	25	24	25	24	25	24	24	293
Investment Income	(1)	(1)	(1)	(1)	(1)	(2)	(1)	(1)	(1)	(1)	(1)	(4)	(16)
Prior Years R & C Surplus	(293)	-	-	-	-	-	-	-	-	-	-	-	(293)
Treasury Services	25	25	25	25	25	26	25	25	25	25	25	25	301
<b>Subtotal Treasury Related</b>	\$ (1)	\$ 293	\$ 292	\$ 293	\$ 292	\$ 16,551	\$ 291	\$ 293	\$ 292	\$ 293	\$ 292	\$ 207,977	\$ 227,158
Asset Sales	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 24	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 174
Reuse	18	18	18	18	18	19	18	18	18	18	18	18	217
Variable Costs	3	3	4	3	3	4	3	3	4	3	3	3	39
Fixed Costs	39	38	38	39	38	38	38	38	38	38	38	38	458
<b>Total Disbursements</b>	\$ 84	\$ 377	\$ 377	\$ 378	\$ 376	\$ 16,637	\$ 374	\$ 352	\$ 352	\$ 352	\$ 351	\$ 208,036	\$ 228,046
<b>Ending Balance</b>	\$ 3,005	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 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 \$191,430,000 of the maturing 7/1/2015 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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