

**Fiscal Year 2016
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 2016 program and capital cost combined is estimated to be \$2,733,000 (Table 1), with associated net funding requirements of \$2,634,000 (Table 5). The difference between total program cost and net funding requirements is due to depreciation (Table 4).

Key Assumptions/Qualifications

- The Project budget has been reviewed and approved by the participants.
- Generation is estimated at 108,783 MWh, which reflects 5-year average of the plant output.
- The Fiscal Year 2016 Budget does not include costs for mitigation activities required under the new operating license which is not expected to become effective during the year.

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

Description	FY 2016 Budget	Original FY 2015 Budget	Variance
Operating Costs			
Operating & Support Services	\$ 2,401	\$ 2,214	\$ 187
Generation Taxes	24	20	4
Depreciation	99	97	2
Subtotal Operating Costs	<u>\$ 2,524</u>	<u>\$ 2,331</u>	<u>\$ 193</u>
Interest/Financing (Net)	1	1	-
Total Cost	<u>\$ 2,525</u>	<u>\$ 2,332</u>	<u>\$ 193</u>
Total Net Generation (MWh)	<u>108,783</u>	<u>84,640</u>	<u>24,143</u>
Cost of Power (\$/MWh) (1)	<u>\$ 23.21</u>	<u>\$ 27.55</u>	<u>\$ (4.34)</u>
Total Capital Cost	<u>\$ 208</u>	<u>\$ 240</u>	<u>\$ (32)</u>
Total Operating and Capital Cost	<u>\$ 2,733</u>	<u>\$ 2,572</u>	<u>\$ 161</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 2016</u> <u>Budget</u>	<u>Original</u> <u>FY 2015</u> <u>Budget</u>	<u>Variance</u>
<u>Revenues</u>			
Participant Billings	\$ 2,500	\$ 2,500	\$ -
Variance - () Unfavorable			

Table 3
Summary of Full Time Equivalent Positions *

<u>Description</u>	<u>FY 2016</u> <u>Budget</u>	<u>FY 2015</u> <u>Budget</u>	<u>Variance</u>
Operations & Maintenance	3	4	(1)

* Includes Allocations of Corporate Full Time Equivalent Positions

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

Description	FY 2016 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2016 Total Cash
Operating						
O&M and Support Services	\$ 2,401	\$ -	\$ -	\$ -	\$ -	\$ 2,401
Generation Taxes	24	-	-	-	-	24
Depreciation	99	(99)	-	-	-	-
Subtotal Operating	\$ 2,524	\$ (99)	\$ -	\$ -	\$ -	\$ 2,425
Interest/Financing						
Interest Income	\$ (4)	\$ -	\$ -	\$ -	\$ -	\$ (4)
Treasury Services	5	-	-	-	-	5
Subtotal Net Interest/Financing	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 1
Capital	\$ 208	\$ -	\$ -	\$ -	\$ -	\$ 208
Total Disbursements	\$ 2,733	\$ (99)	\$ -	\$ -	\$ -	\$ 2,634
Funding Sources						
Participants Billings	\$ 2,500	\$ -	\$ -	\$ -	\$ -	\$ 2,500
Beginning Packwood Funds	-	-	1,581	-	-	1,581
Total Funding Sources	\$ 2,500	\$ -	\$ 1,581	\$ -	\$ -	\$ 4,081
Ending Working Capital	\$ (233)	\$ (99)	\$ 1,581	\$ -	\$ -	\$ 1,447

Table 5
Statement of Funding Requirements
(Dollars in Thousands)

<u>Description</u>	FY 2016 Budget	Original FY 2015 Budget	Variance
Beginning Packwood Funds Balance	\$ 1,581	\$ 1,316	\$ 265
<u>Funding Requirements</u>			
<u>Operating</u>			
Operating & Support Services	\$ 2,401	\$ 2,214	\$ 187
Generation Taxes	24	20	4
Subtotal Operating	\$ 2,425	\$ 2,234	\$ 191
<u>Interest/Financing</u>			
Interest Income	\$ (4)	\$ (4)	\$ -
Treasury Services	5	5	-
Subtotal Net Interest/Financing	\$ 1	\$ 1	\$ -
Capital	\$ 208	\$ 240	\$ (32)
Total Funding Requirements	\$ 2,634	\$ 2,475	\$ 159
<u>Funding Sources</u>			
Participants Billings	2,500	2,500	-
Total Funding Sources	\$ 2,500	\$ 2,500	\$ -
Ending Packwood Funds Balance	\$ 1,447	\$ 1,341	\$ 106

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

Description	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2016 Total
Beginning Balance	\$ 1,581	\$ 1,615	\$ 1,647	\$ 1,682	\$ 1,365	\$ 1,322	\$ 1,355	\$ 1,388	\$ 1,421	\$ 1,455	\$ 1,488	\$ 1,497	\$ 1,581
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	\$ 175	\$ 175	\$ 175	\$ 400	\$ 251	\$ 175	\$ 175	\$ 175	\$ 175	\$ 175	\$ 175	\$ 175	\$ 2,401
Generation Taxes	-	-	-	-	-	-	-	-	-	-	24	-	24
Subtotal Operations	\$ 175	\$ 175	\$ 175	\$ 400	\$ 251	\$ 175	\$ 175	\$ 175	\$ 175	\$ 175	\$ 199	\$ 175	\$ 2,425
Interest/Financing													
Investment Income	-	-	(1)	-	-	(1)	-	-	(1)	-	-	(1)	(4)
Treasury Services	-	1	-	-	-	1	-	1	-	1	-	1	5
Subtotal Interest/Financing Related	\$ -	\$ 1	\$ (1)	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ (1)	\$ 1	\$ -	\$ -	\$ 1
Capital	\$ -	\$ -	\$ -	\$ 125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83	\$ 208
Total Disbursements	\$ 175	\$ 176	\$ 174	\$ 525	\$ 251	\$ 175	\$ 175	\$ 176	\$ 174	\$ 176	\$ 199	\$ 258	\$ 2,634
Ending Balance	\$ 1,615	\$ 1,647	\$ 1,682	\$ 1,365	\$ 1,322	\$ 1,355	\$ 1,388	\$ 1,421	\$ 1,455	\$ 1,488	\$ 1,497	\$ 1,447	\$ 1,447

Table 7
Long Range Plan
(Dollars in Thousands)

Description	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Operating Costs										
Operating & Support Services	\$ 2,388	\$ 2,113	\$ 2,113	\$ 2,113	\$ 2,113	\$ 2,113	\$ 2,113	\$ 2,113	\$ 2,113	\$ 2,113
Mitigation	13	96	173	175	562	374	68	63	63	68
Escalation on Select Program Costs	-	55	116	176	277	327	348	411	475	543
Subtotal Operating Costs	\$ 2,401	\$ 2,264	\$ 2,402	\$ 2,464	\$ 2,952	\$ 2,814	\$ 2,529	\$ 2,587	\$ 2,651	\$ 2,724
Capital & Other Costs										
Capital Costs	\$ 208	\$ 450	\$ 40	\$ 300	\$ -	\$ 125	\$ 100	\$ -	\$ 700	\$ -
Generation Taxes	24	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	2	23	-	16	16	-	153	-
Subtotal Capital & Other Costs	\$ 233	\$ 482	\$ 62	\$ 343	\$ 18	\$ 159	\$ 133	\$ 17	\$ 869	\$ 16
Total Escalated Program Costs	\$ 2,634	\$ 2,746	\$ 2,464	\$ 2,807	\$ 2,970	\$ 2,973	\$ 2,662	\$ 2,604	\$ 3,520	\$ 2,740
Total Un-escalated Costs	\$ 2,634	\$ 2,680	\$ 2,346	\$ 2,608	\$ 2,693	\$ 2,630	\$ 2,298	\$ 2,193	\$ 2,892	\$ 2,197
Total Escalation	\$ -	\$ 66	\$ 118	\$ 199	\$ 277	\$ 343	\$ 364	\$ 411	\$ 628	\$ 543
Total Escalated Costs	\$ 2,634	\$ 2,746	\$ 2,464	\$ 2,807	\$ 2,970	\$ 2,973	\$ 2,662	\$ 2,604	\$ 3,520	\$ 2,740
Participants Billings	\$ 2,500	\$ 2,700	\$ 2,700	\$ 2,700	\$ 2,700	\$ 2,850	\$ 2,850	\$ 2,850	\$ 2,850	\$ 2,850
Total Net Generation (MWh)	108,783	84,640	84,640	84,640	84,640	84,640	84,640	84,640	84,640	84,640
Participant Billing Cost (\$/MWh) (1)	\$ 22.98	\$ 31.90	\$ 31.90	\$ 31.90	\$ 31.90	\$ 33.67	\$ 33.67	\$ 33.67	\$ 33.67	\$ 33.67

Key Assumptions/Qualifications:

Escalation Rate = 2.50% starting FY 2017.

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

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