



WARM SPRINGS POWER & WATER ENTERPRISES

2013 ANNUAL REPORT

A Message from the General Manager

Due to a struggling economy, the wholesale price for energy was depressed making 2013 a tough year for power revenues. We had just over \$4.0 million in capital improvements planned for the year ranging from environmental improvements to powerhouse improvements. We were faced with only having the ability to fund the necessary planned capital improvements. The capital improvements were:

1. \$2.0 million for generator number three rebuild at Round Butte.
2. \$400 thousand on Deschutes Basin improvements.
3. \$400 thousand on rebuild materials for a generator number one.
4. \$200 thousand on switchyard upgrades.
5. \$233 thousand on environmental improvements in the Deschutes Basin.
6. \$300 thousand in roadway improvements.
7. \$627 thousand made up various capital jobs.

The federal license issued to the Tribes and PGE in 2005 requires us to fund the environmental improvements agreed to in the license. The investment we have made is showing positive environmental improvements in the Deschutes Basin. The Tribes' commitment to improving the Deschutes Basin watersheds has been a long standing priority.

The other capital project improvements made in 2013 are necessary to insure the hydroelectric project continues to operate reliably and generate energy that produces the revenue that will provide a dividend to the Tribes. As with any asset, it is necessary to keep investing in strategic projects within the business to insure it stays profitable.

The good news is we are approaching the end of our environmental improvement funding and the powerhouse upgrades are all mostly satisfied. That leaves us in a good position to fund our debt obligations and return to contributing to the Tribes' general fund in the coming years.

We continue to explore other revenue potentials for the Tribes in the energy generation sector. The renewable energy market continues to struggle because utilities do not need new energy resources at this time. There are projects that we are working on that may take years to reach development stage, revenues need to be at levels that will make them worth pursuing. They include wind energy and solar energy projects. We are also assessing the Tribes water rights and are drafting a report to show Tribal Council where we may have an opportunity to advance utilizing the consumptive water right in the Deschutes River. This will involve a careful review of the opportunities and the legal challenges that will need to be addressed.

As we are all aware, no one enterprise can fill the funding requirements for the general fund, but with all of us pitching in we should see progress made toward restoring the general fund needs.

The Warm Springs Power & Water Enterprises Board and staff will continue to focus on improving our contribution to the Tribes general fund in the coming years. The past has proven that the Tribes investment in the Pelton Round Butte Hydroelectric Project was a good one and the future does show promising signs of continuing to prove that.

WARM SPRINGS POWER & WATER ENTERPRISES

BOARD OF DIRECTORS

Ralph Minnick, Chairman
Don Godard, Vice-Chairman
Ed Tarbell
Morris Holliday
Carlos Smith

STAFF

Jim Manion, General Manager
Mike Lofting, Controller
Heather Alford, Executive Assistant
Wil Sando, Renewable Energy Technician
Una Johnson, Staff Accountant
Pi-Ta Pitt, Operations Assistant



Selective Water Withdrawal Intake for the Round Butte Dam Powerhouse

WARM SPRINGS POWER & WATER ENTERPRISES

Balance Sheets December 31, 2013 and 2012

	2013	2012
ASSETS		
Current Assets:		
Cash	\$ 764,621	\$ 164,181
Investments	7,569,691	6,777,526
Account receivable – trade	2,124,871	1,415,792
Prepaid expenses	175,306	199,138
Total current assets	10,634,489	8,556,637
Capital Assets:		
Capital assets being depreciated	143,961,915	138,792,718
Less accumulated depreciation	(54,602,692)	(51,503,376)
	89,359,223	87,289,342
Capital assets not being depreciated	6,799,734	5,765,516
Capital assets, net	96,158,957	93,054,858
Other Assets:		
Restricted investments	14,842,597	13,603,833
Total assets	\$ 121,636,043	\$ 115,215,328
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 61,366	\$ 68,231
Operating Trust Account	3,700,928	1,544,932
Due to Tribe	7,748	28,908
Accrued interest payable	305,043	346,831
Current portion of debt	1,190,000	1,100,000
Total current liabilities	5,265,085	3,088,902
Bonds payable (net of unamortized discount)	51,997,628	53,012,302
Total liabilities	57,262,713	56,101,204
NET POSITION		
Net investment in capital assets	73,426,726	70,322,627
Unrestricted	(9,053,396)	(11,208,503)
Total net position	64,373,330	59,114,124
Total liabilities and net position	\$ 121,636,043	\$ 115,215,328

WARM SPRINGS POWER & WATER ENTERPRISES

Statement of Revenue, Expenses and Changes in Net Position Years ended December 31, 2013 and 2012

	2013	2012
Operating Revenues:		
Power sales	\$ 17,465,394	\$ 13,148,936
Other operating revenues	373,007	154,769
Total operating revenues	17,838,401	13,303,705
Operating Expenses:		
Administration	2,204,900	2,350,714
Operation and maintenance	4,227,856	4,485,095
Strategic planning	153,798	149,352
Depreciation	3,188,383	3,093,719
Total operating expenses	9,774,937	10,078,880
Operating Income	8,063,464	3,224,825
Nonoperating Revenues (expenses):		
Investment income (loss)	1,116,399	992,071
Interest expense	(3,920,657)	(3,898,650)
Grant revenue	2,411,384	2,258,191
Biomass project	(2,411,384)	(2,258,191)
Total nonoperating revenues (expenses)	(2,804,258)	(2,906,579)
Income before transfers and dividend to Tribe	5,259,206	318,246
Dividend to Tribe	-	(1,999,994)
Change in net position	5,259,206	(1,681,748)
Net position – beginning of year, as restated	59,114,124	60,795,872
Net position – end of year	\$ 64,373,330	\$ 59,114,124

**PLEASE CONTACT WSPWE AT 541-553-1046 IF YOU HAVE ANY QUESTIONS
OR IF YOU WOULD LIKE TO REVIEW THE 2013 FINANCIAL AUDIT.**