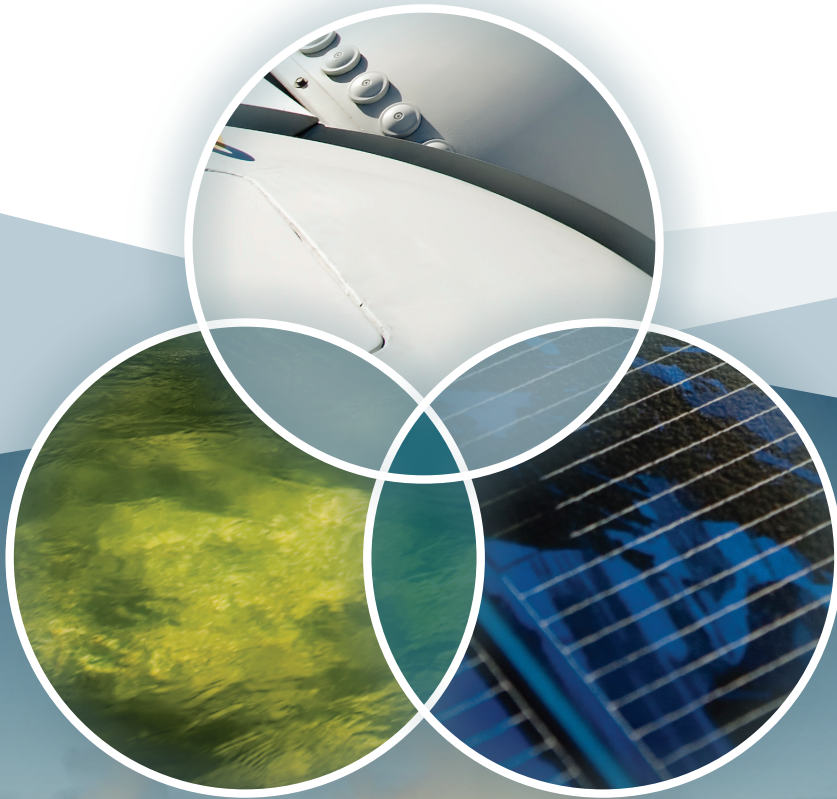


# Fiscal Year 2019 **Budget**



**ENERGY NORTHWEST**



# **Fiscal Year 2019 Project 3 Annual Budget**



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### Summary

Energy Northwest's Project 3 was terminated in June 1994. Transfer of the Project 3 site to the Satsop Redevelopment Project was completed during Fiscal Year 2000.

This Project 3 Fiscal Year 2019 Annual Budget is prepared by Energy Northwest pursuant to the provisions and requirements of Board of Directors' Resolution No. 775 and the Net Billing Agreements. The Budget includes all costs and funding requirements associated with the debt on Project 3. No other costs are incurred on this project.

The total cost for Fiscal Year 2019 is estimated to be \$34,113,000 (Table 1). The total net funding requirements for Fiscal Year 2019 are \$41,751,000 (Table 4). 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.



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

<b>Description</b>	<b>FY 2019 Budget</b>	<b>Original FY 2018 Budget</b>	<b>Variance</b>
Interest Expense (1)	\$ 44,260	\$ 53,263	\$ (9,003)
Interest on Note (2)	0	634	(634)
Amortized Financing Cost (3)	(10,474)	(10,695)	221
Investment Income (4)	(99)	(96)	(3)
Treasury Services (5)	426	425	1
<b>Total</b>	<b>\$ 34,113</b>	<b>\$ 43,531</b>	<b>\$ (9,418)</b>

### Assumptions

- (1) Budget assumes all \$1.35 million in principal will be repaid in FY2019 and none will be extended.
- (2) Project 3 interest expense was funded by a line of credit in FY18 that enables the acceleration of Bonneville federal debt repayments as part of the regional cooperation debt initiative.
- (3) The amortized financing costs are driven by the amortization of the premiums on bonds.
- (4) Includes income on investment of monies held in the Interest and Principal accounts and the Reserve & Contingency Fund which are transferred periodically to the Revenue Fund. Investment income earnings rate is forecasted to average 1.25%
- (5) Includes all non-interest costs of banking, debt, internal labor and overheads.

**Table 2  
Summary of Full Time Equivalent Positions \***

<u>Description</u>	<u>FY 2019 Budget</u>	<u>FY 2018 Budget</u>	<u>Variance</u>
Treasury Related	<u>1</u>	<u>1</u>	<u>-</u>

\* Includes Allocations of Corporate Full Time Equivalent Positions

**Table 3**  
**Cost-to-Cash Reconciliation**  
(Dollars in Thousands)

Description	FY 2019 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Req'ts	Prior Year's Commitments	FY 2019 Total Cash
Treasury Related Expenses						
Interest Expense	\$ 44,260	\$ -	\$ -	\$ -	\$ -	\$ 44,260
Bond Retirement (1)	-	-	1,350	-	-	1,350
Amortized Financing Cost	(10,474)	10,474	-	-	-	-
Investment Income	(99)	-	-	-	-	(99)
Treasury Services	426	-	-	-	-	426
Prior Year's R&C Surplus	-	-	(4,186)	-	-	(4,186)
<b>Subtotal Treasury Related</b>	<b>\$ 34,113</b>	<b>\$ 10,474</b>	<b>\$ (2,836)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 41,751</b>
<b>Total Funding Requirements</b>	<b>\$ 34,113</b>	<b>\$ 10,474</b>	<b>\$ (2,836)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 41,751</b>

(1) Budget assumes all \$1.35 million in principal will be repaid in FY2019 and none will be extended.

**Table 4**  
**Annual Budget**  
**Statement of Funding Requirements**  
(Dollars in Thousands)

<u>Description</u>	<u>FY 2019 Budget</u>	<u>Original FY 2018 Budget</u>	<u>Variance</u>
Treasury Related Expenses			
Interest Expense	\$ 44,260	\$ 52,610	\$ (8,350)
Bond Retirement (1)	1,350	11,855	(10,505)
Interest on Note (2)	-	634	(634)
Note Retirement	-	51,000	(51,000)
Reserve & Contingency Fund	-	1,186	(1,186)
Investment Income (Rev)	(99)	(96)	(3)
Prior Year's R&C Surplus	(4,186)	(1,731)	(2,455)
Treasury Services	426	425	1
<b>Total Funding Requirements</b>	<b><u>\$ 41,751</u></b>	<b><u>\$ 115,883</u></b>	<b><u>\$ (74,132)</u></b>
<u>Funding Sources</u>			
Net Billing/BPA Direct Payments	\$ 41,751	\$ 115,883	\$ (74,132)
<b>Total Funding Sources</b>	<b><u>\$ 41,751</u></b>	<b><u>\$ 115,883</u></b>	<b><u>\$ (74,132)</u></b>

(1) Budget assumes all \$1.35 million in principal will be repaid in FY2019 and none will be extended.

(2) A line of credit funded the FY18 Interest Expense in order to free up monies that enable the acceleration of Bonneville federal debt repayments as part of the regional cooperation debt initiative.

**Table 5**  
**Monthly Statement of Funding Requirements - Revenue Fund**  
(Dollars in Thousands)

Description	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY2019 Total
<b>Beginning Balance</b>	\$ 3,000	\$ 7,160	\$ 7,134	\$ 7,108	\$ 7,082	\$ 7,056	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Receipts													
BPA Direct Payments (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,101	\$ 28	\$ 29	\$ 29	\$ 28	\$ 28	\$ 23,508	\$ 41,751
<b>Total Receipts</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,101	\$ 28	\$ 29	\$ 29	\$ 28	\$ 28	\$ 23,508	\$ 41,751
Disbursements													
Treasury Related													
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,130	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,130	\$ 44,260
Bond Retirement (2)	-	-	-	-	-	-	-	-	-	-	-	1,350	\$ 1,350
Investment Income	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(9)	(9)	(9)	\$ (99)
Prior Year R&C Surplus	(4,186)	-	-	-	-	-	-	-	-	-	-	-	\$ (4,186)
Treasury Services	34	34	34	34	34	35	36	37	37	37	37	37	\$ 426
<b>Total Disbursements</b>	\$ (4,160)	\$ 26	\$ 26	\$ 26	\$ 26	\$ 22,157	\$ 28	\$ 29	\$ 29	\$ 28	\$ 28	\$ 23,508	\$ 41,751
<b>Ending Balance</b>	\$ 7,160	\$ 7,134	\$ 7,108	\$ 7,082	\$ 7,056	\$ 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) Budget assumes all \$1.35 million in principal will be repaid in FY2019 and none will be extended.

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# **Fiscal Year 2019 Project 1 Annual Budget**



Prepared 4/25/18

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### Summary

The Project 1 Fiscal Year 2019 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 2019 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 2019.

The total net cost for Fiscal Year 2019 is estimated to be \$25,585,000 (Table 1). Total Funding Requirements of \$44,101,000 (Table 5) less revenue from restoration/demolition and leasing totaling \$2,663,000 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 2019 budget is made to the original budget issued for Fiscal Year 2018.

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

	FY 2019 Budget	Original FY 2018 Budget	Variance
<b>Revenue</b>			
Restoration / Demolition (1)	\$ 2,657	\$ 2,082	575
Fixed Costs	6	25	(19)
<b>Total Revenue</b>	<b>\$ 2,663</b>	<b>\$ 2,107</b>	<b>\$ 556</b>
<b>Costs</b>			
<b>Site Costs</b>			
Restoration / Demolition	\$ 2,657	\$ 2,082	575
Variable Costs	16	54	(38)
Fixed Costs	405	391	14
<b>Subtotal Site Costs</b>	<b>\$ 3,078</b>	<b>\$ 2,527</b>	<b>\$ 551</b>
<b>Other</b>			
Treasury Related Expenses	\$ 24,873	\$ 30,327	\$ (5,454)
Decommissioning	297	(631)	928
<b>Subtotal Other Costs</b>	<b>\$ 25,170</b>	<b>\$ 29,696</b>	<b>\$ (4,526)</b>
<b>Total Costs</b>	<b>\$ 28,248</b>	<b>\$ 32,223</b>	<b>\$ (3,975)</b>
<b>Total Net Costs</b>	<b>\$ 25,585</b>	<b>\$ 30,116</b>	<b>\$ (4,531)</b>

(1) Restoration / Demolition receipts from the Bonneville Power Administration restoration trust fund will be used to offset all costs of this initiative.

**Table 2**  
**Treasury Related Expenses**  
(Dollars in Thousands)

<u>Description</u>	<u>FY 2019 Budget</u>	<u>Original FY 2018 Budget</u>	<u>Variance</u>
Interest Expense (1)	\$ 39,375	\$ 39,417	\$ (42)
Interest on Note (2)	0	547	(547)
Amortized Financing Cost (3)	(14,870)	(10,018)	(4,852)
Investment Income (Rev. Fund) (4)	(53)	(32)	(21)
Treasury Services (5)	421	413	8
<b>Total</b>	<b><u>\$ 24,873</u></b>	<b><u>\$ 30,327</u></b>	<b><u>\$ (5,454)</u></b>

**Assumptions**

- (1) Budget assumes all \$1.28 million of maturing principal will be repaid by July 1, 2019 and no bonds will be extended in fiscal year 2019.
- (2) Project 1 interest expense was funded by a line of credit in FY18 that enabled the acceleration of Bonneville federal debt repayments as part of the regional cooperation debt initiative.
- (3) The amortized financing costs are driven by the amortization of the premiums on bond issues.
- (4) 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 1.25%.
- (5) Includes all non-interest costs of banking, debt, internal labor and overheads.

**Table 3**  
**Summary of Full Time Equivalent Positions \***

<b><u>Description</u></b>	<b><u>FY 2019 Budget</u></b>	<b><u>FY 2018 Budget</u></b>	<b><u>Variance</u></b>
Restoration / Demolition	3	3	-
Site Support	3	3	-
Treasury	1	1	-
<b>Total Positions</b>	<b>7</b>	<b>7</b>	<b>-</b>

\* Includes Allocations of Corporate Full Time Equivalent Positions



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

Description	FY 2019 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Req'ts	Prior Year's Commitments	FY 2019 Total Cash
Variable Costs	\$ 16	\$ -	\$ -	\$ -	\$ -	\$ 16
Restoration / Demolition (1)	2,657	-	-	-	-	2,657
Fixed Costs	405	-	-	-	-	405
<b>Subtotal Site</b>	<b>\$ 3,078</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,078</b>
<b>Other</b>						
Decommissioning	\$297	(\$297)	\$ -	\$ -	\$ -	\$ -
Treasury Related						
Interest Expense	39,375	-	-	-	-	39,375
Bond Retirement (2)	-	-	1,280	-	-	1,280
Amortized Cost	(14,870)	14,870	-	-	-	-
Invest. Income (Rev.)	(53)	-	-	-	-	(53)
Treasury Services	421	-	-	-	-	421
Subtotal Treasury Expenses	\$ 24,873	\$ 14,870	\$ 1,280	\$ -	\$ -	\$ 41,023
<b>Subtotal Other</b>	<b>\$ 25,170</b>	<b>\$ 14,573</b>	<b>\$ 1,280</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 41,023</b>
<b>Total Funding Requirements</b>	<b>\$ 28,248</b>	<b>\$ 14,573</b>	<b>\$ 1,280</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 44,101</b>

(1) Funding will be from BPA Restoration Trust Fund

(2) It is assumed that all \$1.28 million of the maturing 7/1/2019 bonds will be repaid.

No bonds mature on 7/1/2018.

**Table 5**  
**Annual Budget and**  
**Statement of Funding Requirements**  
(Dollars in Thousands)

<u>Description</u>	<u>FY 2019 Budget</u>	<u>Original FY 2018 Budget</u>	<u>Variance</u>
<u>Programs</u>			
Variable Costs	\$ 16	\$ 54	(38)
Restoration / Demolition	2,657	2,082	575
Fixed Costs	405	391	14
<b>Subtotal Programs</b>	<b>\$ 3,078</b>	<b>\$ 2,527</b>	<b>\$ 551</b>
<u>Treasury Related Expenses</u>			
Interest Expense	\$ 39,375	\$ 39,417	\$ (42)
Bond Retirement (1)	1,280	-	1,280
Interest on Note (2)	-	547	(547)
Note Retirement	-	44,000	(44,000)
Investment Income (Revenue)	(53)	(32)	(21)
Treasury Services	421	413	8
<b>Subtotal Treasury Related</b>	<b>\$ 41,023</b>	<b>\$ 84,345</b>	<b>\$ (43,322)</b>
<b>Total Funding Requirements</b>	<b>\$ 44,101</b>	<b>\$ 86,872</b>	<b>\$ (42,771)</b>
<u>Funding Sources</u>			
Restoration / Demolition (3)	\$ 2,657	\$ 2,082	575
Revenue - Fixed Costs	6	25	(19)
Net Billing/BPA Direct Payments	41,438	84,765	(43,327)
<b>Total Funding Sources</b>	<b>\$ 44,101</b>	<b>\$ 86,872</b>	<b>\$ (42,771)</b>

(1) All maturing bonds on 7/1/2019 are expected to be repaid and none planned to be extended.

(2) Project 1 interest expense was funded by a line of credit in FY18 that enabled the acceleration of Bonneville federal debt repayments as part of the regional cooperation debt initiative.

(3) Restoration / Demolition receipts from the Bonneville Power Administration escrow account will be used to offset all costs of this initiative.

**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	FY 2019 Total
<b>Beginning Balance</b>	\$ 3,000	\$ 3,000	\$ 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)	\$ 61	\$ 61	\$ 61	\$ 61	\$ 62	\$ 19,747	\$ 66	\$ 66	\$ 68	\$ 68	\$ 68	\$ 21,049	\$ 41,438
Restoration / Demolition (2)	221	221	222	221	221	222	221	222	221	222	221	222	2,657
Revenue - Leasing	-	-	-	-	-	3	-	-	-	-	-	3	6
<b>Total Receipts</b>	\$ 282	\$ 282	\$ 283	\$ 282	\$ 283	\$ 19,972	\$ 287	\$ 288	\$ 289	\$ 290	\$ 289	\$ 21,274	\$ 44,101
Disbursements													
Treasury Related Expenses													
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,688	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,687	\$ 39,375
Bond Retirement (3)	-	-	-	-	-	-	-	-	-	-	-	1,280	1,280
Investment Income	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(5)	(5)	(5)	(5)	(5)	(53)
Treasury Services	32	32	32	32	32	32	36	37	39	39	39	39	421
<b>Subtotal Treasury Related</b>	\$ 28	\$ 28	\$ 28	\$ 28	\$ 28	\$ 19,716	\$ 32	\$ 32	\$ 34	\$ 34	\$ 34	\$ 21,001	\$ 41,023
Variable Costs	-	-	-	-	-	-	-	-	-	-	-	16	16
Restoration / Demolition	221	221	222	221	221	222	221	222	221	222	221	222	2,657
Fixed Costs	33	33	33	33	34	34	34	34	34	34	34	35	405
<b>Total Disbursements</b>	\$ 282	\$ 282	\$ 283	\$ 282	\$ 283	\$ 19,972	\$ 287	\$ 288	\$ 289	\$ 290	\$ 289	\$ 21,274	\$ 44,101
<b>Ending Balance</b>	\$ 3,000	\$ 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) Funding will be from BPA Restoration Trust Fund

(3) All maturing bonds on 7/1/2019 are expected to be repaid and none planned to be extended.

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# **Fiscal Year 2019 Packwood Lake Hydroelectric Project 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 2019 operating and capital cost combined is estimated to be \$3,261,000 (Table 1), with associated funding requirements of \$3,136,000 (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 93,520 MWh, which reflects 5-year average of the plant output and further reduced by approximately 10% due to impacts of actions required under the new operating license.
- The Fiscal Year 2019 Budget includes costs for mitigation activities required under the new operating license which is expected to become effective during the year.

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

<b>Description</b>	<b>FY 2019 Budget</b>	<b>Original FY 2018 Budget</b>	<b>Variance</b>
<u>Operating Costs</u>			
Operating & Support Services	\$ 2,310	\$ 2,340	\$ (30)
Generation Taxes	22	22	-
Depreciation	125	111	14
Subtotal Operating Costs	\$ 2,457	\$ 2,473	\$ (16)
Interest/Financing (Net)	(15)	(5)	(10)
<b>Total Cost</b>	<b>\$ 2,442</b>	<b>\$ 2,468</b>	<b>\$ (26)</b>
<b>Total Net Generation (MWh)</b>	<b>93,520</b>	<b>93,840</b>	<b>(320)</b>
<b>Cost of Power (\$/MWh) (1)</b>	<b>\$ 26.11</b>	<b>\$ 26.30</b>	<b>\$ (0.19)</b>
<b>Total Capital Cost</b>	<b>\$ 819</b>	<b>\$ 603</b>	<b>\$ 216</b>
<b>Total Operating and Capital Cost</b>	<b>\$ 3,261</b>	<b>\$ 3,071</b>	<b>\$ 190</b>

(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 2019 Budget</u>	<u>Original FY 2018 Budget</u>	<u>Variance</u>
<u>Revenues</u>			
Participant Billings	\$ 2,758	\$ 2,678	\$ 80

**Variance - ( ) Unfavorable**

**Table 3**  
**Summary of Full Time Equivalent Positions \***

<u>Description</u>	<u>FY 2019 Budget</u>	<u>FY 2018 Budget</u>	<u>Variance</u>
Operations & Maintenance	4	4	-

\* Includes Allocations of Corporate Full Time Equivalent Positions

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

<b>Description</b>	<b>FY 2019 Total Cost</b>	<b>Non-Cash Items</b>	<b>Non-Cost Items</b>	<b>Deferred Cash Requirements</b>	<b>Prior Year Commitments</b>	<b>FY 2019 Total Cash</b>
Operating						
O&M and Support Services	\$ 2,310	\$ -	\$ -	\$ -	\$ -	\$ 2,310
Generation Taxes	22	-	-	-	-	22
Depreciation	125	(125)	-	-	-	-
Subtotal Operating	\$ 2,457	\$ (125)	\$ -	\$ -	\$ -	\$ 2,332
Licensing						
Maintain License & Permits		\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal Licensing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest/Financing						
Interest Income	\$ (29)	\$ -	\$ -	\$ -	\$ -	\$ (29)
Treasury Services	14	-	-	-	-	14
Loan Repayment	-	-	-	-	-	-
Subtotal Net Interest/Financing	\$ (15)	\$ -	\$ -	\$ -	\$ -	\$ (15)
Capital	\$ 819	\$ -	\$ -	\$ -	\$ -	\$ 819
Refund to Members	-	-	-	-	-	-
Total Disbursements	\$ 3,261	\$ (125)	\$ -	\$ -	\$ -	\$ 3,136
Funding Sources						
Participants Billings	\$ 2,758	\$ -	\$ -	\$ -	\$ -	\$ 2,758
Beginning Packwood Funds	-	-	2,262	-	-	2,262
Total Funding Sources	\$ 2,758	\$ -	\$ 2,262	\$ -	\$ -	\$ 5,020
Ending Working Capital	\$ (503)	\$ (125)	\$ 2,262	\$ -	\$ -	\$ 1,884

**Table 5**  
**Statement of Funding Requirements**  
(Dollars in Thousands)

<u>Description</u>	FY 2019 Budget	Original FY 2018 Budget	Variance
<b>Beginning Packwood Funds Balance</b>	<b>\$ 2,262</b>	<b>\$ 2,131</b>	<b>\$ 131</b>
<b><u>Funding Requirements</u></b>			
<u>Operating</u>			
Operating & Support Services	\$ 2,310	\$ 2,340	\$ (30)
Generation Taxes	22	22	-
<b>Subtotal Operating</b>	<b>\$ 2,332</b>	<b>\$ 2,362</b>	<b>\$ (30)</b>
<u>Interest/Financing</u>			
Interest Income	\$ (29)	\$ (15)	\$ (14)
Treasury Services	14	10	4
<b>Subtotal Net Interest/Financing</b>	<b>\$ (15)</b>	<b>\$ (5)</b>	<b>\$ (10)</b>
Capital	\$ 819	\$ 603	\$ 216
<b>Total Funding Requirements</b>	<b>\$ 3,136</b>	<b>\$ 2,960</b>	<b>\$ 176</b>
<b><u>Funding Sources</u></b>			
Participants Billings	2,758	2,678	80
<b>Total Funding Sources</b>	<b>\$ 2,758</b>	<b>\$ 2,678</b>	<b>\$ 80</b>
<b>Ending Packwood Funds Balance</b>	<b>\$ 1,884</b>	<b>\$ 1,849</b>	<b>\$ 35</b>

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

Description	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2019 Total
<b>Beginning Balance</b>	\$ 2,262	\$ 2,301	\$ 2,339	\$ 2,378	\$ 1,666	\$ 1,705	\$ 1,740	\$ 1,779	\$ 1,818	\$ 1,858	\$ 1,897	\$ 1,916	\$ 2,262
Receipts													
Participants Billings	\$ 230	\$ 230	\$ 230	\$ 230	\$ 230	\$ 229	\$ 230	\$ 230	\$ 230	\$ 230	\$ 230	\$ 229	\$ 2,758
<b>Total Receipts</b>	\$ 230	\$ 230	\$ 230	\$ 230	\$ 230	\$ 229	\$ 230	\$ 230	\$ 230	\$ 230	\$ 230	\$ 229	\$ 2,758
Disbursements													
Operations Disbursements													
O&M and Support Services	\$ 193	\$ 192	\$ 193	\$ 192	\$ 193	\$ 192	\$ 193	\$ 192	\$ 193	\$ 192	\$ 192	\$ 193	\$ 2,310
Generation Taxes	-	-	-	-	-	-	-	-	-	-	22	-	22
<b>Subtotal Operations</b>	\$ 193	\$ 192	\$ 193	\$ 192	\$ 193	\$ 192	\$ 193	\$ 192	\$ 193	\$ 192	\$ 214	\$ 193	\$ 2,332
Interest/Financing													
Investment Income	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(3)	(3)	(3)	(3)	(3)	(29)
Treasury Services	-	2	-	2	-	4	-	2	-	2	-	2	14
<b>Subtotal Interest/Financing Related</b>	\$ (2)	\$ -	\$ (2)	\$ -	\$ (2)	\$ 2	\$ (2)	\$ (1)	\$ (3)	\$ (1)	\$ (3)	\$ (1)	\$ (15)
Capital	\$ -	\$ -	\$ -	\$ 750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69	\$ 819
<b>Total Disbursements</b>	\$ 191	\$ 192	\$ 191	\$ 942	\$ 191	\$ 194	\$ 191	\$ 191	\$ 190	\$ 191	\$ 211	\$ 261	\$ 3,136
<b>Ending Balance</b>	\$ 2,301	\$ 2,339	\$ 2,378	\$ 1,666	\$ 1,705	\$ 1,740	\$ 1,779	\$ 1,818	\$ 1,858	\$ 1,897	\$ 1,916	\$ 1,884	\$ 1,884

**Table 7**  
**Long Range Plan**  
(Dollars in Thousands)

Description	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b>Operating Costs</b>										
Operating & Support Services	\$ 2,227	\$ 2,326	\$ 2,384	\$ 2,444	\$ 2,504	\$ 2,567	\$ 2,630	\$ 2,696	\$ 2,763	\$ 2,832
Mitigation	83	160	163	549	361	55	50	50	55	45
Escalation on Select Program Costs	-	120	182	286	337	360	425	492	562	629
<b>Subtotal Operating Costs</b>	<b>\$ 2,310</b>	<b>\$ 2,606</b>	<b>\$ 2,729</b>	<b>\$ 3,279</b>	<b>\$ 3,202</b>	<b>\$ 2,982</b>	<b>\$ 3,105</b>	<b>\$ 3,238</b>	<b>\$ 3,380</b>	<b>\$ 3,506</b>
<b>Capital &amp; Other Costs</b>										
Capital Costs	\$ 819	\$ 440	\$ 85	\$ 505	\$ 650	\$ 140	\$ 875	\$ 329	\$ 85	\$ 15
Generation Taxes	22	20	20	20	20	20	20	20	20	20
Interest/Financing (Net)	(15)	(3)	(5)	(5)	(6)	(6)	(6)	(6)	(6)	(6)
Escalation on Capital Costs	-	8	13	57	47	9	9	11	14	13
<b>Subtotal Capital &amp; Other Costs</b>	<b>\$ 826</b>	<b>\$ 465</b>	<b>\$ 113</b>	<b>\$ 577</b>	<b>\$ 711</b>	<b>\$ 163</b>	<b>\$ 898</b>	<b>\$ 354</b>	<b>\$ 113</b>	<b>\$ 42</b>
<b>Total Escalated Program Costs</b>	<b>\$ 3,136</b>	<b>\$ 3,071</b>	<b>\$ 2,842</b>	<b>\$ 3,856</b>	<b>\$ 3,913</b>	<b>\$ 3,145</b>	<b>\$ 4,003</b>	<b>\$ 3,592</b>	<b>\$ 3,493</b>	<b>\$ 3,548</b>
<b>Total Un-escalated Costs</b>	<b>\$ 3,136</b>	<b>\$ 2,943</b>	<b>\$ 2,647</b>	<b>\$ 3,513</b>	<b>\$ 3,529</b>	<b>\$ 2,776</b>	<b>\$ 3,569</b>	<b>\$ 3,089</b>	<b>\$ 2,917</b>	<b>\$ 2,906</b>
<b>Total Escalation</b>	<b>\$ -</b>	<b>\$ 128</b>	<b>\$ 195</b>	<b>\$ 343</b>	<b>\$ 384</b>	<b>\$ 369</b>	<b>\$ 434</b>	<b>\$ 503</b>	<b>\$ 576</b>	<b>\$ 642</b>
<b>Total Escalated Costs</b>	<b>\$ 3,136</b>	<b>\$ 3,071</b>	<b>\$ 2,842</b>	<b>\$ 3,856</b>	<b>\$ 3,913</b>	<b>\$ 3,145</b>	<b>\$ 4,003</b>	<b>\$ 3,592</b>	<b>\$ 3,493</b>	<b>\$ 3,548</b>
<b>Participants Billings</b>	<b>\$ 2,758</b>	<b>\$ 2,841</b>	<b>\$ 2,926</b>	<b>\$ 3,014</b>	<b>\$ 3,105</b>	<b>\$ 3,198</b>	<b>\$ 3,294</b>	<b>\$ 3,392</b>	<b>\$ 3,494</b>	<b>\$ 3,599</b>
Total Net Generation (MWh)	93,520	93,520	93,520	93,520	93,520	93,520	93,520	93,520	93,520	93,520
Participant Billing Cost (\$/MWh) (1)	\$ 29.49	\$ 30.38	\$ 31.29	\$ 32.23	\$ 33.20	\$ 34.19	\$ 35.22	\$ 36.27	\$ 37.36	\$ 38.48

**Key Assumptions/Qualifications:**

Escalation Rate = 2.50%; FY 2019 = Base Year.

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

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# **Fiscal Year 2019 Nine Canyon Wind Project Annual Operating Budget**



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### Summary

The Nine Canyon Wind Project is located in the Horse Heaven Hills area southeast of Kennewick, Washington.

Phase I of the project, which began commercial operation in September 2002, consists of 37 wind turbines, each with a maximum generating capacity of approximately 1.3 megawatts of electricity, for a total wind capacity of 48.1 megawatts. Phase II of the project, which was declared operational December 31, 2003, included an additional 12 wind turbines with an aggregate generating capacity of approximately 15.6 megawatts. Phase III of the project, which was declared operational April 1, 2008, included an additional 14 wind turbines, each with a maximum generating capacity of approximately 2.3 megawatts of electricity, for a total wind capacity of 32.2 megawatts. The total project generating capability is approximately 95.9 megawatts.

For Phase I and II the turbines are installed in rows with about 500 feet between turbines. Each three-blade turbine consists of a tubular steel tower 200 feet in height, three 100-foot turbine blades attached to a rotor, and a nacelle that houses a generator, gear box and braking mechanisms.

For Phase III the turbines are installed in rows with about 600 feet between turbines. Each three-blade turbine consists of a tubular steel tower 262 feet in height, three 147-foot turbine blades attached to a rotor, and nacelle that houses a generator, gear box and braking mechanisms.

Electricity generated by the project is purchased by Pacific Northwest Public Utility Districts whose customers have expressed an interest in purchasing at least a portion of their electricity from green power sources. Phase I, II, and III participants have signed a power purchase agreement with Energy Northwest through 2030. The project is connected to the Bonneville Power Administration transmission grid via a substation and transmission lines constructed by the Benton County Public Utility District.

For Fiscal Year 2019, the total funding requirements equal \$18,516,000 (Table 4) with revenue of \$18,723,000 (Table 1) resulting in a net cash deposit of \$207,000 (Table 4).

The Fiscal Year 2019 Budget is presented on a cost basis and includes a cost to cash reconciliation (Table 3) illustrating the conversion of the cost data to a cash basis.

A comparison of the Fiscal Year 2019 Budget is made to the original budget issued for Fiscal Year 2018.



### Key Assumptions/Qualifications

This budget will provide funding for continued operation and maintenance of the project. This is based upon the key assumptions and qualifications stated below.

- The Project budget has been reviewed and approved by the participants.
- Billing Price for electrical output is estimated to be \$79.01 per MWh (Table 1) for Fiscal Year 2019. The difference between billing price and cost of power is due to depreciation and debt repayment. Billing price per MWh increase is driven solely by reduced estimated net generation.
- Estimated Generation is set at 224,300 MWh (Table 1) which is based off of the most recent five year average.
- Turbine manufacturer Bonus A/S provided O&M services and training. Their support of Phase I was completed in August 2005. Phase II support was completed in December 2006. Siemens is currently providing support for Phase III with the Long Term Service Agreement that was extended for a fifteen year term beginning in August 2013.

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

<u>Description</u>	<u>FY 2019 Budget</u>	<u>Original FY 2018 Budget</u>	<u>Variance</u>
<u>Revenue</u>			
Billings	\$ 17,723	\$ 17,723	\$ -
BPA Transmission Revenue	1,000	1,000	-
<b>Total Revenue</b>	<b>\$ 18,723</b>	<b>\$ 18,723</b>	<b>\$ -</b>
<u>Operating Costs</u>			
Labor & Overheads	\$ 1,940	\$ 1,953	\$ (13)
Equipment/Materials/Services	1,312	1,415	(103)
Insurance	220	204	16
Site Maintenance & Warranty	1,114	1,114	-
Benton County PUD	189	114	75
Lessee Payments	700	741	(41)
Risk Reserve	100	100	-
<b>Subtotal Operating Costs</b>	<b>\$ 5,575</b>	<b>\$ 5,641</b>	<b>\$ (66)</b>
Generation Taxes	\$ 54	\$ 54	\$ -
Capital	60	53	7
BPA Transmission Costs	1,000	1,000	-
Decommissioning	98	95	3
Depreciation	6,839	6,817	22
<b>Subtotal Operating, Taxes &amp; Capital Cost</b>	<b>\$ 13,626</b>	<b>\$ 13,660</b>	<b>\$ (34)</b>
<u>Net Financing</u>			
Interest/Financing (Net)	2,305	2,737	(432)
<b>Subtotal Net Financing</b>	<b>\$ 2,305</b>	<b>\$ 2,737</b>	<b>\$ (432)</b>
<b>Total Cost</b>	<b>\$ 15,931</b>	<b>\$ 16,397</b>	<b>\$ (466)</b>
<b>Total Net Generation (MWh)</b>	<b>224,300</b>	<b>231,431</b>	<b>(7,131)</b>
<b>Cost of Power (\$/MWh) (1)</b>	<b>\$ 66.30</b>	<b>\$ 66.30</b>	<b>\$ (0.00)</b>
<b>Billing Price to Participants (\$/MWh) (2)</b>	<b>\$ 79.01</b>	<b>\$ 76.58</b>	<b>\$ 2.43</b>

(1) Cost of Power excludes BPA Transmission and Capital related costs.

(2) Billing Price is the cash requirements for O&M, Capital, and Debt Service of the Project.

**Table 2**  
**Summary of Full Time Equivalent Positions \***

<u>Description</u>	<u>FY 2019 Budget</u>	<u>Original FY 2018 Budget</u>	<u>Variance</u>
Project Manager / Supervisor	1	1	-
O&M Technicians	9	9	-
Admin & Technical Support	2	2	-
<b>Total</b>	<b>12</b>	<b>12</b>	<b>-</b>

\* Includes Allocations of Corporate Full Time Equivalent Positions

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**Table 3**  
**Cost-to-Cash Reconciliation**  
(Dollars in Thousands)

Description	FY 2019 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2019 Total Cash
Operating Costs						
Operating Costs	\$ 5,575	\$ -	\$ -	\$ -	\$ -	\$ 5,575
Generation Tax	54	-	-	-	-	54
Capital	60	-	-	-	-	60
BPA Transmission	1,000	-	-	-	-	1,000
Decommissioning (1)	98	(98)	-	-	-	-
Depreciation	6,839	(6,839)	-	-	-	-
<b>Subtotal Operating, Taxes &amp; Capital</b>	<b>\$ 13,626</b>	<b>\$ (6,937)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,689</b>
Net Debt Service						
Interest Expense	\$ 3,705	\$ -	\$ -	\$ -	\$ -	\$ 3,705
Bond Retirement	-	-	8,425	-	-	8,425
Amortized Cost	(1,097)	1,097	-	-	-	-
Interest Income	(367)	-	-	-	-	(367)
Treasury Services	64	-	-	-	-	64
<b>Subtotal Net Debt Service</b>	<b>\$ 2,305</b>	<b>\$ 1,097</b>	<b>\$ 8,425</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,827</b>
<b>Total Disbursements</b>	<b>\$ 15,931</b>	<b>\$ (5,840)</b>	<b>\$ 8,425</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,516</b>
Revenue						
Billings	\$ 17,723	\$ -	\$ -	\$ -	\$ -	\$ 17,723
BPA Transmission	1,000	-	-	-	-	1,000
<b>Total Revenue</b>	<b>\$ 18,723</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,723</b>
<b>Cash (Withdrawal) / Deposit</b>						<b>\$ 207</b>

(1) Decommissioning costs through FY2018 have not been funded. Estimated Asset Retirement Obligation liability is \$1.6 million in 2019 dollars.

**Table 4**  
**Statement of Funding Requirements**  
(Dollars in Thousands)

<b>Description</b>	<b>FY 2019 Budget</b>	<b>Original FY 2018 Budget</b>	<b>Variance</b>
<b>Operating Costs</b>			
Labor/Benefits/Overhead	\$ 1,940	\$ 1,953	\$ (13)
Equipment/Materials/Services	1,312	1,415	(103)
Insurance	220	204	16
Site Maintenance & Warranty	1,114	1,114	-
Benton PUD	189	114	75
Lessee Payments	700	741	(41)
Risk Reserve	100	100	-
<b>Subtotal Operating Costs</b>	<b>\$ 5,575</b>	<b>\$ 5,641</b>	<b>\$ (66)</b>
<b>Generation Taxes</b>			
Capital	\$ 54	\$ 54	\$ -
BPA Transmission	60	53	7
	1,000	1,000	-
<b>Subtotal Operating, Taxes &amp; Capital Costs</b>	<b>\$ 6,689</b>	<b>\$ 6,748</b>	<b>\$ (59)</b>
<b>Net Debt Service</b>			
Interest Expense	\$ 3,705	\$ 4,105	\$ (400)
Bond Retirement	8,425	8,010	415
Interest Income	(367)	(214)	(153)
Treasury Services	64	60	4
<b>Subtotal Net Debt Service</b>	<b>\$ 11,827</b>	<b>\$ 11,961</b>	<b>\$ (134)</b>
<b>Total Funding Requirements</b>	<b>\$ 18,516</b>	<b>\$ 18,709</b>	<b>\$ (193)</b>
<b>Funding Sources</b>			
Billings	\$ 17,723	\$ 17,723	\$ -
Participants for BPA Transmission	1,000	1,000	-
Cash Withdrawal / (Deposit)	(207)	(14)	(193)
<b>Total Funding Sources</b>	<b>\$ 18,516</b>	<b>\$ 18,709</b>	<b>\$ (193)</b>

**Table 5**  
**Monthly Statement of Funding Requirements**  
(Dollars in Thousands)

Description	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2019 Total
<b>Beginning Balance</b>	\$ 13,151	\$ 14,075	\$ 15,219	\$ 16,093	\$ 17,238	\$ 18,381	\$ 17,337	\$ 18,492	\$ 19,644	\$ 20,520	\$ 21,673	\$ 22,774	\$ 13,151
Receipts													
Billings	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 17,723
BPA Transmission	83	83	83	83	83	83	83	83	83	83	83	83	1,000
<b>Total Receipts</b>	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 18,723
Disbursements													
Operations Disbursements													
Labor & Overheads	\$ 162	\$ 162	\$ 162	\$ 161	\$ 162	\$ 161	\$ 162	\$ 162	\$ 161	\$ 162	\$ 161	\$ 162	\$ 1,940
Equipment/Materials/Services	109	109	110	109	110	109	109	110	109	109	110	109	1,312
Insurance	220	-	-	-	-	-	-	-	-	-	-	-	220
Site Maintenance & Warranty	-	-	269	-	-	275	-	-	280	-	-	290	1,114
Other	82	83	82	83	82	83	82	83	82	83	82	82	989
Generation Taxes	-	-	-	-	-	-	-	-	-	-	54	-	54
Capital	-	-	-	-	-	60	-	-	-	-	-	-	60
BPA Transmission	83	83	83	83	83	83	83	83	83	83	83	83	1,000
<b>Subtotal Operations</b>	\$ 656	\$ 437	\$ 706	\$ 436	\$ 437	\$ 771	\$ 436	\$ 438	\$ 715	\$ 437	\$ 490	\$ 726	\$ 6,689
Debt Service													
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,853	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,852	\$ 3,705
Bond Retirement	-	-	-	-	-	-	-	-	-	-	-	8,425	8,425
Investment Income	(25)	(25)	(25)	(25)	(25)	(25)	(36)	(36)	(36)	(36)	(36)	(37)	(367)
Treasury Services	5	4	5	4	5	5	4	6	5	6	5	10	64
<b>Subtotal Debt Service</b>	\$ (20)	\$ (21)	\$ (20)	\$ (21)	\$ (20)	\$ 1,833	\$ (32)	\$ (30)	\$ (31)	\$ (30)	\$ (31)	\$ 10,250	\$ 11,827
<b>Total Disbursements</b>	\$ 636	\$ 416	\$ 686	\$ 415	\$ 417	\$ 2,604	\$ 404	\$ 408	\$ 684	\$ 407	\$ 459	\$ 10,976	\$ 18,516
<b>Ending Balance</b>	\$ 14,075	\$ 15,219	\$ 16,093	\$ 17,238	\$ 18,381	\$ 17,337	\$ 18,492	\$ 19,644	\$ 20,520	\$ 21,673	\$ 22,774	\$ 13,358	\$ 13,358

**Table 6**  
**Bank Accounts**  
(Dollars in Thousands)

<u>Description</u>	<u>FY 2019 Budget</u>	<u>Original FY 2018 Budget</u>	<u>Variance</u>
Phase I Bond Reserve Account	\$ 4,171	\$ 4,148	\$ 23
Phase II Bond Reserve Account	795	790	5
Phase III Bond Reserve Account	5,136	5,002	134
Operating Reserve Account	752	764	(12)
Reserve and Contingency Account	807	816	(9)
Revenue Fund	13,151	11,742	1,409
<b>Total Beginning Balance</b>	<b><u>\$ 24,812</u></b>	<b><u>\$ 23,262</u></b>	<b><u>\$ 1,550</u></b>
Addition / (Reduction)	<u>398</u>	<u>181</u>	<u>\$ 217</u>
<b>Total Ending Balance</b>	<b><u>\$ 25,210</u></b>	<b><u>\$ 23,443</u></b>	<b><u>\$ 1,767</u></b>



**Table 7  
Operations & Maintenance – Budget & Forecast  
Long Range Plan  
(Dollars in Thousands)**

Description	Budget	Forecast								
	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
<b>Operating Costs</b>										
Labor & Overheads	\$ 1,940	\$ 1,989	\$ 2,038	\$ 2,089	\$ 2,141	\$ 2,195	\$ 2,250	\$ 2,306	\$ 2,364	\$ 2,423
Equipment/Materials/Services	1,312	1,344	1,416	1,413	1,447	1,524	1,521	1,558	1,641	1,638
Insurance	220	226	232	237	243	249	256	262	268	275
Long Term Service Agreement	1,114	1,142	1,170	1,200	1,230	1,260	1,292	1,324	1,357	1,391
Lease Payments	700	700	700	700	700	700	700	700	700	700
Benton County PUD	189	143	146	150	153	157	161	165	169	174
Risk Reserve	100	100	100	100	100	100	100	100	100	100
<b>Subtotal Operating Costs</b>	<b>\$ 5,575</b>	<b>\$ 5,643</b>	<b>\$ 5,803</b>	<b>\$ 5,888</b>	<b>\$ 6,015</b>	<b>\$ 6,186</b>	<b>\$ 6,280</b>	<b>\$ 6,416</b>	<b>\$ 6,599</b>	<b>\$ 6,700</b>
<b>Taxes &amp; Capital Costs</b>										
Generation Taxes	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54
Capital	60	62	63	65	66	68	70	71	73	75
BPA Transmission	1,000	1,025	1,051	1,077	1,104	1,131	1,160	1,189	1,218	1,249
<b>Subtotal Taxes &amp; Capital Costs</b>	<b>\$ 1,114</b>	<b>\$ 1,141</b>	<b>\$ 1,168</b>	<b>\$ 1,196</b>	<b>\$ 1,224</b>	<b>\$ 1,253</b>	<b>\$ 1,283</b>	<b>\$ 1,314</b>	<b>\$ 1,346</b>	<b>\$ 1,378</b>
<b>Total Operating, Taxes, &amp; Capital Disbursements</b>	<b>\$ 6,689</b>	<b>\$ 6,783</b>	<b>\$ 6,970</b>	<b>\$ 7,084</b>	<b>\$ 7,239</b>	<b>\$ 7,439</b>	<b>\$ 7,563</b>	<b>\$ 7,730</b>	<b>\$ 7,945</b>	<b>\$ 8,078</b>

**Key Assumptions/Qualifications:**

Escalation Rate = 2.50%; FY 2019 = Base Year, excluding lease payments and generation taxes.

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**ALLOCATION:** A process to spread indirect overhead costs to other business units based on a common cost pool.

**AMORTIZATION:** A method of allocating (accruing) costs to fiscal periods to match costs with the revenues or benefits generated from a specific activity.

**AMORTIZED FINANCING COSTS:** Reflects the capitalized financing costs that were incurred to issue long-term bonds to finance construction of the project or refinance outstanding project bonds, which are being amortized over the life of the bonds.

**ANNUAL BUDGET:** The amount of resources, expressed in dollars, allocated to a specific project for a given fiscal year.

**BASELINE COSTS:** Columbia Generating Station (Columbia) direct and indirect costs not associated with projects. Estimated labor associated with projects has been included in the project line item budgets.

**BILLING STATEMENTS:** A contractual notification to project participants indicating their percentage and dollar share of a net-billed project's annual budget.

**BOND PROCEEDS:** Monies received from the issuance of bonds.

**BOND RESOLUTION:** A resolution passed by Energy Northwest's Board of Directors establishing a plan and system for the acquisition and construction of a particular Energy Northwest project. Each of Energy Northwest's projects has a bond resolution. Among other things, the resolution authorizes the issuance of bonds to construct the project and establishes special rules pertaining to the accounting and funding of each project. Each resolution mandates that separate funds and books of accounts be maintained and strictly prohibits the payment of obligations of one project with funds of another project.

**BOND RETIREMENT:** Funds deposited into the Bond Fund Principal or Bond Fund Retirement accounts used to retire maturing debt or meet sinking fund requirements.

**BPA DIRECT PAY AGREEMENTS:** Energy Northwest and Bonneville entered into an agreement with respect to each Net Billed Project ("Direct Pay Agreements") pursuant to which, beginning May 2006, Bonneville pays at least monthly all costs for each Net Billed Project, including debt service on the Net Billed Bonds, directly to Energy Northwest. Each Participant pays directly to Bonneville all costs associated with its power sales and other contracts with Bonneville instead of making such payments to Energy Northwest. The Net Billing Agreements provide that Energy Northwest is to bill budgeted costs less

amounts payable from sources other than the Net Billing Agreements to Participants. Direct payments received from Bonneville under the Direct Pay Agreements are considered a source other than the Net Billing Agreements and, therefore, the Net Billing Agreements were not amended. In the Direct Pay Agreements, Energy Northwest agrees to promptly bill each Participant its share of the costs of the respective Project under the Net Billing Agreements if Bonneville fails to make a payment when due under the Direct Pay Agreements.

**BUSINESS DEVELOPMENT FUND (BDF):** A special enterprise fund created for the purpose of holding, administering, disbursing and accounting for Energy Northwest costs and revenues generated from new energy-related business opportunities. Created by Executive Board Resolution Number 1006 in April 1997.

**BUSINESS UNIT:** A plan and system authorized by Energy Northwest's Board of Directors. Columbia, WNP-1, WNP-3, Packwood, Business Development Fund, Nine Canyon Wind Project, and General Business Unit are all Business Units. The General Business Unit includes indirect costs that are subsequently allocated to all other business units.

**CAPITAL ADDITIONS:** Includes improvements and modifications that will be made throughout the operating life of the plant that will be necessary to assure plant safety, reliability, efficiency and cost effectiveness.

**CAPITAL COSTS/EQUIPMENT:** Costs related to improvements and modifications to the plant or the purchase of equipment. Generally, an item is considered to be capital equipment if it exceeds \$10K, except computer equipment which is \$1K, in value and has a service life of greater than one year. Capital items are depreciated over their estimated service-lives.

**CONSTRUCTION FUND:** Established pursuant to Bond Fund resolutions, the Construction Fund pays for all costs of construction.

**CONTROLLABLE COSTS:** Controllable costs include operations, maintenance, capital and overhead costs. They exclude costs related to depreciation, fuel, and financing.

**CORPORATE PROGRAMS:** The administration, management and general programs that support Energy Northwest as a business entity are accumulated into a Corporate Program indirect cost pool. The Corporate Program costs are distributed based upon total Operating and Capital costs charged to Energy Northwest projects or other final cost objectives. Corporate Programs include, but are not limited to, accounting, human resources, legal services and general management.

**COST OF POWER:** A measurement, expressed in dollars per megawatt-hour, designed to measure the cost effectiveness of plant operations. Also see Memorandum of Agreement.

**COST-TO-CASH RECONCILIATION:** A schedule depicting how cost numbers, which are used to manage and control Energy Northwest business units, are converted to cash and funding requirements.

**DEBT SERVICE:** Amounts paid or required to be paid into the applicable Bond and Reserve & Contingency Fund for purposes of paying the semi-annual coupon interest and annual bond principal redemption.

**DECOMMISSIONING:** Refers to the plan of dismantlement and site restoration of Columbia. The decommissioning plan for Columbia reflects a 60-year plant life, three years to prepare for protective storage, 60 years of protective storage, and 3.5 years for facility dismantlement and site restoration. A special fund has been established to provide monies necessary to pay for decommissioning.

**DEPRECIATION:** A systematic and rational basis for allocating capital costs over the service life of an asset. Depreciation may be based on estimated service life in years or production capacity. Depreciation can be viewed as the wear and tear of an asset over time.

**ESCALATION:** The dollar amount or percentage rate that costs are expected to increase in future periods due to inflation, changes in labor contracts, tax increases, etc.

**EXCESS WORKING CAPITAL:** The amount in excess of \$3 million that has been designated as the required amount of working capital for the Revenue Fund. To the extent that on June 30, there is more than that amount of monies in the Revenue Fund, such amounts for the current fiscal year are excess amounts to be used to reduce the funding requirements for the project for the subsequent fiscal year.

**FISCAL YEAR:** The twelve-month period July 1 through June 30. Energy Northwest's accounting and budgeting cycle is based on a fiscal year that spans this period.

**FIXED COSTS:** Includes non-variable costs that will be incurred regardless of plant operations, output or conditions (e.g., bond interest, depreciation, decommissioning, etc.).

**FUND:** Established by bond resolutions, a fund is a pool of money set aside to pay specified obligations of the projects. Typically, Energy Northwest project bond resolutions call for construction costs to be paid from the Construction Fund, operations and maintenance costs to be paid from the Revenue Fund,

bond interest payments to be paid from the Interest Account within the Bond Fund, etc. Fund restrictions were established by bond resolutions as a form of security for bondholders.

**FUNDING REQUIREMENTS:** Identification of the amount of cash required for a given budget period to meet business unit needs.

**GENERAL BUSINESS UNIT (GENERAL FUND):** A fund established for accounting purposes to pay multi-project obligations and collect and allocate overhead costs to projects.

**GENERATION TAXES:** Pursuant to RCW 54.28.025, a tax is assessed on Columbia net generation equal to one and one-half percent of the wholesale value of energy produced. An additional surcharge is also assessed pursuant to RCW 82.02.030 equal to seven percent of the generation tax payable.

**INCREMENTAL COSTS:** Includes those costs that are variable in nature and are directly related to the amount of power produced (e.g., nuclear fuel amortization spent fuel disposal fees, generation taxes, etc.).

**INCREMENTAL OUTAGE COSTS:** Includes those costs that are needed to support an outage that are not specific to an individual project (e.g., overtime, supplies and materials).

**INDIRECT COSTS:** Includes costs charged to intermediate cost pools for later allocation. Includes costs associated with Administrative & General (A&G), Information Technology, Organizational Overhead, Employee Benefits, and Absence (see General Business Unit tab for further definition of these cost pools).

**INTEREST EXPENSE:** The interest on outstanding bonds. Funds are transferred monthly from the Revenue Funds to the Bond Fund Interest Accounts in order to pay the semi-annual coupon interest.

**INVENTORY:** Operational spare parts, common stock and general materials and supplies purchased by Energy Northwest and stored in warehouses for later use.

**INVESTMENT INCOME:** Income earned on investment securities.

**MATERIALS:** Included in materials is the cost of office supplies, software, fuels, oils, chemicals, gases, support materials, and resins.

**NET-BILLING:** A payment procedure established by net-billing agreements. More than 100 Northwest utilities have purchased all of the project capability of Nuclear Project No. 1, Columbia and Energy Northwest's 70 percent ownership

share of Nuclear Project No. 3. Project Participants have resold such capability to BPA and, in return, BPA is obligated to pay annual costs of these projects, including debt service, by a procedure referred to as net-billing. Project Participants pay Energy Northwest their respective share of annual costs, and BPA pays Project Participants identical amounts by reducing amounts due to BPA by Participants under power sales agreements.

**NUCLEAR FUEL AMORTIZATION:** Represents the amortization of nuclear fuel costs in a given fiscal year. The cost of nuclear fuel is first capitalized as an asset in order to reflect the value of the unused fuel. At the time the fuel is placed in the reactor, the cost of the fuel is amortized to fiscal periods on the basis of quantity of heat produced.

**NUCLEAR FUEL IN PROCESS:** The cost of nuclear fuel that is being converted, fabricated, enriched, etc. not having reached a finished state.

**OPERATING COSTS:** Includes controllable and incremental costs.

**ORIGINAL BUDGET:** The beginning fiscal year budget for a Business Unit.

**OUTSIDE SERVICES:** Includes the cost of services provided by outside companies. Energy Northwest uses outside services for various functions including data systems, legal assistance, engineering support, craft support, paying agent and trustee fees, health physics and chemistry, maintenance services and radwaste disposal.

**PRIOR YEAR'S RESERVE AND CONTINGENCY FUND SURPLUS:** Annually, funds remaining are to be transferred back to the Revenue Fund to be utilized to reduce the funding requirements of the project for the subsequent fiscal year. Monies deposited in the Reserve and Contingency Fund can be expended only for special purposes.

**PRIVILEGE TAXES:** Pursuant to RCW 54.28.020, a tax is assessed on Packwood and Nine Canyon net generation equal to five percent of the first four mills per kilowatt-hour of revenue obtained from the sale of energy for resale. An additional surcharge is also assessed pursuant to RCW 82.02.030 equal to seven percent of the generation tax payable.

**PROJECT PARTICIPANT:** Municipalities, public utility districts, investor-owned utilities and electric cooperatives that have purchased a share of project output.

**REFINANCING:** An Energy Northwest and BPA program to refund higher coupon outstanding debt issued for Projects 1, 3 and Columbia with the goal of reducing total debt service of the projects over the life of the bonds.

**RESERVE AND CONTINGENCY FUND REQUIREMENT:** Funds equal to 10 to 15 percent of the aggregate required monthly transfers from the Revenue Fund to the Bond Fund Debt Service Accounts are to be transferred monthly from the Revenue Fund to the Reserve and Contingency Fund.

**RISK RESERVE:** A reserve in the budget set aside for unplanned events.

**SPENT FUEL DISPOSAL FEE:** The Nuclear Waste Policy Act of 1982 specifies that a waste disposal of one mill be paid to the United States Department of Energy (DOE) for each kilowatt-hour of electricity generated. In return, DOE will accept and dispose of spent nuclear fuel.

**STRATEGIC PLANNING:** A process undertaken by key managers and staff, approved by the Executive Board, to establish a vision of what Energy Northwest should be in five or more years.



# **Fiscal Year 2019 General Business Unit Annual Budget**



Prepared 4/25/18

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### Summary

Presented within the General Business Unit Fiscal Year 2019 budget are the costs for Benefits, Corporate Programs, Organizational Overhead and General Purpose Projects.

The total Fiscal Year 2019 General Business Unit cost is estimated to be \$99,885,000 (Table 1).

Corporate Program costs and staffing are shown separately to identify the services being provided to each business unit as opposed to employee related benefits. Fiscal Year 2019 Corporate costs are estimated to be \$14,974,000 (Table 2).

Benefits which include health care, personal time/holidays, employer portion of social security and Washington State Employees' Retirement System, 401(k) matching, and other related costs are estimated to be \$68,646,000 (Table 3).

Organizational Overhead which includes at-risk compensation, tuition and relocation reimbursements as well as other related costs is estimated to be \$13,222,000 (Table 4).

General Purpose Projects are composed of Corporate IT Projects and the Capital Development Corporation (CDC) facility. The Corporate IT Projects are estimated to be \$2,945,000 (Table 5). The CDC facility is not expected to realize any revenue and is estimated to have \$98,000 in costs for a net loss of \$98,000 (Table 5). The CDC facility estimated net loss of \$98,000 (Table 8) will be funded by the Performance Fee Account.

The General Business Unit costs are allocated to each Business Unit as explained on page 10. Also, the allocation process is depicted in a diagram on Table 7.

The Performance Fee account has been established for the purpose of depositing monies related to fees earned by Energy Northwest. Monies within this account are used to fund start-up expenses related to Business Development Fund projects, and for other purposes as directed by the Chief Executive Officer (Table 8).

The Fiscal Year 2018 Budget has been adjusted to reclassify certain costs for comparison purposes to the Fiscal Year 2019 Budget.

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

<u>Description</u>	<b>FY 2019 Budget</b>	<b>Original FY 2018 Budget</b>	<b>Variance</b>
Corporate Programs	\$ 14,974	\$ 14,700	\$ 274
Benefits/Personal Time	68,646	66,672	1,974
Organizational Overhead	13,222	12,863	359
General Purpose Project - O&M	98	40	58
<b>Total O&amp;M Costs</b>	<b>\$ 96,940</b>	<b>\$ 94,275</b>	<b>\$ 2,665</b>
 General Purpose Project - Capital	 \$ 2,945	 \$ 1,465	 \$ 1,480
 <b>Total Costs</b>	 <b>\$ 99,885</b>	 <b>\$ 95,740</b>	 <b>\$ 4,145</b>

**Table 2**  
**Corporate Program Costs**  
(Dollars in Thousands)

<b>Description</b>	<b>FY 2019</b>	<b>Original</b>	<b>Variance</b>
	<b>Budget</b>	<b>FY 2018</b>	
	<b>Budget</b>	<b>Budget</b>	
Information Services	\$ 5,705	\$ 5,704	\$ 1
Public Affairs	2,512	2,506	6
Human Resources	1,825	1,770	55
Asset Management	1,544	1,592	(48)
Senior Management	1,443	1,288	155
Finance/Treasury	737	682	55
Legal	704	752	(48)
Environmental & Regulatory Programs	243	144	99
Training	220	220	-
Other	41	42	(1)
<b>Total</b>	<b>\$ 14,974</b>	<b>\$ 14,700</b>	<b>\$ 274</b>

**Table 2A**  
**Corporate Program Full Time Equivalent Positions**

<b>Description</b>	<b>FY 2019</b>	<b>FY 2018</b>	<b>Variance</b>
	<b>Budget</b>	<b>Budget</b>	
Information Services	25	26	(1)
Human Resources	15	15	-
Finance/Asset Management	11	11	-
Public Affairs	10	10	-
Legal	5	4	1
Senior Management	3	3	-
Environmental & Regulatory Programs	2	2	-
<b>Total</b>	<b>71</b>	<b>71</b>	<b>-</b>

**Table 3**  
**Employee Benefit Costs**  
(Dollars in Thousands)

<u>Description</u>	FY 2019 Budget	Original FY 2018 Budget	Variance
Medical Benefits	\$ 18,235	\$ 17,006	\$ 1,229
F.I.C.A.	9,312	9,610	(298)
Retirement:			
WA PERS Contribution	16,805	17,171	(366)
401(k) Match	3,419	3,628	(209)
Personal Time/Holidays	17,425	16,709	716
Unemployment/Disability/Other	2,232	2,547	(315)
<b>Subtotal</b>	<b>\$ 67,428</b>	<b>\$ 66,671</b>	<b>\$ 757</b>
Outage	\$ 1,218	\$ -	\$ 1,218
<b>Total</b>	<b>\$ 68,646</b>	<b>\$ 66,671</b>	<b>\$ 1,975</b>

**Table 4**  
**Organizational Overhead**  
(Dollars in Thousands)

<u>Description</u>	<u>FY 2019</u> <u>Budget</u>	<u>Original</u> <u>FY 2018</u> <u>Budget</u>	<u>Variance</u>
At-Risk Compensation/Retention/ Employee Recognition	\$ 12,490	\$ 12,077	\$ 413
Relocations	577	581	(4)
Tuition	155	205	(50)
<b>Total</b>	<b>\$ 13,222</b>	<b>\$ 12,863</b>	<b>\$ 359</b>

**Table 5**  
**General Purpose Projects**  
(Dollars in Thousands)

<u>Description</u>	<u>FY 2019 Budget</u>	<u>Original FY 2018 Budget</u>	<u>Variance</u>
<b>Capital Projects</b>			
Information Technology (1)	\$ 2,945	\$ 1,465	\$ 1,480
<b>Total Capital Projects</b>	<b>\$ 2,945</b>	<b>\$ 1,465</b>	<b>\$ 1,480</b>
<b>Expense Projects</b>			
Information Technology (1)	\$ -	\$ -	\$ -
CDC - Downtown Building (2)	98	40	58
<b>Total Expense Projects</b>	<b>\$ 98</b>	<b>\$ 40</b>	<b>\$ 58</b>
<b>Total General Purpose Projects</b>	<b>\$ 3,043</b>	<b>\$ 1,505</b>	<b>\$ 1,538</b>

- (1) Information Technology costs are managed centrally within Energy Northwest for the benefit of all Business Units. Items must have a useful life greater than one year, and have a procurement cost of greater than \$1,000. Internally developed software projects must be greater than \$250,000 to be capitalized.
- (2) CDC Building is an asset of the General Business Unit and is revenue producing. The net revenues or losses are transferred to the Performance Fee Account.



**Table 6**  
**Business Unit Allocation of Costs**  
(Dollars in Thousands)

<u>Business Unit Allocations (Dollars)</u>	FY 2019	Original	Variance
	Budget	FY 2018 Budget	
Project 1	\$ 414	\$ 452	\$ (38)
Columbia	92,162	89,593	2,569
Project 3	90	99	(9)
Packwood	390	401	(11)
Nine Canyon Wind Project	793	820	(27)
Business Development Fund	2,976	2,880	96
<b>Total Allocations</b>	<b><u>\$ 96,825</u></b>	<b><u>\$ 94,245</u></b>	<b><u>\$ 2,580</u></b>

<u>Business Unit Allocations (Percentages)</u>	FY 2018	FY 2018	Variance
	Budget	Budget	
Project 1	0.43%	0.48%	(0.05%)
Columbia	95.19%	95.05%	0.14%
Project 3	0.09%	0.11%	(0.02%)
Packwood	0.40%	0.43%	(0.03%)
Nine Canyon Wind Project	0.82%	0.87%	(0.05%)
Business Development Fund	<u>3.07%</u>	<u>3.06%</u>	<u>0.01%</u>
<b>Total Allocations</b>	<b><u>100.00%</u></b>	<b><u>100.00%</u></b>	<b><u>(0.00%)</u></b>

**Note:**

Total Business Unit Allocation dollars shown exclude CDC/Other non-allocated costs, thus, will not agree with Table 1.

## **Overview of Indirect Cost Pools**

Energy Northwest makes use of four indirect cost pools. Allocation of these pools is conducted in four sequential steps. A graphical depiction of allocation steps are provided on the following page (Table 7).

### **Step 1 - Employee Benefits (Resource Category 703)**

All costs incurred by Energy Northwest for medical and dental benefits, employer portion of social security and Washington State Employees' Retirement System, 401(k) matching, and other costs associated with employee wellness. Employee benefit costs are allocated to business units and other intermediate cost pools based on regular labor costs. Overtime, temporary and special pay costs receive a reduced rate.

### **Step 2 – Personal Time (Resource Category 701)**

All costs of labor while employees are on Personal Time (e.g., vacation, holiday, sick, etc.) and a pro rata allocation of employee benefits. These costs are allocated to business units and other intermediate cost pools based on regular labor costs.

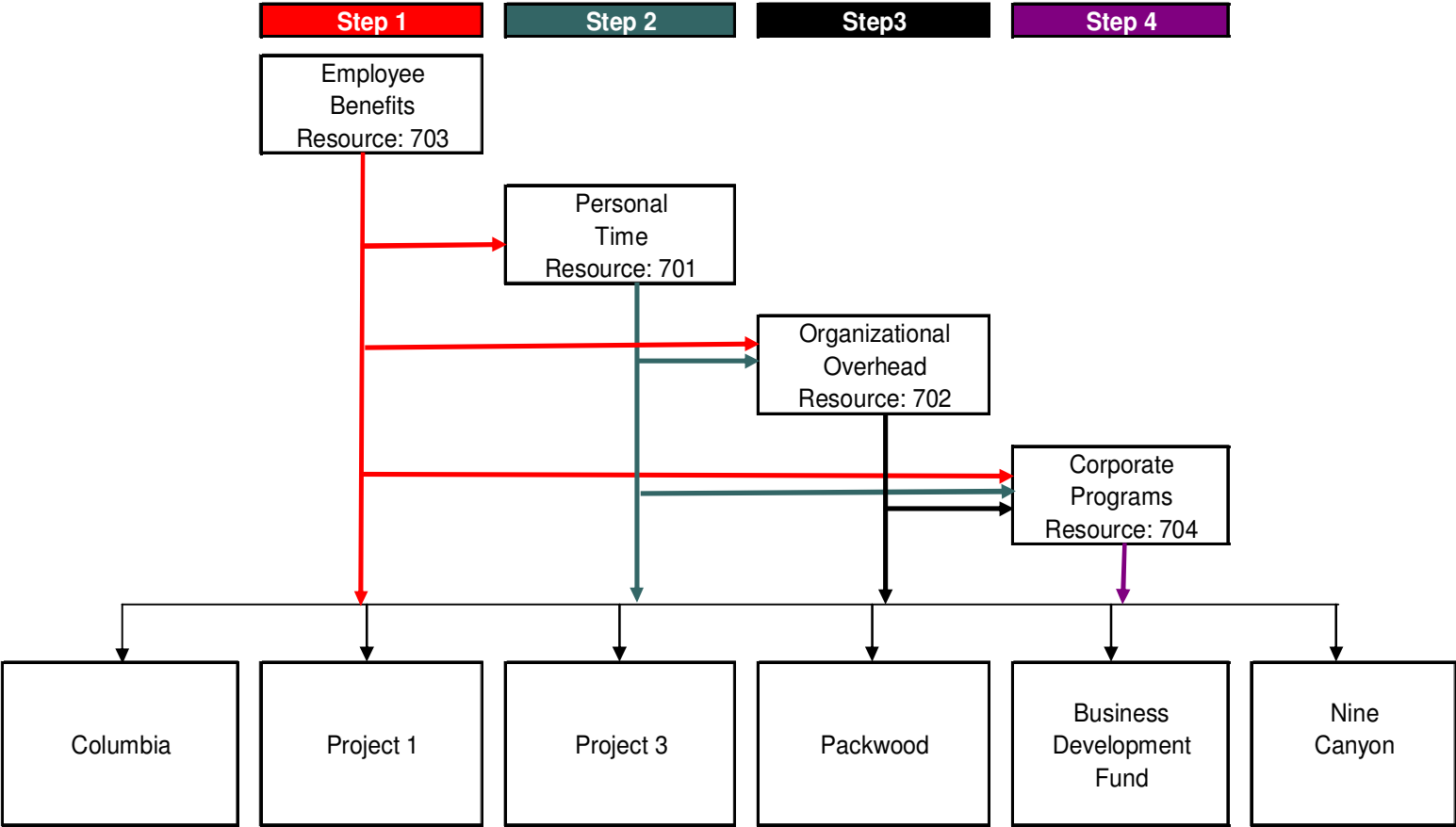
### **Step 3 – Organizational Overhead (Resource Category 702)**

Contains costs for education reimbursement, new employee relocation, employee labor supporting corporate sponsored initiatives and labor costs determined when goals are evaluated. Also, included is a pro rata allocation of employee benefits and personal time. These costs are allocated to business units and the Corporate Programs cost pool based on regular labor costs.

### **Step 4 – Corporate Programs (Resource Category 704)**

Contains all costs associated with management of Energy Northwest's corporate activities. These costs include costs of finance, legal, administration, human resources, procurement, and information technology. Also, included is a pro rata allocation of employee benefits, personal time, and Organizational Overhead. These costs are allocated over Total Operating and Capital costs.

**Table 7**  
**Indirect Cost Allocation Diagram**



**Table 8**  
**Performance Fee Account**  
**Statement of Funding Requirements**  
(Dollars in Thousands)

	FY 2019 Budget	Original FY 2018 Budget	Variance
<b><u>Beginning Balance</u></b>	<b><u>\$ 4,510</u></b>	<b><u>\$ 4,618</u></b>	<b><u>\$ (108)</u></b>
<b><u>Use of Funds</u></b>			
Transfer to Bus Dev Fund (BDF)	\$ -	\$ -	\$ -
<b>Total Use of Funds</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b><u>Source of Funds</u></b>			
CDC Margin	\$ (98)	\$ (40)	\$ (58)
Transfer from BDF	-	-	-
Investment Income	56	34	22
<b>Total Funding Sources</b>	<b><u>\$ (42)</u></b>	<b><u>\$ (6)</u></b>	<b><u>\$ (36)</u></b>
<b>Ending Balance (1)</b>	<b><u>\$ 4,468</u></b>	<b><u>\$ 4,612</u></b>	<b><u>\$ (144)</u></b>

(1) Internal policy allows portions of the Performance Fee account balance to be either transferred or encumbered by other Business Units.

# **Fiscal Year 2019 Columbia Generating Station Annual Operating Budget**



Prepared 4/25/18

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### Summary

Energy Northwest's Columbia Generating Station (Columbia) is a 1,174 megawatt boiling water nuclear power station utilizing a General Electric nuclear steam supply system. The project is located on the Department of Energy's Hanford Reservation near Richland, Washington. The project began commercial operation in December 1984.

This Columbia Generating Station Fiscal Year 2019 Annual Operating Budget has been prepared by Energy Northwest pursuant to the requirements of Board of Directors Resolution No. 640, the Project Agreement, and the Net Billing Agreements. This document includes all capitalized and non-capitalized costs associated with the project for Fiscal Year 2019. In addition this document includes all funding requirements.

The total cost budget for Fiscal Year 2019 for Expense and Capital related costs are estimated at \$664,736,000 (Table 3), with associated total funding requirements of \$1,106,747,000 (Table 8). Using the Memorandum of Agreement basis for measuring Columbia's costs, budget requirements for Fiscal Year 2019 have been established at \$427,195,000 (Table 1) including escalation. In Fiscal Year 2019, Bonneville Power Administration will be directly paying the funding requirements on a monthly basis under the provisions of the Direct Pay Agreements. This will take the net billing requirements to zero, for the statements which are normally sent to participants in the project, and will be 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 will simply take 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. Fiscal Year 2019 Capital costs will be funded by bond proceeds and are not included in the Fiscal Year 2019 direct pay requirements. Total direct pay requirements of \$433,214,000 (Table 8) will be the basis for billing directly to Bonneville Power Administration.

This budget is presented on a cost basis and includes a cost to cash reconciliation (Table 7) converting cost data to a cash basis. The Columbia Generating Station's Annual Budget (Table 8) is required by the various project agreements.

Comparison of the Fiscal Year 2019 Budget to the Fiscal Year 2018 Long Range Plan for Fiscal Year 2019 is included (Table 1). Comparison of the Fiscal Year 2019 Budget is made to the original budget for Fiscal Year 2018, dated April 27, 2017.

**Key Assumptions/Qualifications**

This budget is based upon the following key assumptions and qualifications:

- Fiscal Year 2019 cost of power is based on net generation of 8,777 GWh.
- There is a refueling outage planned for Fiscal Year 2019.
- Risk reserves consist of a total of \$10.4 million.
- Unknown NRC mandates are excluded.
- All assumptions associated with Nuclear Fuel are referenced in the Columbia Fuel Plan Section.
- Other Specific Inclusions:
  - Sales tax calculated at 8.6 percent for appropriate items
- All Fiscal Year 2019 Capital expenses have been financed from the 2018AB transaction that priced in February 2018 or will be funded by cash held as a result of Independent Spent Fuel Storage Installation Facility settlements with the Department of Energy.
- Fuel Revenue of \$230.42 million is expected to be received by September 30, 2019 from the Tennessee Valley Authority (TVA) related to the Depleted Uranium Enrichment Program (DUEP). Under the TVA Agreement, TVA is obligated to pay prior to September 30, 2019. However, to ensure the benefits are achieved in the appropriate rate period as originally contemplated under the DUEP, revenues will be received or line of credit proceeds will be received to fund the maturing debt prior to July 1, 2019.
- Note / Line of Credit draws for a portion of Operations and Maintenance and interest expense associated with the acceleration of the Regional Cooperation Debt initiative are anticipated throughout Fiscal Year 2019.



**Table 1**  
**Memorandum of Agreement (MOA) (1)**  
(Dollars in Thousands)

<u>Description</u>	<u>FY 2019 Budget</u>	<u>FY 2018 (2) LRP for FY 2019 (2)</u>	<u>Variance</u>
Baseline	\$ 145,233	\$ 142,991	\$ 2,242
Indirect Allocations O&M	76,314	77,585	(1,271)
Expense Projects	41,458	43,338	(1,880)
Risk Reserve	2,938	2,041	897
<b>Operations &amp; Maintenance Total</b>	<b>\$ 265,943</b>	<b>\$ 265,955</b>	<b>\$ (12)</b>
Capital Projects	\$ 85,462	\$ 81,357	\$ 4,105
Indirect Allocations Capital	16,752	19,002	(2,250)
Risk Reserve	7,501	9,367	(1,866)
<b>Capital Total</b>	<b>\$ 109,715</b>	<b>\$ 109,726</b>	<b>\$ (11)</b>
Nuclear Fuel Related Costs	\$ 51,537	\$ 51,761	\$ (224)
<b>Fuel Total</b>	<b>\$ 51,537</b>	<b>\$ 51,761</b>	<b>\$ (224)</b>
<b>Total</b>	<b>\$ 427,195</b>	<b>\$ 427,442</b>	<b>\$ (247)</b>
<b>Net Generation (GWh)</b>	<b>8,777</b>	<b>8,716</b>	<b>61</b>
<b>Cost of Power (\$/MWh)</b>	<b>\$ 48.67</b>	<b>\$ 49.04</b>	<b>\$ (0.37)</b>

- (1) Columbia costs as defined by the Memorandum of Agreement between Energy Northwest and BPA. This measure includes operations and maintenance, capital additions and fuel related costs as well as an appropriate allocation of indirect costs (such as employee benefits, A&G, and information technology expenses).
- (2) Fiscal Year 2018 Long Range Plan for Fiscal Year 2019.

**Table 2**  
**Columbia Station Costs - Memorandum of Agreement Comparison (1)**  
(Dollars in Thousands)

<u>Description</u>	<u>FY 2019 Budget</u>	<u>Original FY 2018 Budget</u>	<u>Variance</u>
<b>Controllable Costs</b>			
Energy Northwest Labor	\$ 83,022	\$ 78,469	\$ 4,553
Baseline Non-Labor	56,559	55,785	774
Incremental Outage	22,600	-	22,600
Expense Projects Non-Labor	38,731	6,867	31,864
Capital Projects Non-Labor	71,241	59,001	12,240
Indirect Allocations	93,066	89,995	3,071
Risk Reserve	10,439	9,167	1,272
<b>Subtotal Controllable</b>	<b>\$ 375,658</b>	<b>\$ 299,284</b>	<b>\$ 72,031</b>
<b>Nuclear Fuel Related Costs</b>			
Nuclear Fuel Amortization	\$ 51,537	\$ 57,709	\$ (6,172)
<b>Subtotal Nuclear Fuel Related</b>	<b>\$ 51,537</b>	<b>\$ 57,709</b>	<b>\$ (6,172)</b>
<b>Total</b>	<b>\$ 427,195</b>	<b>\$ 356,993</b>	<b>\$ 65,859</b>
<b>Net Generation (GWh)</b>	<b>8,777</b>	<b>9,769</b>	<b>(992)</b>
<b>Cost of Power (\$/MWh)</b>	<b>\$ 48.67</b>	<b>\$ 36.54</b>	<b>\$ 12.13</b>

(1) Columbia Costs as defined by the Memorandum of Agreement between Energy Northwest and BPA. This cost measure includes operations and maintenance and capital additions, fuel related costs as well as an appropriate allocation of indirect costs (such as employee benefits, and corporate programs).

**Table 3**  
**Summary of Costs**  
(Dollars in Thousands)

<u>Description</u>	<u>FY 2019 Budget</u>	<u>Original FY 2018 Budget</u>	<u>Variance</u>
<b><u>Controllable Expense</u></b>			
Energy Northwest Labor	\$ 68,801	\$ 64,367	\$ 4,434
Base Non-Labor	56,559	55,785	774
Expense Projects Non-Labor (1)	38,731	6,867	31,864
Incremental Outage	22,600	-	22,600
Indirect Allocations	76,314	72,440	3,874
Risk Reserve	2,938	-	2,938
<b>Subtotal Controllable</b>	<b>\$ 265,943</b>	<b>\$ 199,459</b>	<b>\$ 66,484</b>
<b><u>Incremental</u></b>			
Nuclear Fuel Amortization	\$ 51,537	\$ 57,709	\$ (6,172)
Generation Taxes	5,117	5,568	(451)
<b>Subtotal Incremental</b>	<b>\$ 56,654</b>	<b>\$ 63,277</b>	<b>\$ (6,623)</b>
<b><u>Fixed</u></b>			
Treasury Related Expenses (2)	\$ 134,347	\$ 143,215	\$ (8,868)
Decommissioning (3)	8,588	8,164	424
Depreciation	89,489	77,608	11,881
<b>Subtotal Fixed</b>	<b>\$ 232,424</b>	<b>\$ 228,987</b>	<b>\$ 3,437</b>
<b>Total Operating Expense</b>	<b>\$ 555,021</b>	<b>\$ 491,723</b>	<b>\$ 63,298</b>
<b><u>Capital</u></b>			
Energy Northwest Labor	\$ 14,221	\$ 14,102	\$ 119
Capital Projects Non-Labor (4)	71,241	59,001	12,240
Indirect Allocations	16,752	17,555	(803)
Capital Risk Reserve	7,501	9,167	(1,666)
<b>Total Capital</b>	<b>\$ 109,715</b>	<b>\$ 99,825</b>	<b>\$ 9,890</b>
<b>Total Expense and Capital</b>	<b>\$ 664,736</b>	<b>\$ 591,548</b>	<b>\$ 73,188</b>

(1) See Table 5B (page 10).

(2) See Table 6 (page 11).

(3) Includes ISFSI Decommissioning.

(4) See Table 5A (page 10).

**Table 4**  
**Summary of Full Time Equivalent (FTE) Positions\***

<b>Organization</b>	<b>Direct Charge</b>	<b>Corporate Allocation**</b>	<b>Laboratories Support</b>	<b>FY 2019 Budget</b>	<b>FY 2018 Budget</b>	<b>Variance</b>
Chief Executive Officer	1	11	-	12	12	-
General Counsel	5	6	-	11	11	-
Chief Operating Officer/Chief Nuclear Officer***	799	-	-	799	799	-
General Manager Energy Services & Development****	50	-	19	69	69	-
Vice President Corporate Services/Chief Financial Officer/Chief Risk Officer	94	51	-	145	145	-
<b>Total</b>	<b>949</b>	<b>68</b>	<b>19</b>	<b>1,036</b>	<b>1,036</b>	<b>-</b>

**Note:** FY 2018 Staffing has been reclassified for comparison purposes

\* Includes project positions

\* Includes employees supporting Capital Projects

\* Excludes temporary positions

\*\* Includes allocation of Corporate FTE Positions (95% in FY 2019 and FY 2018)

\*\*\* Includes employment "pipeline" for Operations and Security

\*\*\*\* Includes Environmental and Calibrations Laboratories support (19 FTE in FY 2019 and 19 FTE in FY 2018)

**Table 5**  
**Projects Non-Labor**  
(Dollars in Thousands)

<u>Description</u>	FY 2019 Budget	Original FY 2018 Budget	Variance
<b><u>Capital Projects</u></b>			
Plant Modifications	\$ 62,436	\$ 48,939	\$ 13,497
Facilities Modifications	624	623	1
Information Technology	8,181	9,439	(1,258)
<b>Subtotal Capital Projects</b>	<b>\$ 71,241</b>	<b>\$ 59,001</b>	<b>\$ 12,240</b>
<b><u>Expense Projects</u></b>			
Plant Modifications	\$ 37,950	\$ 5,935	\$ 32,015
Facilities Modifications	781	932	(151)
<b>Subtotal Expense Projects</b>	<b>\$ 38,731</b>	<b>\$ 6,867</b>	<b>\$ 31,864</b>
<b>Total</b>	<b>\$ 109,972</b>	<b>\$ 65,868</b>	<b>\$ 44,104</b>

**Table 5A**  
**Capital Projects Non-Labor Over \$1.25 Million**  
(Dollars in Thousands)

<b><u>Plant Modifications and Information Technology</u></b>	<b><u>FY 2019 Budget</u></b>
Low Pressure Turbine Rotor Replacement	\$ 6,602
Control Rod Drive Repair/Refurbishment	6,597
Fukushima Project	6,266
Reactor Water Clean-up Heat Exchanger Replacement	3,077
Asset Suite Upgrade	3,000
Main Turbine Valve Inspection	2,587
Replace Obsolete Safety Related 480V Starters	2,446
Reactor Recirculation Pump 1A/1B Replacement	2,062
License Renewal Implementation	2,054
Dehalogenation Chemical Feed	1,959
Local Power Range Monitor Replacement	1,890
Plant Fire Detection Upgrade	1,579
Condenser Expansion Joint/Piping Replacement	1,470
Main Steam Isolation Valve Disassemble/Inspection	1,375
All Other Projects < \$1.25 Million	28,277
<b>Total Capital Projects Non-Labor</b>	<b>\$ 71,241</b>

**Table 5B**  
**Expense Projects Non-Labor Over \$750 Thousand**  
(Dollars in Thousands)

<b><u>Plant Modifications &amp; Major Maintenance(MM)</u></b>	<b><u>FY 2019 Budget</u></b>
In-Service Inspection Programs	\$ 8,490
Reactor Vessel Services	4,920
Main Turbine Inspection	4,880
Plant Valve Project	4,800
Cooling Tower Preventative Maintenance	2,740
Main Generator Maintenance	2,032
Flow Accelerated Corrosion Program	2,000
Outage Temporary Power	1,292
Condenser Eddy Current Support	1,250
Service Water Pond and System Cleaning	909
All Other Projects < \$750 Thousand	5,418
<b>Total Expense Projects Non-Labor</b>	<b>\$ 38,731</b>

**Table 6**  
**Treasury Related Expenses**  
(Dollars in Thousands)

<u>Description</u>	Original		Variance
	FY 2019 Budget	FY 2018 Budget	
Interest Expense (1)	\$ 150,326	\$ 155,946	\$ (5,620)
Build America Bond Subsidy (2)	(4,098)	(4,085)	(13)
Interest on Note (3)	4,736	6,388	(1,652)
Amortized Financing Cost (4)	(16,011)	(14,337)	(1,674)
Investment Income (5)	(1,336)	(1,444)	108
Treasury Svcs/Paying Agent Fees (6)	730	747	(17)
<b>Total</b>	<b>\$ 134,347</b>	<b>\$ 143,215</b>	<b>\$ (8,868)</b>

### Assumptions

- (1) Budget assumes approximately \$243.9 million in principal will be refunded in FY 2018 and approximately \$222.3 million during FY 2019.
- (2) Build America Bonds were expected to receive a subsidy from the Treasury for 35% of the interest payments. Reductions have been implemented as part of the Congressional budget cuts.
- (3) A portion of Columbia Operations and Maintenance and bond interest expenses will be funded by lines of credit that enable the acceleration of Bonneville federal debt repayments as part of the regional cooperation debt initiative.
- (4) The amortized financing costs are driven by the amortization of the premiums on bond issues.
- (5) Includes income on investment of monies held in the Interest and Principal Accounts and the Capital Fund which can be transferred periodically to the Revenue Fund.  
Projected investment income earning rates are forecasted to average 1.25%.
- (6) Includes all non-interest costs of banking, debt and internal labor and overheads.

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**Table 7**  
**Cost-to-Cash Reconciliation**  
(Dollars in Thousands)

Description	FY 2019 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2019 Total Cash
<u>Operating</u>						
Controllable - Expense	\$ 265,943	\$ -	\$ -	\$ -	\$ -	\$ 265,943
Controllable - Capital	109,715	-	332	-	-	110,047
Nuclear Fuel	51,537	(51,298)	64,460	-	-	64,699
Fuel Litigation	-	-	185	-	-	185
Spares/Inventory Growth	-	-	6,900	-	-	6,900
Generation Taxes	5,117	-	1,131	-	-	6,248
<b>Subtotal Operating</b>	<b>\$ 432,312</b>	<b>\$ (51,298)</b>	<b>\$ 73,008</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 454,022</b>
<u>Fixed Expenses</u>						
Treasury Related Expense						
Interest on Bonds	\$ 150,326	\$ -	\$ -	\$ -	\$ -	\$ 150,326
Build America Bond Subsidy	(4,098)	-	-	-	-	(4,098)
Interest on Note Payable	4,736	-	-	-	-	4,736
Payoff of Note Principal	-	-	302,050	-	-	302,050
Bond Retirement	-	-	194,965	-	-	194,965
Amortized Cost	(16,011)	16,011	-	-	-	-
Investment Income-Revenue Fund	(1,336)	-	-	906	-	(430)
Treasury Services	730	-	-	-	-	730
Decommissioning(1)	8,429	(8,429)	3,741	-	-	3,741
Asset Retirement Obligation (ARO) Estimate	-	-	500	-	-	500
ISFSI Decommissioning	159	(159)	205	-	-	205
Depreciation	89,489	(89,489)	-	-	-	-
<b>Subtotal Fixed Expenses</b>	<b>\$ 232,424</b>	<b>\$ (82,066)</b>	<b>\$ 501,461</b>	<b>\$ 906</b>	<b>\$ -</b>	<b>\$ 652,725</b>
<b>Total</b>	<b>\$ 664,736</b>	<b>\$ (133,364)</b>	<b>\$ 574,469</b>	<b>\$ 906</b>	<b>\$ -</b>	<b>\$ 1,106,747</b>

(1) Decommissioning paid directly by the Bonneville Power Administration

Note: Controllable cost and cash is equal due to BPA decision to Direct Pay and the institution of contractor time & labor.

**Table 8**  
**Annual Budget**  
**Statement of Funding Requirements (Revenue Fund)**  
(Dollars in Thousands)

<u>Description</u>	Original		Variance
	FY 2019 Budget	FY 2018 Budget	
<u>Operating</u>			
Controllable Expense	\$ 265,943	\$ 199,459	\$ 66,484
Controllable Capital	110,047	111,734	(1,687)
Nuclear Fuel	64,699	26,058	38,641
Fuel Litigation	185	255	(70)
Spares/Inventory Growth	6,900	5,500	1,400
Generation Taxes	6,248	5,452	796
<b>Subtotal Operating Requirements</b>	<b>\$ 454,022</b>	<b>\$ 348,458</b>	<b>\$ 105,564</b>
<u>Fixed</u>			
Treasury Related Expenses			
Interest on Bonds	\$ 150,326	\$ 155,946	\$ (5,620)
Build America Bond Subsidy	(4,098)	(4,085)	(13)
Interest on Note	4,736	6,388	(1,652)
Payoff of Note Principal	302,050	405,000	(102,950)
Bond Retirement (1)	194,965	181,705	13,260
Investment Income-Revenue Fund	(430)	(141)	(289)
Treasury Services/Paying Agent Fees	730	747	(17)
Decommissioning Costs (2)	3,741	3,597	144
Asset Retirement Obligation (ARO) Estimate	500	-	500
ISFSI Decommissioning Costs	205	189	16
<b>Subtotal Fixed</b>	<b>\$ 652,725</b>	<b>\$ 749,346</b>	<b>\$ (96,621)</b>
<b>Total Funding Requirements</b>	<b>\$ 1,106,747</b>	<b>\$ 1,097,804</b>	<b>\$ 8,943</b>
<u>Funding Sources</u>			
Direct Pay from BPA / Net Billing (3)	\$ 433,214	\$ 585,425	\$ (152,211)
Note / Line of Credit Draws (4)	168,000	236,000	(68,000)
Bond Proceeds (5)	109,722	111,682	(1,960)
Fuel Revenue	161,150	161,100	50
Line of Credit / Fuel Revenue (6)	230,420	-	230,420
Columbia Decommissioning Trust Funds	500	-	500
Bonneville Direct Funding Decommissioning	3,741	3,597	144
<b>Total Funding Sources</b>	<b>\$ 1,106,747</b>	<b>\$ 1,097,804</b>	<b>\$ 8,943</b>

(1) \$222.3 million of maturing July 2019 bonds are expected to be extended while \$195.0 will be repaid.

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

(3) Bonneville will direct pay the monthly funding requirements under the provisions of the Direct Pay Agreement.

(4) Draws against Note / Line of Credit for O&M / Interest Expense through June 2019.

(5) Bond Proceeds do not include funding of approximately \$325k related to the Energy Northwest Office Complex.

(6) Line of Credit / Fuel Revenue includes proceeds related to the scheduled TVA revenue to be received by 9/30/19.

**Table 9**  
**Monthly Statement of Funding Requirements**  
 (Dollars in Thousands)

Description	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2019 Total
<b>Beginning Balance</b>	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
<b>Disbursements</b>													
<u>Operating</u>													
Controllable Expense	\$ 24,318	\$ 18,161	\$ 15,189	\$ 19,323	\$ 14,941	\$ 16,939	\$ 20,154	\$ 15,455	\$ 19,039	\$ 23,217	\$ 40,119	\$ 39,088	\$ 265,943
Controllable Capital	8,461	6,488	6,605	7,877	6,824	8,039	6,333	8,988	10,254	9,009	10,332	20,837	110,047
Nuclear Fuel In Process	25,482	544	544	544	544	544	544	544	544	544	34,132	189	64,699
Fuel Litigation	-	-	-	-	35	75	75	-	-	-	-	-	185
Spares/Inventory Growth	-	1,725	-	-	1,725	-	-	1,725	-	-	1,725	-	6,900
Generation Taxes	-	-	-	-	-	-	-	-	-	-	-	6,248	6,248
<b>Subtotal Operating</b>	\$ 58,261	\$ 26,918	\$ 22,338	\$ 27,744	\$ 24,069	\$ 25,597	\$ 27,106	\$ 26,712	\$ 29,837	\$ 32,770	\$ 86,308	\$ 66,362	\$ 454,022
<u>Fixed</u>													
Treasury Related Expenses													
Interest on Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,326	\$ 150,326
BABs Subsidy	-	-	-	-	-	(2,043)	-	-	-	-	-	(2,055)	(4,098)
Interest on Note	-	-	1,000	-	-	-	-	-	-	-	-	3,736	4,736
Payoff of Note Principal	-	-	161,050	-	-	-	-	-	-	-	-	141,000	302,050
Bond Retirement (1)	-	-	-	-	-	-	-	-	-	-	-	194,965	194,965
Investment Income	(35)	(35)	(35)	(35)	(35)	(35)	(35)	(35)	(35)	(35)	(40)	(40)	(430)
Treasury Services	60	60	60	60	60	60	61	61	61	62	62	63	730
Decommissioning	-	-	3,741	-	-	-	-	-	-	-	-	-	3,741
Asset Retirement Obligation	-	-	500	-	-	-	-	-	-	-	-	-	500
ISFSI Decommissioning	205	-	-	-	-	-	-	-	-	-	-	-	205
<b>Subtotal Fixed</b>	\$ 230	\$ 25	\$ 166,316	\$ 25	\$ 25	\$ 72,982	\$ 26	\$ 26	\$ 26	\$ 27	\$ 22	\$ 412,995	\$ 652,725
<b>Total Disbursements</b>	\$ 58,491	\$ 26,943	\$ 188,654	\$ 27,769	\$ 24,094	\$ 98,579	\$ 27,132	\$ 26,738	\$ 29,863	\$ 32,797	\$ 86,330	\$ 479,357	\$ 1,106,747
<u>Funding Sources</u>													
BPA Direct Pay (2)	\$ 30,005	\$ 455	\$ -	\$ -	\$ -	\$ 16,435	\$ 20,774	\$ 17,750	\$ 19,609	\$ 23,763	\$ 75,998	\$ 228,425	\$ 433,214
Note / Line of Credit Draws	20,000	20,000	16,758	19,867	17,270	74,105	-	-	-	-	-	-	168,000
Bond Proceeds	8,461	6,488	6,605	7,877	6,824	8,039	6,333	8,988	10,254	9,009	10,332	20,512	109,722
Fuel Revenue	25	-	161,050	25	-	-	25	-	-	25	-	-	161,150
Line of Credit / Fuel Revenue	-	-	-	-	-	-	-	-	-	-	-	230,420	230,420
Columbia Decommissioning Trust	-	-	500	-	-	-	-	-	-	-	-	-	500
BPA - Decommissioning	-	-	3,741	-	-	-	-	-	-	-	-	-	3,741
<b>Total Funding Sources</b>	\$ 58,491	\$ 26,943	\$ 188,654	\$ 27,769	\$ 24,094	\$ 98,579	\$ 27,132	\$ 26,738	\$ 29,863	\$ 32,797	\$ 86,330	\$ 479,357	\$ 1,106,747
<b>Ending Balance</b>	\$ 3,000	\$ 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) \$222.3 million of 7/1/2019 maturing bonds are expected to be refunded. The remaining \$195.0 are expected to be paid off.

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# **Fiscal Year 2019 Columbia Generating Station Long Range Plan**



BPA Rate Case											
Columbia Fiscal Year	RC		RC		RC		RC		RC		RC
	FY19 (R24)	FY20	FY21 (R25)	FY22	FY23 (R26)	FY24	FY25 (R27)	FY26	FY27 (R28)	FY28	FY29 (R29)
<b>Operations &amp; Maintenance (O&amp;M) Costs</b>											
Baseline Costs	\$ 122,633	\$ 121,018	\$ 122,762	\$ 121,183	\$ 117,202	\$ 112,732	\$ 112,336	\$ 107,508	\$ 104,179	\$ 101,403	\$ 98,028
Outage Costs (Incremental)	22,600	-	22,952	-	20,334	-	18,632	-	18,632	-	18,632
Indirect Allocations ▼	\$ 76,314	\$ 82,612	\$ 80,579	\$ 82,713	\$ 82,410	\$ 80,820	\$ 80,088	\$ 79,400	\$ 82,770	\$ 84,176	\$ 85,728
Plant Projects	\$ 40,474	\$ 7,239	\$ 37,465	\$ 12,533	\$ 38,533	\$ 7,243	\$ 40,408	\$ 7,343	\$ 50,235	\$ 9,532	\$ 50,235
Facilities Projects	\$ 983	\$ 999	\$ 1,002	\$ 1,002	\$ 1,002	\$ 1,002	\$ 1,002	\$ 1,002	\$ 1,002	\$ 1,002	\$ 1,002
Risk Reserve	2,938	1,500	2,000	1,500	2,000	1,500	2,000	1,500	2,000	1,500	2,000
Subtotal O&M Costs	\$ 265,943	\$ 213,369	\$ 266,760	\$ 218,931	\$ 261,481	\$ 203,297	\$ 254,466	\$ 196,752	\$ 258,817	\$ 197,613	\$ 255,624
Escalation (3% Labor / 2% Non-Labor)	-	4,546	12,182	15,502	24,367	24,689	36,492	34,072	50,193	44,614	63,697
<b>Total O&amp;M Costs (escalated)</b>	<b>\$ 265,943</b>	<b>\$ 217,915</b>	<b>\$ 278,942</b>	<b>\$ 234,433</b>	<b>\$ 285,847</b>	<b>\$ 227,985</b>	<b>\$ 290,958</b>	<b>\$ 230,824</b>	<b>\$ 309,010</b>	<b>\$ 242,227</b>	<b>\$ 319,321</b>
<b>Capital Costs</b>											
Plant Projects *	\$ 75,299	\$ 36,505	\$ 59,088	\$ 34,947	\$ 42,336	\$ 46,244	\$ 61,097	\$ 35,064	\$ 48,076	\$ 51,051	\$ 83,727
Risk Reserve	7,500	5,057	9,004	5,367	6,694	7,345	10,047	8,486	10,529	10,931	17,625
Facilities Projects	716	619	621	621	621	621	621	621	621	621	621
Information Technology Projects	9,448	12,032	10,025	9,415	10,075	10,846	10,336	10,443	9,414	9,414	10,075
Indirect Allocations ▼	16,752	10,747	14,651	9,377	11,352	12,314	14,747	14,836	13,197	11,223	11,435
Subtotal Capital Costs	\$ 109,715	\$ 64,960	\$ 93,388	\$ 59,726	\$ 71,078	\$ 77,370	\$ 96,847	\$ 69,449	\$ 81,837	\$ 83,240	\$ 123,482
Escalation (3% Labor / 2% Non-Labor)	-	1,253	4,011	3,931	6,264	8,650	13,026	11,139	15,031	17,526	28,844
<b>Total Capital Costs (escalated)</b>	<b>\$ 109,715</b>	<b>\$ 66,212</b>	<b>\$ 97,400</b>	<b>\$ 63,657</b>	<b>\$ 77,342</b>	<b>\$ 86,020</b>	<b>\$ 109,873</b>	<b>\$ 80,588</b>	<b>\$ 96,868</b>	<b>\$ 100,766</b>	<b>\$ 152,326</b>
<b>Fuel Costs</b>											
Nuclear Fuel Amortization **	51,537	58,224	52,580	58,942	53,848	58,813	53,949	60,251	55,313	61,390	56,228
<b>Subtotal Fuel Costs</b>	<b>\$ 51,537</b>	<b>\$ 58,224</b>	<b>\$ 52,580</b>	<b>\$ 58,942</b>	<b>\$ 53,848</b>	<b>\$ 58,813</b>	<b>\$ 53,949</b>	<b>\$ 60,251</b>	<b>\$ 55,313</b>	<b>\$ 61,390</b>	<b>\$ 56,228</b>
<b>Total Un-escalated Budget</b>	<b>\$ 427,195</b>	<b>\$ 336,552</b>	<b>\$ 412,729</b>	<b>\$ 337,598</b>	<b>\$ 386,406</b>	<b>\$ 339,480</b>	<b>\$ 405,261</b>	<b>\$ 326,452</b>	<b>\$ 395,967</b>	<b>\$ 342,243</b>	<b>\$ 435,334</b>
<b>Total Escalation</b>	<b>-</b>	<b>5,798</b>	<b>16,193</b>	<b>19,434</b>	<b>30,631</b>	<b>33,339</b>	<b>49,518</b>	<b>45,210</b>	<b>65,224</b>	<b>62,139</b>	<b>92,541</b>
<b>Total Cost - Industry Basis</b>	<b>\$ 427,195</b>	<b>\$ 342,350</b>	<b>\$ 428,922</b>	<b>\$ 357,032</b>	<b>\$ 417,037</b>	<b>\$ 372,819</b>	<b>\$ 454,779</b>	<b>\$ 371,663</b>	<b>\$ 461,191</b>	<b>\$ 404,382</b>	<b>\$ 527,875</b>
<b>Generation/Cost of Power</b>											
Total Net Generation (Gwh)	8,777	9,884	8,777	9,857	8,777	9,884	8,777	9,857	8,777	9,884	8,777
Outage Days	40		40		40		40		40		40
Cost of Power (Cents per kWh)	\$ 4.87	\$ 3.41	\$ 4.70	\$ 3.43	\$ 4.40	\$ 3.43	\$ 4.62	\$ 3.31	\$ 4.51	\$ 3.46	\$ 4.96
Cost of Power (Cents per kWh, escalated)	\$ 4.87	\$ 3.46	\$ 4.89	\$ 3.62	\$ 4.75	\$ 3.77	\$ 5.18	\$ 3.77	\$ 5.25	\$ 4.09	\$ 6.01
<b>Key Assumption/Qualifications (Revision - 3/08/18)</b>											
Escalation Rate = Labor 3% and Non-labor 2% (FY19-20 non-labor at 1.75% to align with Cost Effective Operations Model)											
Net Generation 1160 Mwe; assumes 1% unplanned/ 2% planned loss											
▼ Potential Financial Risk; *Includes moveable capital and FY19 Fukushima project funding ** Does not include fuel costs associated with generation increase											
Every fourth year, generation increases slightly due to leap year											
<b>DRAFT - Pending Board Approval</b>											

# **Fiscal Year 2019 Business Development Fund Annual Budget**



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### Summary

The Business Development Fund (BDF) was created by Executive Board Resolution No. 1006 in April 1997 for the purpose of holding, administering, disbursing, and accounting for Energy Northwest costs and revenues generated from engaging in new energy-related business opportunities.

The BDF is managed as an enterprise fund. The budgets are divided by business sector: Applied Technology and Innovation, Business Services, Facilities, Generation, and Professional Services. Each sector may have one or more programs that are managed as a unique business activity. Revenues, expenses, and margins are reported for each program and sector.

For Fiscal Year 2019, the revenue for the BDF equals \$10,672,000 while total funding requirements equal \$10,703,000 creating a reduction in fund balance of \$31,000 (See Table 5).

A comparison of the Fiscal Year 2019 Budget is made to the original budget issued for Fiscal Year 2018.

**Key Assumptions/Qualifications**

- Manage, operate, maintain, modify, and support facilities related to power generation.
- Assist members with generation resources, transmission integration, and power management issues.
- Offer cost competitive resource options that manage risk and promote environmental stewardship.
- Invest in key strategic focus areas:
  - Professional / O&M services
  - Electric Vehicle Infrastructure
  - Demand Side Management Resources

**Table 1**  
**Summary of Revenues and Expenses by Business Sector**  
(Dollars in Thousands)

<b>Description</b>	<b>FY 2019 Budget</b>	<b>Original FY 2018 Budget</b>	<b>Variance</b>
<b>Revenues</b>			
Applied Technology & Innovation	\$ 167	\$ 929	\$ (762)
Business Services	5,868	5,557	311
Facilities	7	143	(136)
Generation	474	208	266
Professional Services	4,156	2,190	1,966
<b>Total Revenues</b>	<b>\$ 10,672</b>	<b>\$ 9,027</b>	<b>\$ 1,645</b>
<b>Expenses (1)</b>			
Applied Technology & Innovation	\$ 784	\$ 1,098	\$ (314)
Business Services (2)	5,385	5,192	193
Facilities	4	133	(129)
Generation	663	416	247
Professional Services (3)	3,713	1,943	1,770
<b>Total Expenses</b>	<b>\$ 10,549</b>	<b>\$ 8,782</b>	<b>\$ 1,767</b>
<b>Net Margin</b>	<b>\$ 123</b>	<b>\$ 245</b>	<b>\$ (122)</b>

(1) Does not include capital expenses

(2) Includes \$258,000 in depreciation

(3) Includes \$12,000 in depreciation

**Table 2**  
**Detailed Financial Summary**  
(Dollars in Thousands)

<u>Description</u>	<u>FY 2019 Revenue</u>	<u>FY 2019 Cost</u>	<u>FY 2019 Margin</u>
<u>Applied Technology &amp; Innovation (ATI)</u>			
Capacity Markets	\$ -	\$ 32	\$ (32)
Demand Response - Program	-	195	(195)
Distributed Storage	-	50	(50)
DVRI Capital	95	289	(194)
DVRI/DSM Operations	72	72	-
Energy Storage	-	37	(37)
Power System Services	-	109	(109)
<b>Total ATI</b>	<b>\$ 167</b>	<b>\$ 784</b>	<b>\$ (617)</b>
<u>Business Services</u>			
Columbia Calibration Services	\$ 2,377	\$ 2,377	\$ -
Commercial Calibration Services	1,550	1,098	452
Environmental Laboratory Services	220	213	7
Columbia Environmental Laboratory	1,682	1,682	-
Co-Location Rentals / Other	39	15	24
<b>Total Business Services (1)</b>	<b>\$ 5,868</b>	<b>\$ 5,385</b>	<b>\$ 483</b>
<u>Facilities</u>			
Misc Other	\$ 7	\$ 4	\$ 3
<b>Total Facilities</b>	<b>\$ 7</b>	<b>\$ 4</b>	<b>\$ 3</b>
<u>Generation</u>			
Electric Vehicle Initiatives	\$ 280	\$ 332	\$ (52)
Horn Rapids Solar	-	103	(103)
Neoen Solar	57	41	16
Small Modular Research	-	28	(28)
Solar	-	35	(35)
UAMPS Carbon Free Power	137	124	13
<b>Total Generation</b>	<b>\$ 474</b>	<b>\$ 663</b>	<b>\$ (189)</b>
<u>Professional Services</u>			
Joint Procurement	\$ -	\$ 18	\$ (18)
Portland Hydro Project	1,684	1,464	220
Roving Work Force	96	96	-
Special Coatings	-	1	(1)
Technical Services	307	307	-
Tieton O&M Services	2,068	1,815	253
White Bluffs Solar (2)	1	12	(11)
<b>Total Professional Services</b>	<b>\$ 4,156</b>	<b>\$ 3,713</b>	<b>\$ 443</b>
<b>Total</b>	<b>\$ 10,672</b>	<b>\$ 10,549</b>	<b>\$ 123</b>

Margin - ( ) Unfavorable

(1) Includes depreciation of \$258,000

(2) Includes depreciation of \$12,000

Note: \$2,194,000 in BDF Business Support is allocated to Energy Services & Development programs.

**Table 3**  
**Summary of Capital**  
(Dollars in Thousands)

<u>Description</u>	<u>FY 2019</u> <u>Budget</u>	<u>Original</u> <u>FY 2018</u> <u>Budget</u>	<u>Variance</u>
<b><u>Business Sector / Project</u></b>			
<u>Business Services</u>			
Calibration Laboratory Services	\$ 352	\$ 276	\$ 76
Environmental Laboratory Services	<u>72</u>	<u>73</u>	<u>(1)</u>
<b>Total - Capital</b>	<b><u>\$ 424</u></b>	<b><u>\$ 349</u></b>	<b><u>\$ 75</u></b>

**Table 4  
Summary of Full Time Equivalent Positions \***

<b><u>Description</u></b>	<b>FY 2019 Budget</b>	<b>Original FY 2018 Budget</b>	<b>Variance</b>
Applied Technology & Innovation	1	1	-
Business Services Sector	25	25	-
Facilities / Leasing Sector	2	2	-
Generation Sector	2	2	-
Indirect Support	10	10	-
Professional Services Sector (1)	3	2	1
<b>Total Positions</b>	<b>43</b>	<b>42</b>	<b>1</b>
Less: FTEs in Labs Supporting Columbia	19	19	-
<b>Total Positions Supporting External Business</b>	<b>24</b>	<b>23</b>	<b>1</b>

\* Includes Allocations of Corporate Full Time Equivalent Positions

(1) Project Manger I Position Added in Professional Services.

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**Table 5**  
**Statement of Funding Requirements**  
(Dollars in Thousands)

<u>Description</u>	<u>FY 2019 Budget</u>	<u>Original FY 2018 Budget</u>	<u>Variance</u>
<b><u>Funding Requirements</u></b>			
Expense Requirements (1)	\$ 10,279	\$ 8,500	\$ 1,779
Capital Requirements	424	349	75
<b>Total Funding Requirements</b>	<b><u>\$ 10,703</u></b>	<b><u>\$ 8,849</u></b>	<b><u>\$ 1,854</u></b>
<b><u>Funding Sources</u></b>			
Revenues	\$ 10,672	\$ 9,027	\$ 1,645
<b>Total Funding Sources</b>	<b><u>\$ 10,672</u></b>	<b><u>\$ 9,027</u></b>	<b><u>\$ 1,645</u></b>
<b>Change in Fund Balance from Operations</b>	<b><u>\$ (31)</u></b>	<b><u>\$ 178</u></b>	<b><u>\$ (209)</u></b>

(1) Expenses exclude \$270,000 of depreciation (non-cash item).



**Table 6**  
**Business Development Fund - Cash Flow**  
(Dollars in Thousands)

Description	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2019 Total
<b>Beginning Balance</b>	\$ 8,673	\$ 8,705	\$ 8,737	\$ 8,771	\$ 8,803	\$ 8,836	\$ 8,869	\$ 8,901	\$ 8,934	\$ 8,967	\$ 8,999	\$ 9,033	\$ 8,673
Receipts													
Revenues	\$ 889	\$ 889	\$ 890	\$ 889	\$ 890	\$ 889	\$ 889	\$ 890	\$ 889	\$ 889	\$ 890	\$ 889	\$ 10,672
<b>Total Receipts</b>	\$ 889	\$ 889	\$ 890	\$ 889	\$ 890	\$ 889	\$ 889	\$ 890	\$ 889	\$ 889	\$ 890	\$ 889	\$ 10,672
Disbursements													
Expense Requirements	\$ 857	\$ 857	\$ 856	\$ 857	\$ 857	\$ 856	\$ 857	\$ 857	\$ 856	\$ 857	\$ 856	\$ 856	\$ 10,279
Capital Requirements	-	-	-	-	-	-	-	-	-	-	-	424	424
<b>Total Disbursements</b>	\$ 857	\$ 857	\$ 856	\$ 857	\$ 857	\$ 856	\$ 857	\$ 857	\$ 856	\$ 857	\$ 856	\$ 1,280	\$ 10,703
<b>Ending Balance</b>	\$ 8,705	\$ 8,737	\$ 8,771	\$ 8,803	\$ 8,836	\$ 8,869	\$ 8,901	\$ 8,934	\$ 8,967	\$ 8,999	\$ 9,033	\$ 8,642	\$ 8,642

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# Fiscal Year 2019 Energy Northwest Budget Summary



Prepared 4/25/18

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## **Summary**

This document contains a summary of budgets for all Energy Northwest business units. This section has been prepared for information purposes only.

Energy Northwest operates six business units under various contractual agreements and Energy Northwest Board Resolutions. These business units include Columbia Generating Station, Project 1, Project 3, Packwood Hydroelectric Project, The Business Development Fund, and the Nine Canyon Wind Project. Energy Northwest also manages an Internal Service Fund which acts as an agency clearing account for disbursing agency-wide costs such as employee benefits and corporate programs to the various business units.

**Table 1**  
**Funding Requirements**  
(Dollars in Thousands)

<b><u>Funding Requirements</u></b>	<b>FY 2019 Budget</b>	<b>Original FY 2018 Budget</b>	<b>Variance</b>
Columbia (1)	\$ 1,106,747	\$ 1,097,804	\$ 8,943
Packwood (2)	3,136	2,960	176
Nine Canyon Wind Project (3)	18,516	18,709	(193)
Project 1 (4)	44,101	86,872	(42,771)
Project 3 (5)	41,751	115,883	(74,132)
Business Development Fund (6)	10,703	8,849	1,854
General Business Unit (7)	42	6	36
<b>Total Funding Requirements</b>	<b>\$ 1,224,996</b>	<b>\$ 1,331,083</b>	<b>\$ (106,087)</b>

<b><u>Funding Sources</u></b>	<b>FY 2019 Budget</b>	<b>FY 2018 Budget</b>	<b>Variance</b>
Net Billing Revenues/Direct Pay	\$ 516,403	\$ 786,073	\$ (269,670)
Note/Line of Credit Draws	168,000	236,000	(68,000)
Bond Proceeds from Capital Financing	109,722	111,682	(1,960)
Fuel Revenue	161,150	161,100	50
Revenues	31,058	28,857	2,201
Line of Credit/Fuel Revenue	230,420	-	230,420
Columbia Decommissioning Trust Funds	500	-	500
Working Capital/Receipts from Participants	4,002	3,774	228
BPA Decommissioning	3,741	3,597	144
<b>Total Funding Sources</b>	<b>\$ 1,224,996</b>	<b>\$ 1,331,083</b>	<b>\$ (106,087)</b>

- (1) See Table 8 on Page 14 of CGS's Budget Documents  
(2) See Table 5 on Page 9 of Packwood's Budget Documents  
(3) See Table 4 on Page 9 of Nine Canyon's Budget Documents  
(4) See Table 5 on Page 9 of Project 1's Budget Documents  
(5) See Table 4 on Page 7 of Project 3's Budget Documents  
(6) See Table 5 on Page 10 of Business Development's Budget Documents  
(7) See Table 8 on Page 12 of General Business Unit's Budget Documents

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**Table 2**  
**Operating & Capital Costs**  
(Dollars in Thousands)

<b><u>Operating Costs</u></b>	<b>FY 2019 Budget</b>	<b>Original FY 2018 Budget</b>	<b>Variance</b>
Columbia (1)	\$ 555,021	\$ 491,723	\$ 63,298
Packwood (2)	2,442	2,468	(26)
Nine Canyon Wind Project (3)	15,871	16,344	(473)
Project 1 (4)	25,585	30,116	(4,531)
Project 3 (5)	34,113	43,531	(9,418)
Business Development Fund (6)	10,549	8,782	1,767
<b>Total Operating Costs</b>	<b>\$ 643,581</b>	<b>\$ 592,964</b>	<b>\$ 50,617</b>

<b><u>Capital Costs</u></b>	<b>FY 2019 Budget</b>	<b>FY 2018 Budget</b>	<b>Variance</b>
Columbia (1)	\$ 109,715	\$ 99,825	\$ 9,890
Packwood (2)	819	603	216
Nine Canyon Wind Project (3)	60	53	7
Business Development Fund (7)	424	349	75
<b>Total Capital Costs</b>	<b>\$ 111,018</b>	<b>\$ 100,830</b>	<b>\$ 10,188</b>

(1) See Table 3 on Page 7 of CGS Budget's Document

(2) See Table 1 on Page 5 of Packwood Budget's Document

(3) See Table 1 on Page 5 of Nine Canyon Budget's Document

(4) See Table 1 on Page 4 of Project 1's Budget Document

(5) See Table 1 on Page 4 of Project 3's Budget Document

(6) See Table 1 on Page 5 of Business Development's Budget Document

(7) See Table 3 on Page 7 of Business Development's Budget Document



**Table 3**  
**Summary of Full Time Equivalent Positions by Business Unit(1)(2)**

<u><b>Business Unit</b></u>	<u><b>FY 2019 Budget</b></u>	<u><b>FY 2018 Budget</b></u>	<u><b>Variance</b></u>
Columbia	1,036	1,036	-
Packwood	4	4	-
Nine Canyon Wind Project	12	12	-
Project 1	7	7	-
Project 3	1	1	-
Business Development Fund	24	23	1
<b>Total Full Time Equivalent Positions</b>	<u><b>1,084</b></u>	<u><b>1,083</b></u>	<u><b>1</b></u>

(1) Includes Full Time Equivalent positions for transition of new employees taking positions of retiring employees.

(2) Corporate Programs (A&G) Full Time Equivalent positions of 71 in Fiscal Year 2019 and 71 in Fiscal Year 2018 have been allocated and are included in the Business Units above.