

Fiscal Year 2018 Business Development Fund Annual Budget



Prepared 4/27/17

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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 2018, the revenue for the BDF equals \$9,027,000 while total funding requirements equal \$8,849,000 creating a change in fund balance of \$178,000 (See Table 5).

A comparison of the Fiscal Year 2018 Budget is made to the original budget issued for Fiscal Year 2017.

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.

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

| Description | FY 2018 Budget | Original FY 2017 Budget | Variance |
|---------------------------------|---------------------------|--|-------------------|
| <u>Revenues</u> | | | |
| Applied Technology & Innovation | \$ 929 | \$ 1,752 | \$ (823) |
| Business Services | 5,557 | 5,569 | (12) |
| Facilities | 143 | 358 | (215) |
| Generation | 208 | 1,146 | (938) |
| Professional Services | 2,190 | 1,259 | 931 |
| Total Revenues | \$ 9,027 | \$ 10,084 | \$ (1,057) |
| <u>Expenses (1)</u> | | | |
| Applied Technology & Innovation | \$ 1,098 | \$ 1,794 | \$ (696) |
| Business Services (2) | 5,192 | 5,264 | (72) |
| Facilities | 133 | 358 | (225) |
| Generation | 416 | 1,166 | (750) |
| Professional Services (3) | 1,943 | 1,121 | 822 |
| Total Expenses | \$ 8,782 | \$ 9,703 | \$ (921) |
| Net Margin | \$ 245 | \$ 381 | \$ (136) |

(1) Does not include capital expenses

(2) Includes \$270,000 in depreciation

(3) Includes \$12,000 in depreciation

Table 2
Detailed Financial Summary
(Dollars in Thousands)

| Description | FY 2018 Revenue | FY 2018 Cost | FY 2018 Margin |
|--|----------------------------|-------------------------|---------------------------|
| <u>Applied Technology & Innovation (ATI)</u> | | | |
| Capacity Markets | \$ - | \$ 34 | \$ (34) |
| Demand Response - Pilot | 802 | 618 | 184 |
| Distributed Storage | - | 24 | (24) |
| DVRI Capital | 60 | 181 | (121) |
| DVRI/DSM Operations | 67 | 67 | - |
| Energy Storage | - | 67 | (67) |
| Power System Services | - | 107 | (107) |
| Total ATI | \$ 929 | \$ 1,098 | \$ (169) |
| <u>Business Services</u> | | | |
| Columbia Calibration Services | \$ 2,311 | \$ 2,311 | \$ - |
| Commercial Calibration Services | 1,350 | 1,015 | 335 |
| Environmental Laboratory Services | 200 | 194 | 6 |
| Columbia Environmental Laboratory | 1,658 | 1,658 | - |
| Co-Location Rentals / Other | 38 | 14 | 24 |
| Total Business Services (1) | \$ 5,557 | \$ 5,192 | \$ 365 |
| <u>Facilities</u> | | | |
| IDC Leases | \$ 136 | \$ 129 | \$ 7 |
| Misc Other | 7 | 4 | 3 |
| Total Facilities | \$ 143 | \$ 133 | \$ 10 |
| <u>Generation</u> | | | |
| Electric Vehicle Initiatives | \$ 45 | \$ 111 | \$ (66) |
| Horn Rapids Solar | - | 120 | (120) |
| Neoen Solar | 68 | 52 | 16 |
| Modular Nuclear | 95 | 95 | - |
| Small Modular Research | - | 6 | (6) |
| Solar | - | 32 | (32) |
| Total Generation | \$ 208 | \$ 416 | \$ (208) |
| <u>Professional Services</u> | | | |
| Portland Hydro Project | \$ 1,055 | \$ 894 | \$ 161 |
| Tieton | 664 | 566 | 98 |
| Technical Services | 371 | 371 | - |
| Roving Work Force | 99 | 99 | - |
| White Bluffs Solar (2) | 1 | 12 | (11) |
| Special Coatings | - | 1 | (1) |
| Total Professional Services | \$ 2,190 | \$ 1,943 | \$ 247 |
| Total | \$ 9,027 | \$ 8,782 | \$ 245 |

Margin - () Unfavorable

(1) Includes depreciation of \$270,000

(2) Includes depreciation of \$12,000

Note: \$1,934,000 in BDF Business Support is allocated to Energy Services & Development programs.

Table 3
Summary of Capital
(Dollars in Thousands)

| <u>Description</u> | <u>FY 2018 Budget</u> | <u>Original FY 2017 Budget</u> | <u>Variance</u> |
|---|---------------------------|--|---------------------|
| <u>Business Sector / Project</u> | | | |
| <u>Business Services</u> | | | |
| Calibration Laboratory Services | \$ 276 | \$ 158 | \$ 118 |
| Environmental Laboratory Services | 73 | 144 | (71) |
| Total - Capital | <u>\$ 349</u> | <u>\$ 302</u> | <u>\$ 47</u> |

Table 4
Summary of Full Time Equivalent Positions *

| Description | FY 2018 Budget | Original FY 2017 Budget | Variance |
|---|---------------------------|--|-----------------|
| Applied Technology & Innovation | 1 | 1 | - |
| Business Services Sector (1) | 25 | 25 | - |
| Facilities / Leasing Sector | 2 | 2 | - |
| Generation Sector | 2 | 2 | - |
| Indirect Support (2) | 10 | 11 | (1) |
| Professional Services Sector (2) | 2 | 1 | 1 |
| Total Positions | 42 | 42 | - |
| Less: FTEs in Labs Supporting Columbia (1) | 19 | 20 | (1) |
| Total Positions Supporting External Business | 23 | 22 | 1 |

* Includes Allocations of Corporate Full Time Equivalent Positions

(1) Business Services is unchanged in total, Environmental Lab support required for Columbia has been reduced by 1 FTE, Calibration Lab supporting outside business has increased by 1 FTE.

(2) Indirect support has been reduced by 1 FTE but has been offset by the addition of a project specialist in Professional Services to support Portland Hydro as well as Demand Side Management Initiatives

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Table 5
Statement of Funding Requirements
(Dollars in Thousands)

| <u>Description</u> | <u>FY 2018 Budget</u> | <u>Original FY 2017 Budget</u> | <u>Variance</u> |
|---|---------------------------|--|----------------------------|
| <u>Funding Requirements</u> | | | |
| Expense Requirements (1) | \$ 8,500 | \$ 9,461 | \$ (961) |
| Capital Requirements | 349 | 302 | 47 |
| Total Funding Requirements | <u>\$ 8,849</u> | <u>\$ 9,763</u> | <u>\$ (914)</u> |
| <u>Funding Sources</u> | | | |
| Revenues | \$ 9,027 | \$ 10,084 | \$ (1,057) |
| Total Funding Sources | <u>\$ 9,027</u> | <u>\$ 10,084</u> | <u>\$ (1,057)</u> |
| Change in Fund Balance from Operations | <u>\$ 178</u> | <u>\$ 321</u> | <u>\$ (143)</u> |

(1) Expenses exclude \$282,000 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 2018 Total |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Beginning Balance | \$ 7,840 | \$ 7,884 | \$ 7,928 | \$ 7,972 | \$ 8,016 | \$ 8,060 | \$ 8,104 | \$ 8,147 | \$ 8,191 | \$ 8,235 | \$ 8,279 | \$ 8,323 | \$ 7,840 |
| Receipts | | | | | | | | | | | | | |
| Revenues | \$ 752 | \$ 752 | \$ 752 | \$ 752 | \$ 752 | \$ 752 | \$ 752 | \$ 752 | \$ 752 | \$ 752 | \$ 752 | \$ 752 | \$ 9,027 |
| Total Receipts | \$ 752 | \$ 752 | \$ 752 | \$ 752 | \$ 752 | \$ 752 | \$ 752 | \$ 752 | \$ 752 | \$ 752 | \$ 752 | \$ 752 | \$ 9,027 |
| Disbursements | | | | | | | | | | | | | |
| Expense Requirements | \$ 708 | \$ 708 | \$ 708 | \$ 708 | \$ 708 | \$ 708 | \$ 708 | \$ 708 | \$ 708 | \$ 708 | \$ 708 | \$ 708 | \$ 8,500 |
| Capital Requirements | - | - | - | - | - | - | - | - | - | - | - | 349 | 349 |
| Total Disbursements | \$ 708 | \$ 708 | \$ 708 | \$ 708 | \$ 708 | \$ 708 | \$ 708 | \$ 708 | \$ 708 | \$ 708 | \$ 708 | \$ 1,057 | \$ 8,849 |
| Ending Balance | \$ 7,884 | \$ 7,928 | \$ 7,972 | \$ 8,016 | \$ 8,060 | \$ 8,104 | \$ 8,147 | \$ 8,191 | \$ 8,235 | \$ 8,279 | \$ 8,323 | \$ 8,018 | \$ 8,018 |

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