

Fiscal Year 2018 Project 1 Annual Budget



Prepared 4/27/17

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Summary

The Project 1 Fiscal Year 2018 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 2018 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 2018.

The total net cost for Fiscal Year 2018 is estimated to be \$32,223,000 (Table 1). Total Funding Requirements of \$86,872,000 (Table 5) less revenue from restoration/demolition and leasing totaling \$2,107,000 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 2018 budget is made to the original budget issued for Fiscal Year 2017.

Table 1
Summary of Costs
(Dollars in Thousands)

	FY 2018 Budget	Original FY 2017 Budget	Variance
Revenue			
Restoration / Demolition (1)	\$ 2,082	\$ 8,259	(6,177)
Fixed Costs	25	75	(50)
Total Revenue	<u>\$ 2,107</u>	<u>\$ 8,334</u>	<u>\$ (6,227)</u>
Costs			
<u>Site Costs</u>			
Restoration / Demolition	\$ 2,082	\$ 8,259	(6,177)
Variable Costs	54	55	(1)
Fixed Costs	391	498	(107)
Subtotal Site Costs	<u>\$ 2,527</u>	<u>\$ 8,812</u>	<u>\$ (6,285)</u>
<u>Other</u>			
Treasury Related Expenses	\$ 30,327	\$ 33,609	\$ (3,282)
Decommissioning	(631)	(4,353)	3,722
Subtotal Other Costs	<u>\$ 29,696</u>	<u>\$ 29,256</u>	<u>\$ 440</u>
Total Costs	<u>\$ 32,223</u>	<u>\$ 38,068</u>	<u>\$ (5,845)</u>
Total Net Costs	<u>\$ 30,116</u>	<u>\$ 29,734</u>	<u>\$ 382</u>

(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 2018</u> <u>Budget</u>	<u>Original</u> <u>FY 2017</u> <u>Budget</u>	<u>Variance</u>
Interest Expense (1)	\$ 39,417	\$ 43,348	\$ (3,931)
Interest on Note (2)	547	230	317
Amortized Financing Cost (3)	(10,018)	(10,330)	312
Investment Income (Rev. Fund) (4)	(32)	(16)	(16)
Treasury Services (5)	413	377	36
Total	<u>\$ 30,327</u>	<u>\$ 33,609</u>	<u>\$ (3,282)</u>

Assumptions

- (1) Budget assumes \$286.05 million of maturing principal will be extended in the Spring of 2017 and no bonds will be extended in fiscal year 2018 (no bonds are maturing).
- (2) Project 1 interest expense was funded by a line of credit in FY17 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 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 0.75%.
- (5) Includes all non-interest costs of banking, debt, internal labor and overheads.

Table 3
Summary of Full Time Equivalent Positions *

<u>Description</u>	<u>FY 2018 Budget</u>	<u>FY 2017 Budget</u>	<u>Variance</u>
Restoration / Demolition	3	3	-
Site Support	3	3	-
Treasury	1	1	-
Total Positions	7	7	-

*** Includes Allocations of Corporate Full Time Equivalent Positions**

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

Description	FY 2018 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Req'ts	Prior Year's Commitments	FY 2018 Total Cash
Variable Costs	\$ 54	\$ -	\$ -	\$ -	\$ -	\$ 54
Restoration / Demolition (1)	2,082	-	-	-	-	2,082
Fixed Costs	391	-	-	-	-	391
Subtotal Site	\$ 2,527	\$ -	\$ -	\$ -	\$ -	\$ 2,527
Other						
Decommissioning	(\$631)	\$631	\$ -	\$ -	\$ -	\$ -
Treasury Related						
Interest Expense	39,417	-	-	-	-	39,417
Bond Retirement (2)	-	-	-	-	-	-
Interest on Note	547	-	-	-	-	547
Note Retirement	-	-	44,000	-	-	44,000
Amortized Cost	(10,018)	10,018	-	-	-	-
Invest. Income (Rev.)	(32)	-	-	-	-	(32)
Treasury Services	413	-	-	-	-	413
Subtotal Treasury Expenses	\$ 30,327	\$ 10,018	\$ 44,000	\$ -	\$ -	\$ 84,345
Subtotal Other	\$ 29,696	\$ 10,649	\$ 44,000	\$ -	\$ -	\$ 84,345
Total Funding Requirements	\$ 32,223	\$ 10,649	\$ 44,000	\$ -	\$ -	\$ 86,872

(1) Funding will be from BPA Restoration Trust Fund

(2) It is assumed that \$286.05 million of the maturing 7/1/2017 bonds will be extended.

(3) Project 1 Interest expense was funded by a line of credit in FY17 that enables the acceleration of Bonneville federal debt

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

<u>Description</u>	<u>FY 2018</u> <u>Budget</u>	<u>Original</u> <u>FY 2017</u> <u>Budget</u>	<u>Variance</u>
<u>Programs</u>			
Variable Costs	\$ 54	\$ 55	(1)
Restoration / Demolition	2,082	8,259	(6,177)
Fixed Costs	391	498	(107)
Subtotal Programs	\$ 2,527	\$ 8,812	\$ (6,285)
<u>Treasury Related Expenses</u>			
Interest Expense	\$ 39,417	\$ 43,348	\$ (3,931)
Bond Retirement (1)	-	-	-
Interest on Note (2)	547	230	317
Note Retirement	44,000	23,000	21,000
Investment Income (Revenue)	(32)	(16)	(16)
Prior Year's R&C Surplus	-	(7,400)	7,400
Treasury Services	413	377	36
Subtotal Treasury Related	\$ 84,345	\$ 59,539	\$ 24,806
Total Funding Requirements	\$ 86,872	\$ 68,351	\$ 18,521
<u>Funding Sources</u>			
Restoration / Demolition (3)	\$ 2,082	\$ 8,259	(6,177)
Revenue - Fixed Costs	25	75	(50)
Net Billing/BPA Direct Payments	84,765	60,017	24,748
Total Funding Sources	\$ 86,872	\$ 68,351	\$ 18,521

(1) There are no maturing bonds scheduled for 7/1/2018 and none planned to be extended

(2) Project 1 interest expense was funded by a line of credit in FY17 that enables 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 2018 Total
Beginning Balance	\$ 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)	\$ 209	\$ 65	\$ 64	\$ 65	\$ 63	\$ 19,774	\$ 268	\$ 69	\$ 70	\$ 69	\$ 70	\$ 63,979	\$ 84,765
Restoration / Demolition (2)	173	173	173	173	173	173	174	174	174	174	174	174	2,082
Revenue - Leasing	2	2	2	2	2	2	2	2	2	2	2	3	25
Total Receipts	\$ 384	\$ 240	\$ 239	\$ 240	\$ 238	\$ 19,949	\$ 444	\$ 245	\$ 246	\$ 245	\$ 246	\$ 64,156	\$ 86,872
Disbursements													
Treasury Related Expenses													
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,709	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,708	\$ 39,417
Bond Retirement (3)	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on Note (4)	145	-	-	-	-	-	200	-	-	-	-	202	547
Note Retirement	-	-	-	-	-	-	-	-	-	-	-	44,000	44,000
Investment Income	(2)	(2)	(2)	(2)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(32)
Treasury Services	32	32	32	32	32	32	36	37	37	37	37	37	413
Subtotal Treasury Related	\$ 175	\$ 30	\$ 30	\$ 30	\$ 29	\$ 19,738	\$ 233	\$ 34	\$ 34	\$ 34	\$ 34	\$ 63,944	\$ 84,345
Variable Costs	4	5	4	5	4	5	4	4	5	4	5	5	54
Restoration / Demolition	173	173	173	173	173	173	174	174	174	174	174	174	2,082
Fixed Costs	32	32	32	32	32	33	33	33	33	33	33	33	391
Total Disbursements	\$ 384	\$ 240	\$ 239	\$ 240	\$ 238	\$ 19,949	\$ 444	\$ 245	\$ 246	\$ 245	\$ 246	\$ 64,156	\$ 86,872
Ending Balance	\$ 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) There are no maturing bonds scheduled for 7/1/2018 and none planned to be extended.

(4) Project 1 interest expense was funded by a line of credit in FY17 that enables the acceleration of Bonneville federal debt repayments as part of the regional cooperation debt initiative.

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