

# **Fiscal Year 2018 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 2018 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 2018 is estimated to be \$43,531,000 (Table 1). The total net funding requirements for Fiscal Year 2018 are \$115,883,000 (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)**

<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)	\$ 53,263	\$ 52,513	\$ 750
Interest on Note (2)	634	260	374
Amortized Financing Cost (3)	(10,695)	(12,886)	2,191
Investment Income (4)	(96)	(58)	(38)
Treasury Services (5)	425	381	44
<b>Total</b>	<b>\$ 43,531</b>	<b>\$ 40,210</b>	<b>\$ 3,321</b>

### Assumptions

- (1) Budget assumes approximately \$173.9 million in principal will be refunded in FY2017 and approximately \$470.0 million during FY2018.
- (2) Project 3 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 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 0.75%
- (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 2018 Budget</u>	<u>FY 2017 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 2018 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Req'ts	Prior Year's Commitments	FY 2018 Total Cash
Treasury Related Expenses						
Interest Expense	\$ 53,263	\$ -	\$ -	\$ (653)	\$ -	\$ 52,610
Bond Retirement (1)	-	-	11,855	-	-	11,855
Interest on Note (2)	634	-	-	-	-	634
Note Retirement	-	-	51,000	-	-	51,000
Amortized Financing Cost	(10,695)	10,695	-	-	-	-
Investment Income	(96)	-	-	-	-	(96)
Treasury Services	425	-	-	-	-	425
Prior Year's R&C Surplus	-	-	(1,731)	-	-	(1,731)
Reserve & Contingency Fund (3)	-	-	1,186	-	-	1,186
<b>Subtotal Treasury Related</b>	<b>\$ 43,531</b>	<b>\$ 10,695</b>	<b>\$ 62,310</b>	<b>\$ (653)</b>	<b>\$ -</b>	<b>\$ 115,883</b>
<b>Total Funding Requirements</b>	<b>\$ 43,531</b>	<b>\$ 10,695</b>	<b>\$ 62,310</b>	<b>\$ (653)</b>	<b>\$ -</b>	<b>\$ 115,883</b>

(1) Budget assumes approximately \$173.9 million in principal will be refunded in FY2017 and approximately \$470.0 million during FY2018.

(2) Interest on 2017 Notes related to the regional cooperation debt initiative.

(3) The budget reflects R&C Fund for prior lien bonds only. Newer bond resolutions have eliminated R&C Fund requirements.

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

<u>Description</u>	<u>FY 2018 Budget</u>	<u>Original FY 2017 Budget</u>	<u>Variance</u>
Treasury Related Expenses			
Interest Expense	\$ 52,610	\$ 50,942	\$ 1,668
Bond Retirement (1)	11,855	17,305	(5,450)
Interest on Note (2)	634	260	374
Note Retirement	51,000	26,000	25,000
Reserve & Contingency Fund	1,186	1,731	(545)
Investment Income (Rev)	(96)	(53)	(43)
Prior Year's R&C Surplus	(1,731)	(9,881)	8,150
Treasury Services	425	381	44
<b>Total Funding Requirements</b>	<b><u>\$ 115,883</u></b>	<b><u>\$ 86,685</u></b>	<b><u>\$ 29,198</u></b>
 <u>Funding Sources</u>			
Net Billing/BPA Direct Payments	\$ 115,883	\$ 86,685	\$ 29,198
<b>Total Funding Sources</b>	<b><u>\$ 115,883</u></b>	<b><u>\$ 86,685</u></b>	<b><u>\$ 29,198</u></b>

(1) Budget assumes approximately \$173.9 million in principal will be refunded in FY2017 and approximately \$470.0 million during FY2018.

(2) A line of credit funded the FY17 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	FY2018 Total
<b>Beginning Balance</b>	\$ 3,000	\$ 4,213	\$ 3,919	\$ 3,626	\$ 3,333	\$ 3,040	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Receipts													
BPA Direct Payments (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,600	\$ 2,183	\$ 1,935	\$ 1,935	\$ 1,935	\$ 1,935	\$ 81,358	\$ 115,883
<b>Total Receipts</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,600	\$ 2,183	\$ 1,935	\$ 1,935	\$ 1,935	\$ 1,935	\$ 81,358	\$ 115,883
Disbursements													
Treasury Related													
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,347	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,263	\$ 52,610
Bond Retirement (2)	243	243	243	243	243	243	1,732	1,733	1,733	1,733	1,733	1,733	\$ 11,855
Interest on Note (3)	225						250						\$ 634
Note Retirement	-	-	-	-	-	-	-	-	-	-	-	51,000	\$ 51,000
R&C Fund (4)	24	24	24	24	24	24	173	173	173	173	173	174	\$ 1,186
Investment Income	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	\$ (96)
Prior Year R&C Surplus	(1,731)	-	-	-	-	-	-	-	-	-	-	-	\$ (1,731)
Treasury Services	34	34	34	34	34	34	36	37	37	37	37	37	\$ 425
<b>Total Disbursements</b>	\$ (1,213)	\$ 293	\$ 293	\$ 293	\$ 293	\$ 24,640	\$ 2,183	\$ 1,935	\$ 1,935	\$ 1,935	\$ 1,935	\$ 81,358	\$ 115,883
<b>Ending Balance</b>	\$ 4,213	\$ 3,919	\$ 3,626	\$ 3,333	\$ 3,040	\$ 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 approximately \$173.9 million in principal will be refunded in FY2017 and approximately \$470.0 million during FY2018.  
(3) Project 3 interest expense was funded by a line of credit in FY17 that enable the acceleration of Bonneville federal debt repayments as part of the regional cooperation debt initiative.  
(4) The budget reflects R&C Fund for prior lien bonds only. Newer bond resolutions have eliminated R&C Fund requirements.



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