

# Independent Cost Audit: RidgeLine Geothermal Expansion

**Prepared for:** Summit Energy Partners LP  
**Prepared by:** Core Consult Advisors LLC  
**Lead Auditor:** Dr. Melissa Krantz, CPA, CMA  
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## 1 Engagement Summary

Core Consult Advisors was engaged to perform a targeted review of capital expenditures and project-accounting practices for the **RidgeLine Geothermal Expansion Project (Phase II)** located in Washoe County, NV.

Scope included verification of cost classifications, change-order documentation, and reconciliation of drawdowns under the \$72 million construction facility.

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## 2 Key Findings Summary

| Area Reviewed       | Observation   | Impact Estimate (US \$ M) | Comment   |
|---------------------|---|---------------------------|---|
| Civil Works CapEx   | Overstatement ~ 1.1 % (\$0.42 M) due to improper capitalization of temporary access roads | 0.42                      | One-time write-off recommended FY 2025 close      |
| Drilling Contracts  | Cost tracking accurate but delays on well #14 (+22 days) added \$0.9 M standby charges    | 0.9                       | Budget contingency sufficient (remaining \$1.8 M) |
| Turbine Procurement | Currency hedge expired before final payment; FX loss \$0.56 M not booked                  | 0.56                      | To be recognized in Q4                            |

|                                |  |      |  |
|--------------------------------|--|------|--|
| Owner's Engineering (OE) Fees  | Misclassified as G&A instead of CapEx              | —    | No P&L impact if reclassified promptly     |
| Environmental Compliance Costs | Two consultant invoices (≈\$110 k) unlinked to POs | 0.11 | Admin oversight only                       |
| Contingency Draw Usage         | 45 % consumed by Month 15 vs planned 30 %          | —    | Front-loaded spend reduces buffer for 2026 |

Total identified potential adjustments: **\$2.0–2.1 million (~2.9 % of total budget)**.

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## 3 Detailed Observations

### 3.1 Documentation and Controls

- Invoice approval cycle averages 9.6 days (target ≤ 5).
- Manual tracking in Excel still used for change orders < \$250 k — introduces risk of duplication.
- Internal audit trail for foreign currency hedges incomplete; no clear owner assigned.

### 3.2 Budget Forecasting

Re-forecast prepared September 2025 projects final cost of \$73.9 M (+2.6 %).

Core Consult considers variance within industry tolerance (<5 %) but notes that 90 % of contingency may be consumed before commissioning.

### 3.3 Schedule Interaction

Two critical-path interfaces between drilling and electrical works not fully sequenced in Primavera; likely 1–2 week efficiency loss (≈\$0.3 M implied carrying cost).

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## 4 Recommendations

1. **Immediate Accounting Adjustments:** Record FX loss and reclass temporary roads to O&M.

2. **System Upgrade:** Implement ERP module for PO/invoice linking by Q2 2026.
  3. **Contingency Policy:** Freeze non-critical spend until commissioning milestone reached.
  4. **Hedging Governance:** Assign treasury responsibility to CFO office (not project controls).
  5. **Internal Audit Cycle:** Quarterly mini-audits recommended for 2026 budget tracking.
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## **5 Conclusion**

RidgeLine Phase II remains financially viable and on schedule for COD Q1 2027.

However, cost discipline and foreign-exchange oversight need improvement to avoid further erosion of equity returns.

Projected project-level IRR post-adjustments: **9.3 % vs. 10.2 % in original model.**