

Fiscal Year 2009 Nine Canyon Annual 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 2009, the total funding requirements equal \$15,923,000 (Table 4) with revenue of \$15,821,000 (Table 5) and a \$102,000 (Table 6) withdrawal from the Rate Stabilization Account.

The Fiscal Year 2009 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 2009 budget is made to the original budget issued for Fiscal Year 2008.

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.

- Generation is estimated at 246,800 MWh (Table 1) with the full operation of Phase III. Phase III was in operation during part of FY08.
- 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. Phase III support will last for five years.
- Billing Price for electrical output is estimated to be \$62.91 per MWh (Table 1) for Fiscal Year 2009. The difference between billing price and cost of power is due to depreciation and debt repayment .
- The budget assumes that the 2007 Renewable Energy Production Incentive (REPI) program will be 10 percent of the 2007 actual production application value. Fiscal Year 2009 REPI accrual amount is projected at \$470,000 (Table 1), which also is 10 percent of estimated production application value based on historical generation. Congress has not been fully funding this program. Permanent shortfalls in REPI funding have led to increases in the billing of the project participants in order to cover total project costs. It is assumed that REPI for 2007 totaling \$295,000 (Table 4) will be received during Fiscal Year 2009. REPI for 2008 is projected to be received during Fiscal Year 2010.
- The Project budget is reviewed and approved by the participants.

Table 1
Summary of Operations
(Dollars in Thousands)

<u>Description</u>	<u>FY 2009 Budget</u>	<u>Original FY 2008 Budget</u>	<u>Variance</u>
<u>Revenue</u>			
Billings	\$ 15,526	\$ 13,247	\$ 2,279
REPI (1)	470	1,526	(1,056)
Total Revenue	\$ 15,996	\$ 14,773	\$ 1,223
<u>Operating Costs</u>			
Labor & Overheads	\$ 1,715	\$ 1,200	\$ 515
Equipment/Materials/Services	1,954	2,995	(1,041)
Insurance	341	194	147
Bonus O&M Contract	493	117	376
Lessee Payments	622	536	86
Benton County PUD	75	70	5
Risk Reserve	50	50	-
Subtotal Operating Costs	\$ 5,250	\$ 5,162	\$ 88
Generation Taxes	52	44	8
Subtotal Operating Cost	\$ 5,302	\$ 5,206	\$ 96
Depreciation	\$ 7,113	\$ 3,642	\$ 3,471
Decommissioning	109	57	52
Interest/Financing (Net)	6,514	6,509	5
Total Cost	\$ 19,038	\$ 15,414	\$ 3,624
Total Net Generation (MWh)	246,800	205,200	41,600
Cost of Power (\$/MWh)	\$ 77.14	\$ 75.12	\$ 2.02
Billing Price to Participants (\$/MWh) (2)	\$ 62.91	\$ 64.55	\$ (1.64)
Total Capital Cost	\$ 80	\$ 70	\$ 10

(1) REPI is shown at 10 percent of the estimated applied value.

(2) Utilizes the Rate Stabilization Account to create a price of power which is adjusted over the life of the project.

Table 2
Summary of Full Time Equivalent Regular Positions

<u>Description</u>	<u>FY 2009 Budget</u>	<u>Original FY 2008 Budget</u>	<u>Variance</u>
Project Manager	1	1	-
O&M Technicians	9	7	2
Admin & Technical Support	1	1	-
Total	11	9	2

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

Description	FY 2009 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2009 Total Cash
Operating Costs						
Operating Costs (excludes Lessee Payments)	\$ 4,628	\$ -	\$ -	\$ -	\$ -	\$ 4,628
Lessee Payments	622	-	-	-	-	622
Generation Tax	52	-	-	-	-	52
Capital	80	-	70	-	-	150
Depreciation	7,113	(7,113)	-	-	-	-
Subtotal Operating & Capital	\$ 12,495	\$ (7,113)	\$ 70	\$ -	\$ -	\$ 5,452
Net Debt Service						
Interest Expense	\$ 7,139	\$ -	\$ -	\$ -	\$ -	\$ 7,139
Bond Retirement	-	-	3,705	-	-	3,705
Amortized Cost	(252)	252	-	-	-	-
Decommissioning	109	(109)	-	-	-	-
Interest Income	(442)	-	-	-	-	(442)
Paying Agent/Trustee Fees	69	-	-	-	-	69
Subtotal Net Debt Service	\$ 6,623	\$ 143	\$ 3,705	\$ -	\$ -	\$ 10,471
Total Disbursements	\$ 19,118	\$ (6,970)	\$ 3,775	\$ -	\$ -	\$ 15,923
Revenue						
Billings	\$ 15,526	\$ -	\$ -	\$ -	\$ -	\$ 15,526
REPI 2007 (1)			295			295
REPI Fiscal Year 2009 (2)	470	(470)	-	-	-	-
Total Revenue	\$ 15,996	\$ (470)	\$ 295	\$ -	\$ -	\$ 15,821
Rate Stabilization Account Withdrawal						\$ (102)

(1) 2007 estimated payment represents a predicted payout of 10% of the sum of 2007's applied production.

(2) Fiscal Year 2009 REPI is shown at 10% of estimated applied value.

Table 4
Statement of Funding Requirements
(Dollars in Thousands)

<u>Description</u>	<u>FY 2009 Budget</u>	<u>Original FY 2008 Budget</u>	<u>Variance</u>
<u>Operating Costs</u>			
Labor/Benefits/Overhead	\$ 1,715	\$ 1,200	\$ 515
Equipment/Materials/Services	1,954	2,995	(1,041)
Bonus O&M Contract	493	117	376
Insurance	341	194	147
Benton PUD	75	70	5
Lessee Payments	622	536	86
Management Reserve	50	50	-
Subtotal Operating Costs	<u>\$ 5,250</u>	<u>\$ 5,162</u>	<u>\$ 88</u>
Generating Taxes	\$ 52	\$ 44	\$ 8
Capital	150	70	80
Subtotal Operating, Taxes & Capital Costs	<u>\$ 5,452</u>	<u>\$ 5,276</u>	<u>\$ 176</u>
<u>Net Debt Service</u>			
Interest Expense	\$ 7,139	\$ 5,079	\$ 2,060
Bond Retirement	3,705	4,315	(610)
Interest Income (1)	(442)	(497)	55
Paying Agent/Trustee Fees	69	67	2
Subtotal Net Debt Service	<u>\$ 10,471</u>	<u>\$ 8,964</u>	<u>\$ 1,507</u>
Total Funding Requirements	<u>\$ 15,923</u>	<u>\$ 14,240</u>	<u>\$ 1,683</u>
Funding Sources			
Billings @ \$62.91 per MWh	\$ 15,526	\$ 13,247	\$ 2,279
REPI	295	1,225	(930)
Rate Stabilization Account Withdrawal	102	(232)	334
Total Funding Sources	<u>\$ 15,923</u>	<u>\$ 14,240</u>	<u>\$ 1,683</u>

(1) Projected investment income earning rate of 2.50%

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

Description	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2009 Total
Beginning Balance	\$ 13,487	\$ 14,395	\$ 15,304	\$ 16,491	\$ 17,407	\$ 18,322	\$ 15,659	\$ 16,571	\$ 17,410	\$ 17,968	\$ 18,884	\$ 19,752	\$ 13,487
Receipts													
Billings	\$ 1,294	\$ 1,294	\$ 1,294	\$ 1,294	\$ 1,294	\$ 1,294	\$ 1,294	\$ 1,294	\$ 1,294	\$ 1,294	\$ 1,293	\$ 1,293	\$ 15,526
REPI	-	-	295	-	-	-	-	-	-	-	-	-	295
Total Receipts	\$ 1,294	\$ 1,294	\$ 1,589	\$ 1,294	\$ 1,294	\$ 1,294	\$ 1,294	\$ 1,294	\$ 1,294	\$ 1,294	\$ 1,293	\$ 1,293	\$ 15,821
Disbursements													
Operations Disbursements													
Labor & Overheads	\$ 143	\$ 143	\$ 143	\$ 143	\$ 143	\$ 143	\$ 143	\$ 143	\$ 143	\$ 143	\$ 143	\$ 142	\$ 1,715
Equipment/Materials/Services	163	163	163	163	163	163	163	163	163	163	162	162	1,954
Insurance									341				341
Other	103	103	103	103	103	103	103	103	104	104	104	104	1,240
Generation Taxes											52		52
Capital	7	7	7	7	7	7	7	77	7	7	5	5	150
Subtotal Operations	\$ 416	\$ 416	\$ 416	\$ 416	\$ 416	\$ 416	\$ 416	\$ 486	\$ 758	\$ 417	\$ 466	\$ 413	\$ 5,452
Debt Service													
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,569	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,570	\$ 7,139
Bond Retirement	-	-	-	-	-	-	-	-	-	-	-	3,705	3,705
Investment Income	(30)	(32)	(35)	(38)	(38)	(42)	(34)	(32)	(38)	(39)	(42)	(42)	(442)
Paying Agent/Banking Fees	-	1	21	-	1	14	-	1	16	-	1	14	69
Subtotal Debt Service	\$ (30)	\$ (31)	\$ (14)	\$ (38)	\$ (37)	\$ 3,541	\$ (34)	\$ (31)	\$ (22)	\$ (39)	\$ (41)	\$ 7,247	\$ 10,471
Total Disbursements	\$ 386	\$ 385	\$ 402	\$ 378	\$ 379	\$ 3,957	\$ 382	\$ 455	\$ 736	\$ 378	\$ 425	\$ 7,660	\$ 15,923
Ending Balance	\$ 14,395	\$ 15,304	\$ 16,491	\$ 17,407	\$ 18,322	\$ 15,659	\$ 16,571	\$ 17,410	\$ 17,968	\$ 18,884	\$ 19,752	\$ 13,385	\$ 13,385

Table 6
Rate Stabilization Account
(Dollars in Thousands)

<u>Description</u>	<u>FY 2009 Budget</u>	<u>Original FY 2008 Budget</u>	<u>Variance</u>
Phase I Reserve Account	\$ 6,427	\$ 5,961	\$ 466
Phase III Reserve Account	4,924	5,053	(129)
Operating Reserve Account	750	304	446
Reserve and Contingency Account	800	800	-
Revenue Fund	586	-	586
Total Beginning Balance	<u>\$ 13,487</u>	<u>\$ 12,118</u>	<u>\$ 1,369</u>
Addition / (Reduction)	<u>(102)</u>	<u>1,532</u>	<u>\$ (1,634)</u>
Total Ending Balance	<u>\$ 13,385</u>	<u>\$ 13,650</u>	<u>\$ (265)</u>