

Fiscal Year 2011 Nine Canyon Annual Operating Budget



Table of Contents

	<u>Table</u>	<u>Page</u>
Summary		3
Key Assumptions/Qualifications		4
Summary of Operations	Table 1	5
Summary of Full Time Equivalent Positions	Table 2	6
Cost-to-Cash Reconciliation	Table 3	8
Statement of Funding Requirements	Table 4	9
Monthly Statement of Funding Requirements	Table 5	10
Rate Stabilization Account	Table 6	11
Operations & Maintenance - Budget & Forecast Long Range Plan	Table 7	12

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 2011, the total funding requirements equal \$16,424,000 (Table 4) with revenue of \$16,068,000 (Table 5) and a \$356,000 (Table 6) withdrawal from the Rate Stabilization Account.

The Fiscal Year 2011 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 2011 Budget is made to the original budget issued for Fiscal Year 2010.

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 247,420 MWh (Table 1).
- 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 through April 2013.
- Billing Price for electrical output is estimated to be \$64.94 per MWh (Table 1) for Fiscal Year 2011. The difference between billing price and cost of power is due to depreciation and debt repayment.
- The budget assumes that the Renewable Energy Production Incentive (REPI) program for 2009 and on will not be funded. This resulted in Fiscal Year 2011 REPI accrued and funded source being \$0 (Table 1 and 4).
- The Project budget is reviewed and approved by the participants.

Table 1
Summary of Operations
(Dollars in Thousands)

<u>Description</u>	<u>FY 2011 Budget</u>	<u>Original FY 2010 Budget</u>	<u>Variance</u>
<u>Revenue</u>			
Billings	\$ 16,068	\$ 15,148	\$ 920
REPI (1)	-	595	(595)
Total Revenue	\$ 16,068	\$ 15,743	\$ 325
<u>Operating Costs</u>			
Labor & Overheads	\$ 1,866	\$ 1,843	\$ 23
Equipment/Materials/Services	1,743	1,806	(63)
Insurance	487	397	90
Bonus O&M Contract	523	508	15
Benton County PUD	75	75	-
Lessee Payments	642	607	35
Risk Reserve	50	50	-
Subtotal Operating Costs	\$ 5,386	\$ 5,286	\$ 100
Generation Taxes	53	53	-
Subtotal Operating Cost	\$ 5,439	\$ 5,339	\$ 100
Depreciation	\$ 6,793	\$ 6,734	\$ 59
Decommissioning	80	109	(29)
Interest/Financing (Net)	6,357	6,500	(143)
Total Cost	\$ 18,669	\$ 18,682	\$ (13)
Total Net Generation (MWh)	247,420	248,143	(723)
Cost of Power (\$/MWh)	\$ 75.45	\$ 75.29	\$ 0.17
Billing Price to Participants (\$/MWh) (2)	\$ 64.94	\$ 57.18	\$ 7.76
Total Capital Cost	\$ 37	\$ 127	\$ (90)

(1) REPI is shown at 0 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 Positions

<u>Description</u>	<u>FY 2011 Budget</u>	<u>Original FY 2010 Budget</u>
Project Manager	1	1
O&M Technicians	10	9
Admin & Technical Support	1	1
Total	<u>12</u>	<u>11</u>

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

Description	FY 2011 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2011 Total Cash
Operating Costs						
Operating Costs (excludes Lessee Payments)	\$ 4,744	\$ -	\$ -	\$ -	\$ -	\$ 4,744
Lessee Payments	642	-	-	-	-	642
Generation Tax	53	-	-	-	-	53
Capital	37	-	76	-	-	113
Depreciation	6,793	(6,793)	-	-	-	-
Subtotal Operating & Capital	\$ 12,269	\$ (6,793)	\$ 76	\$ -	\$ -	\$ 5,552
Net Debt Service						
Interest Expense	\$ 6,774	\$ -	\$ -	\$ -	\$ -	\$ 6,774
Bond Retirement	-	-	4,260	-	-	4,260
Amortized Cost	(255)	255	-	-	-	-
Decommissioning (1)	80	(80)	-	-	-	-
Interest Income	(212)	-	-	-	-	(212)
Paying Agent/Trustee Fees	50	-	-	-	-	50
Subtotal Net Debt Service	\$ 6,437	\$ 175	\$ 4,260	\$ -	\$ -	\$ 10,872
Total Disbursements	\$ 18,706	\$ (6,618)	\$ 4,336	\$ -	\$ -	\$ 16,424
Revenue						
Billings	\$ 16,068	\$ -	\$ -	\$ -	\$ -	\$ 16,068
Total Revenue	\$ 16,068	\$ -	\$ -	\$ -	\$ -	\$ 16,068
Rate Stabilization Account Withdrawal						\$ (356)

(1)Decommissioning costs of \$201,800 through FY2010 has not been funded.

Note: The Renewable Energy Production Incentive (REPI) is assumed to be \$0.

Table 4
Statement of Funding Requirements
(Dollars in Thousands)

<u>Description</u>	<u>FY 2011 Budget</u>	<u>Original FY 2010 Budget</u>	<u>Variance</u>
<u>Operating Costs</u>			
Labor/Benefits/Overhead	\$ 1,866	\$ 1,843	\$ 23
Equipment/Materials/Services	1,743	1,806	(63)
Insurance	487	397	90
Bonus O&M Contract	523	508	15
Benton PUD	75	75	-
Lessee Payments	642	607	35
Risk Reserve	50	50	-
Subtotal Operating Costs	<u>\$ 5,386</u>	<u>\$ 5,286</u>	<u>\$ 100</u>
Generating Taxes	\$ 53	\$ 53	\$ -
Capital	113	197	(84)
Subtotal Operating, Taxes & Capital Costs	<u>\$ 5,552</u>	<u>\$ 5,536</u>	<u>\$ 16</u>
<u>Net Debt Service</u>			
Interest Expense	\$ 6,774	\$ 6,963	\$ (189)
Bond Retirement	4,260	3,965	295
Interest Income	(212)	(267)	55
Paying Agent/Trustee Fees	50	57	(7)
Subtotal Net Debt Service	<u>\$ 10,872</u>	<u>\$ 10,718</u>	<u>\$ 154</u>
Total Funding Requirements	<u>\$ 16,424</u>	<u>\$ 16,254</u>	<u>\$ 170</u>
<u>Funding Sources</u>			
Billings @ \$64.94 per MWh	\$ 16,068	\$ 15,148	\$ 920
REPI	-	556	(556)
Rate Stabilization Account Withdrawal	356	550	(194)
Total Funding Sources	<u>\$ 16,424</u>	<u>\$ 16,254</u>	<u>\$ 170</u>

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

Description	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2011 Total
Beginning Balance	\$ 5,950	\$ 6,843	\$ 7,763	\$ 8,815	\$ 9,873	\$ 10,796	\$ 8,467	\$ 9,515	\$ 10,109	\$ 11,154	\$ 12,140	\$ 12,658	\$ 5,950
Receipts													
Billings	\$ 1,339	\$ 1,339	\$ 1,339	\$ 1,339	\$ 1,339	\$ 1,339	\$ 1,339	\$ 1,339	\$ 1,339	\$ 1,339	\$ 1,339	\$ 1,339	\$ 16,068
REPI	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts	\$ 1,339	\$ 1,339	\$ 1,339	\$ 1,339	\$ 1,339	\$ 1,339	\$ 1,339	\$ 1,339	\$ 1,339	\$ 1,339	\$ 1,339	\$ 1,339	\$ 16,068
Disbursements													
Operations Disbursements													
Labor & Overheads	\$ 151	\$ 148	\$ 147	\$ 146	\$ 150	\$ 146	\$ 160	\$ 149	\$ 163	\$ 152	\$ 161	\$ 193	\$ 1,866
Equipment/Materials/Services	87	87	87	87	87	87	87	87	87	87	437	436	1,743
Insurance	154	-	-	-	-	-	-	333	-	-	-	-	487
Other	60	191	60	59	190	60	59	191	60	59	191	110	1,290
Generation Taxes	-	-	-	-	-	-	-	-	-	-	53	-	53
Capital	-	-	-	-	-	-	-	-	-	76	-	37	113
Subtotal Operations	\$ 452	\$ 426	\$ 294	\$ 292	\$ 427	\$ 293	\$ 306	\$ 760	\$ 310	\$ 374	\$ 842	\$ 776	\$ 5,552
Debt Service													
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,387	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,387	\$ 6,774
Bond Retirement	-	-	-	-	-	-	-	-	-	-	-	4,260	4,260
Investment Income	(11)	(11)	(11)	(15)	(15)	(16)	(19)	(19)	(20)	(25)	(25)	(25)	(212)
Paying Agent/Banking Fees	5	4	4	4	4	4	4	4	4	4	4	5	50
Subtotal Debt Service	\$ (6)	\$ (7)	\$ (7)	\$ (11)	\$ (11)	\$ 3,375	\$ (15)	\$ (15)	\$ (16)	\$ (21)	\$ (21)	\$ 7,627	\$ 10,872
Total Disbursements	\$ 446	\$ 419	\$ 287	\$ 281	\$ 416	\$ 3,668	\$ 291	\$ 745	\$ 294	\$ 353	\$ 821	\$ 8,403	\$ 16,424
Ending Balance	\$ 6,843	\$ 7,763	\$ 8,815	\$ 9,873	\$ 10,796	\$ 8,467	\$ 9,515	\$ 10,109	\$ 11,154	\$ 12,140	\$ 12,658	\$ 5,594	\$ 5,594

Table 6
Rate Stabilization Account
(Dollars in Thousands)

<u>Description</u>	<u>FY 2011 Budget</u>	<u>Original FY 2010 Budget</u>	<u>Variance</u>
Phase I Reserve Account	\$ 6,427	\$ 6,427	\$ -
Phase III Reserve Account	4,924	4,924	-
Operating Reserve Account	750	750	-
Reserve and Contingency Account	800	800	-
Revenue Fund	5,950	6,414	(464)
Total Beginning Balance	\$ 18,851	\$ 19,315	\$ (464)
Addition / (Reduction)	(356)	(550)	\$ 194
Total Ending Balance	\$ 18,495	\$ 18,765	\$ (270)

Table 7
Operations & Maintenance – Budget & Forecast
Long Range Plan
(Dollars in Thousands)

Description	Budget					Forecast					
	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Operating Costs											
Labor & Overheads	\$ 1,866	\$ 1,886	\$ 2,005	\$ 2,112	\$ 2,098	\$ 2,112	\$ 2,174	\$ 2,303	\$ 2,388	\$ 2,416	\$ 2,440
Equipment/Materials/Services	1,743	2,438	2,958	2,154	1,873	1,604	1,596	2,179	2,322	2,111	1,753
Insurance	487	502	517	532	548	565	582	599	617	635	655
Bonus O&M Contract	523	539	277	-	-	-	-	-	-	-	-
Lease Payments	642	667	760	732	723	718	722	742	749	743	739
Benton County PUD	75	75	75	77	77	77	80	80	80	82	82
Risk Reserve	50	52	53	30	31	31	32	33	34	35	36
Subtotal Operating Costs	\$ 5,386	\$ 6,159	\$ 6,645	\$ 5,637	\$ 5,350	\$ 5,107	\$ 5,186	\$ 5,936	\$ 6,193	\$ 6,022	\$ 5,705
Generation Taxes	\$ 53	\$ 53	\$ 53	\$ 53	\$ 53	\$ 53	\$ 53	\$ 53	\$ 53	\$ 53	\$ 53
Capital	37	38	39	40	12	12	13	13	14	14	14
Subtotal Taxes & Capital Costs	\$ 90	\$ 91	\$ 92	\$ 93	\$ 65	\$ 65	\$ 65	\$ 66	\$ 67	\$ 67	\$ 67
Total Operating, Taxes, & Capital Costs	\$ 5,476	\$ 6,250	\$ 6,737	\$ 5,730	\$ 5,415	\$ 5,172	\$ 5,251	\$ 6,002	\$ 6,260	\$ 6,089	\$ 5,772

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