

**Fiscal Year 2012
Nine Canyon
Annual Operating 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 2012, the total funding requirements equal \$17,329,000 (Table 4) with revenue of \$16,876,000 (Table 5) and a \$453,000 (Table 4) cash withdrawal.

The Fiscal Year 2012 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 2012 Budget is made to the original budget issued for Fiscal Year 2011.

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 239,066 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. Siemens is currently providing support for Phase III and this will last through April 2013.
- Billing Price for electrical output is estimated to be \$67.83 per MWh (Table 1) for Fiscal Year 2012. The difference between billing price and cost of power is due to depreciation and debt repayment.
- The Project budget is reviewed and approved by the participants.

Table 1
Summary of Operations
(Dollars in Thousands)

| <u>Description</u> | <u>FY 2012 Budget</u> | <u>Original FY 2011 Budget</u> | <u>Variance</u> |
|---|---------------------------|--|-----------------|
| <u>Revenue</u> | | | |
| Billings | \$ 16,216 | \$ 16,068 | \$ 148 |
| BPA Scheduling Revenue | 660 | - | 660 |
| Total Revenue | \$ 16,876 | \$ 16,068 | \$ 808 |
| <u>Operating Costs</u> | | | |
| Labor & Overheads | \$ 1,959 | \$ 1,866 | \$ 93 |
| Equipment/Materials/Services | 1,719 | 1,743 | (24) |
| Insurance | 399 | 487 | (88) |
| O&M Contract | 510 | 523 | (13) |
| Benton County PUD | 75 | 75 | - |
| Lessee Payments | 647 | 642 | 5 |
| Risk Reserve | 50 | 50 | - |
| Subtotal Operating Costs | \$ 5,359 | \$ 5,386 | \$ (27) |
| Generation Taxes | 51 | 53 | (2) |
| Subtotal Operating Cost | \$ 5,410 | \$ 5,439 | \$ (29) |
| Depreciation | \$ 6,786 | \$ 6,793 | \$ (7) |
| Decommissioning | 82 | 80 | 2 |
| Interest/Financing (Net) | 6,254 | 6,357 | (103) |
| Total Cost | \$ 18,532 | \$ 18,669 | \$ (137) |
| Total Net Generation (MWh) | 239,066 | 247,420 | (8,354) |
| Cost of Power (\$/MWh) | \$ 77.52 | \$ 75.45 | \$ 2.06 |
| Billing Price to Participants (\$/MWh) (1) | \$ 67.83 | \$ 64.94 | \$ 2.89 |
| BPA Scheduling Costs | \$ 660 | \$ - | \$ 660 |
| Capital Cost | \$ 100 | \$ 37 | \$ 63 |

(1) This is the cash requirements for O&M and Debt Service of the Project.

Table 2
Summary of Full Time Equivalent Positions

| <u>Description</u> | <u>FY 2012 Budget</u> | <u>Original FY 2011 Budget</u> | <u>Variance</u> |
|---------------------------|---------------------------|--|-----------------|
| Project Manager | 1 | 1 | - |
| O&M Technicians | 10 | 10 | - |
| Admin & Technical Support | 1 | 1 | - |
| Total | 12 | 12 | - |

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

| Description | FY 2012 Total Cost | Non-Cash Items | Non-Cost Items | Deferred Cash Requirements | Prior Year Commitments | FY 2012 Total Cash |
|--|--------------------------|-------------------|-------------------|----------------------------------|------------------------------|--------------------------|
| Operating Costs | | | | | | |
| Operating Costs (excludes Lessee Payments) | \$ 4,712 | \$ - | \$ - | \$ - | \$ - | \$ 4,712 |
| Lessee Payments | 647 | - | - | - | - | 647 |
| Generation Tax | 51 | - | - | - | - | 51 |
| Capital | 100 | - | 76 | - | - | 176 |
| BPA Scheduling | 660 | - | - | - | - | 660 |
| Depreciation | 6,786 | (6,786) | - | - | - | - |
| Subtotal Operating & Capital | \$ 12,956 | \$ (6,786) | \$ 76 | \$ - | \$ - | \$ 6,246 |
| Net Debt Service | | | | | | |
| Interest Expense | \$ 6,570 | \$ - | \$ - | \$ - | \$ - | \$ 6,570 |
| Bond Retirement | - | - | 4,575 | - | - | 4,575 |
| Amortized Cost | (246) | 246 | - | - | - | - |
| Decommissioning (1) | 82 | (82) | - | - | - | - |
| Interest Income | (115) | - | - | 54 | (46) | (107) |
| Paying Agent/Trustee Fees | 45 | - | - | - | - | 45 |
| Subtotal Net Debt Service | \$ 6,336 | \$ 164 | \$ 4,575 | \$ 54 | \$ (46) | \$ 11,083 |
| Total Disbursements | \$ 19,292 | \$ (6,622) | \$ 4,651 | \$ 54 | \$ (46) | \$ 17,329 |
| Revenue | | | | | | |
| Billings | \$ 16,876 | \$ - | \$ - | \$ - | \$ - | \$ 16,876 |
| Total Revenue | \$ 16,876 | \$ - | \$ - | \$ - | \$ - | \$ 16,876 |
| Cash Withdrawal | | | | | | \$ (453) |

(1)Decommissioning costs of \$281,800 through FY2011 has not been funded.

Table 4
Statement of Funding Requirements
(Dollars in Thousands)

| <u>Description</u> | <u>FY 2012 Budget</u> | <u>Original FY 2011 Budget</u> | <u>Variance</u> |
|--|---------------------------|--|-----------------------|
| <u>Operating Costs</u> | | | |
| Labor/Benefits/Overhead | \$ 1,959 | \$ 1,866 | \$ 93 |
| Equipment/Materials/Services | 1,719 | 1,743 | (24) |
| Insurance | 399 | 487 | (88) |
| O&M Contract | 510 | 523 | (13) |
| Benton PUD | 75 | 75 | - |
| Lessee Payments | 647 | 642 | 5 |
| Risk Reserve | 50 | 50 | - |
| Subtotal Operating Costs | <u>\$ 5,359</u> | <u>\$ 5,386</u> | <u>\$ (27)</u> |
| Generation Taxes | \$ 51 | \$ 53 | \$ (2) |
| BPA Scheduling | 660 | - | 660 |
| Capital | 176 | 113 | 63 |
| Subtotal Operating, Taxes & Capital Costs | <u>\$ 6,246</u> | <u>\$ 5,552</u> | <u>\$ 694</u> |
| <u>Net Debt Service</u> | | | |
| Interest Expense | \$ 6,570 | \$ 6,774 | \$ (204) |
| Bond Retirement | 4,575 | 4,260 | 315 |
| Interest Income | (107) | (212) | 105 |
| Paying Agent/Trustee Fees | 45 | 50 | (5) |
| Subtotal Net Debt Service | <u>\$ 11,083</u> | <u>\$ 10,872</u> | <u>\$ 211</u> |
| Total Funding Requirements | <u>\$ 17,329</u> | <u>\$ 16,424</u> | <u>\$ 905</u> |
| <u>Funding Sources</u> | | | |
| Billings @ \$67.83 per MWh | \$ 16,216 | \$ 16,068 | \$ 148 |
| Participants for BPA Scheduling | 660 | - | 660 |
| Cash Withdrawal | 453 | 356 | 97 |
| Total Funding Sources | <u>\$ 17,329</u> | <u>\$ 16,424</u> | <u>\$ 905</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 2012 Total |
|------------------------------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------------|
| Beginning Balance | \$ 8,001 | \$ 8,879 | \$ 9,804 | \$ 10,854 | \$ 11,909 | \$ 12,831 | \$ 10,613 | \$ 11,656 | \$ 12,350 | \$ 13,315 | \$ 14,167 | \$ 14,837 | \$ 8,001 |
| Receipts | | | | | | | | | | | | | |
| Billings | \$ 1,351 | \$ 1,351 | \$ 1,352 | \$ 1,351 | \$ 1,351 | \$ 1,352 | \$ 1,351 | \$ 1,351 | \$ 1,352 | \$ 1,351 | \$ 1,351 | \$ 1,352 | \$ 16,216 |
| BPA Scheduling | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 660 |
| Total Receipts | \$ 1,406 | \$ 1,406 | \$ 1,407 | \$ 1,406 | \$ 1,406 | \$ 1,407 | \$ 1,406 | \$ 1,406 | \$ 1,407 | \$ 1,406 | \$ 1,406 | \$ 1,407 | \$ 16,876 |
| Disbursements | | | | | | | | | | | | | |
| Operations Disbursements | | | | | | | | | | | | | |
| Labor & Overheads | \$ 158 | \$ 153 | \$ 152 | \$ 151 | \$ 157 | \$ 151 | \$ 165 | \$ 156 | \$ 169 | \$ 159 | \$ 162 | \$ 226 | \$ 1,959 |
| Equipment/Materials/Services | 84 | 84 | 88 | 84 | 84 | 86 | 84 | 85 | 84 | 285 | 286 | 385 | 1,719 |
| Insurance | 169 | - | - | - | - | - | - | 230 | - | - | - | - | 399 |
| Other | 60 | 188 | 60 | 60 | 188 | 60 | 60 | 188 | 60 | 60 | 188 | 110 | 1,282 |
| Generation Taxes | - | - | - | - | - | - | - | - | - | - | 51 | - | 51 |
| BPA Scheduling | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 660 |
| Capital | - | - | - | - | - | - | - | - | 76 | - | - | 100 | 176 |
| Subtotal Operations | \$ 526 | \$ 480 | \$ 355 | \$ 350 | \$ 484 | \$ 352 | \$ 364 | \$ 714 | \$ 444 | \$ 559 | \$ 742 | \$ 876 | \$ 6,246 |
| Debt Service | | | | | | | | | | | | | |
| Interest Expense | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,285 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,285 | \$ 6,570 |
| Bond Retirement | - | - | - | - | - | - | - | - | - | - | - | 4,575 | 4,575 |
| Investment Income | (2) | (2) | (2) | (3) | (3) | (16) | (5) | (5) | (6) | (9) | (10) | (44) | (107) |
| Paying Agent/Banking Fees | 4 | 3 | 4 | 4 | 3 | 4 | 4 | 3 | 4 | 4 | 4 | 4 | 45 |
| Subtotal Debt Service | \$ 2 | \$ 1 | \$ 2 | \$ 1 | \$ - | \$ 3,273 | \$ (1) | \$ (2) | \$ (2) | \$ (5) | \$ (6) | \$ 7,820 | \$ 11,083 |
| Total Disbursements | \$ 528 | \$ 481 | \$ 357 | \$ 351 | \$ 484 | \$ 3,625 | \$ 363 | \$ 712 | \$ 442 | \$ 554 | \$ 736 | \$ 8,696 | \$ 17,329 |
| Ending Balance | \$ 8,879 | \$ 9,804 | \$ 10,854 | \$ 11,909 | \$ 12,831 | \$ 10,613 | \$ 11,656 | \$ 12,350 | \$ 13,315 | \$ 14,167 | \$ 14,837 | \$ 7,548 | \$ 7,548 |

Table 6
Bank Accounts
(Dollars in Thousands)

| <u>Description</u> | <u>FY 2012</u> <u>Budget</u> | <u>Original</u> <u>FY 2011</u> <u>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 | 8,001 | 5,950 | 2,051 |
| Total Beginning Balance | <u>\$ 20,902</u> | <u>\$ 18,851</u> | <u>\$ 2,051</u> |
| Addition / (Reduction) | (453) | (356) | \$ (97) |
| Total Ending Balance | <u>\$ 20,449</u> | <u>\$ 18,495</u> | <u>\$ 1,954</u> |

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

| Description | Budget | Forecast | | | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 |
| Operating Costs | | | | | | | | | | |
| Labor & Overheads | \$ 1,959 | \$ 1,995 | \$ 2,091 | \$ 2,150 | \$ 2,212 | \$ 2,265 | \$ 2,318 | \$ 2,372 | \$ 2,429 | \$ 2,486 |
| Equipment/Materials/Services | 1,719 | 2,873 | 2,234 | 2,281 | 2,328 | 2,377 | 2,427 | 2,479 | 2,532 | 2,587 |
| Insurance | 399 | 411 | 423 | 436 | 449 | 462 | 476 | 491 | 505 | 521 |
| O&M Contract | 510 | 260 | - | - | - | - | - | - | - | - |
| Lease Payments | 647 | 736 | 737 | 737 | 737 | 738 | 742 | 742 | 757 | 757 |
| Benton County PUD | 75 | 75 | 77 | 77 | 77 | 80 | 80 | 80 | 82 | 82 |
| Risk Reserve | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| Subtotal Operating Costs | \$ 5,360 | \$ 6,400 | \$ 5,612 | \$ 5,731 | \$ 5,853 | \$ 5,972 | \$ 6,093 | \$ 6,214 | \$ 6,355 | \$ 6,483 |
| Taxes & Capital Costs | | | | | | | | | | |
| Generation Taxes | \$ 51 | \$ 51 | \$ 51 | \$ 51 | \$ 51 | \$ 51 | \$ 51 | \$ 51 | \$ 51 | \$ 51 |
| Capital | 100 | - | 42 | - | 44 | - | 46 | - | 48 | - |
| Subtotal Taxes & Capital Costs | 151 | 51 | 93 | 51 | 95 | 51 | 97 | 51 | 99 | 51 |
| Total Operating, Taxes, & Capital Costs | \$ 5,510 | \$ 6,451 | \$ 5,705 | \$ 5,782 | \$ 5,948 | \$ 6,023 | \$ 6,190 | \$ 6,265 | \$ 6,454 | \$ 6,534 |

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