

# **Fiscal Year 2010 Nine Canyon Annual Budget**



Prepared 4/23/09

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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 2010, the total funding requirements equal \$16,254,000 (Table 4) with revenue of \$15,704,000 (Table 5) and a \$550,000 (Table 6) withdrawal from the Rate Stabilization Account.

The Fiscal Year 2010 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 2010 budget is made to the original budget issued for Fiscal Year 2009.

### 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 248,143 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 \$57.18 per MWh (Table 1) for Fiscal Year 2010. The difference between billing price and cost of power is due to depreciation and debt repayment.
- The budget assumes that the 2008 Renewable Energy Production Incentive (REPI) program will be 10 percent of the 2008 actual production application value. Fiscal Year 2010 REPI accrual amount is projected at \$595,000 (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 2008 totaling \$556,000 (Table 4) will 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 2010 Budget</u>	<u>Original FY 2009 Budget</u>	<u>Variance</u>
<u>Revenue</u>			
Billings	\$ 15,148	\$ 15,526	\$ (378)
REPI (1)	595	470	125
<b>Total Revenue</b>	<b>\$ 15,743</b>	<b>\$ 15,996</b>	<b>\$ (253)</b>
<u>Operating Costs</u>			
Labor & Overheads	\$ 1,843	\$ 1,715	\$ 128
Equipment/Materials/Services	1,806	1,954	(148)
Insurance	397	341	56
Bonus O&M Contract	508	493	15
Lessee Payments	607	622	(15)
Benton County PUD	75	75	-
Risk Reserve	50	50	-
<b>Subtotal Operating Costs</b>	<b>\$ 5,286</b>	<b>\$ 5,250</b>	<b>\$ 36</b>
Generation Taxes	53	52	1
<b>Subtotal Operating Cost</b>	<b>\$ 5,339</b>	<b>\$ 5,302</b>	<b>\$ 37</b>
Depreciation	\$ 6,734	\$ 7,113	\$ (379)
Decommissioning	109	109	-
Interest/Financing (Net)	6,500	6,514	(14)
<b>Total Cost</b>	<b>\$ 18,682</b>	<b>\$ 19,038</b>	<b>\$ (356)</b>
<b>Total Net Generation (MWh)</b>	<b>248,143</b>	<b>246,800</b>	<b>1,343</b>
<b>Cost of Power (\$/MWh)</b>	<b>\$ 75.29</b>	<b>\$ 77.14</b>	<b>\$ (1.85)</b>
<b>Billing Price to Participants (\$/MWh) (2)</b>	<b>\$ 57.18</b>	<b>\$ 62.91</b>	<b>\$ (5.73)</b>
<b>Total Capital Cost</b>	<b>\$ 127</b>	<b>\$ 80</b>	<b>\$ 47</b>

(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 Positions**

<u>Description</u>	<u>FY 2010 Budget</u>	<u>Original FY 2009 Budget</u>	<u>Variance</u>
Project Manager	1	1	-
O&M Technicians	9	9	-
Admin & Technical Support	1	1	-
<b>Total</b>	<b>11</b>	<b>11</b>	<b>-</b>

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

Description	FY 2010 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2010 Total Cash
Operating Costs						
Operating Costs (excludes Lessee Payments)	\$ 4,679	\$ -	\$ -	\$ -	\$ -	\$ 4,679
Lessee Payments	607	-	-	-	-	607
Generation Tax	53	-	-	-	-	53
Capital	127	-	70	-	-	197
Depreciation	6,734	(6,734)	-	-	-	-
<b>Subtotal Operating &amp; Capital</b>	<b>\$ 12,200</b>	<b>\$ (6,734)</b>	<b>\$ 70</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,536</b>
Net Debt Service						
Interest Expense	\$ 6,963	\$ -	\$ -	\$ -	\$ -	\$ 6,963
Bond Retirement	-	-	3,965	-	-	3,965
Amortized Cost	(253)	253	-	-	-	-
Decommissioning	109	(109)	-	-	-	-
Interest Income	(267)	-	-	-	-	(267)
Paying Agent/Trustee Fees	57	-	-	-	-	57
<b>Subtotal Net Debt Service</b>	<b>\$ 6,609</b>	<b>\$ 144</b>	<b>\$ 3,965</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,718</b>
<b>Total Disbursements</b>	<b>\$ 18,809</b>	<b>\$ (6,590)</b>	<b>\$ 4,035</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,254</b>
Revenue						
Billings	\$ 15,148	\$ -	\$ -	\$ -	\$ -	\$ 15,148
REPI 2008 (1)	-	-	556	-	-	556
REPI Fiscal Year 2010 (2)	595	(595)	-	-	-	-
<b>Total Revenue</b>	<b>\$ 15,743</b>	<b>\$ (595)</b>	<b>\$ 556</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,704</b>
<b>Rate Stabilization Account Withdrawal</b>						<b>\$ (550)</b>

(1) 2008 estimated payment represents a predicted payout of 10% of the sum of 2008's applied production.

(2) Fiscal Year 2010 REPI is shown at 10% of estimated applied value.



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

<u>Description</u>	<u>FY 2010 Budget</u>	<u>Original FY 2009 Budget</u>	<u>Variance</u>
<u>Operating Costs</u>			
Labor/Benefits/Overhead	\$ 1,843	\$ 1,715	\$ 128
Equipment/Materials/Services	1,806	1,954	(148)
Bonus O&M Contract	508	493	15
Insurance	397	341	56
Benton PUD	75	75	-
Lessee Payments	607	622	(15)
Management Reserve	50	50	-
<b>Subtotal Operating Costs</b>	<b><u>\$ 5,286</u></b>	<b><u>\$ 5,250</u></b>	<b><u>\$ 36</u></b>
Generating Taxes	\$ 53	\$ 52	\$ 1
Capital	197	150	47
<b>Subtotal Operating, Taxes &amp; Capital Costs</b>	<b><u>\$ 5,536</u></b>	<b><u>\$ 5,452</u></b>	<b><u>\$ 84</u></b>
<u>Net Debt Service</u>			
Interest Expense	\$ 6,963	\$ 7,139	\$ (176)
Bond Retirement	3,965	3,705	260
Interest Income	(267)	(442)	175
Paying Agent/Trustee Fees	57	69	(12)
<b>Subtotal Net Debt Service</b>	<b><u>\$ 10,718</u></b>	<b><u>\$ 10,471</u></b>	<b><u>\$ 247</u></b>
<b>Total Funding Requirements</b>	<b><u>\$ 16,254</u></b>	<b><u>\$ 15,923</u></b>	<b><u>\$ 331</u></b>
<u>Funding Sources</u>			
Billings @ \$57.18 per MWh	\$ 15,148	\$ 15,526	\$ (378)
REPI	556	295	261
Rate Stabilization Account Withdrawal	550	102	448
<b>Total Funding Sources</b>	<b><u>\$ 16,254</u></b>	<b><u>\$ 15,923</u></b>	<b><u>\$ 331</u></b>

**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
<b>Beginning Balance</b>	\$ 19,315	\$ 20,202	\$ 21,086	\$ 22,452	\$ 23,338	\$ 24,145	\$ 21,537	\$ 22,425	\$ 22,906	\$ 23,764	\$ 24,588	\$ 25,405	\$ 19,315
Receipts													
Billings	\$ 1,262	\$ 1,262	\$ 1,263	\$ 1,262	\$ 1,262	\$ 1,263	\$ 1,262	\$ 1,262	\$ 1,263	\$ 1,262	\$ 1,262	\$ 1,263	\$ 15,148
REPI	-	-	556	-	-	-	-	-	-	-	-	-	556
<b>Total Receipts</b>	\$ 1,262	\$ 1,262	\$ 1,819	\$ 1,262	\$ 1,262	\$ 1,263	\$ 1,262	\$ 1,262	\$ 1,263	\$ 1,262	\$ 1,262	\$ 1,263	\$ 15,704
Disbursements													
Operations Disbursements													
Labor & Overheads	\$ 153	\$ 154	\$ 153	\$ 154	\$ 153	\$ 154	\$ 153	\$ 154	\$ 153	\$ 154	\$ 154	\$ 154	\$ 1,843
Equipment/Materials/Services	150	151	150	151	150	151	150	151	150	151	150	151	1,806
Insurance	-	-	-	-	-	-	-	397	-	-	-	-	397
Other	99	99	99	99	99	99	99	99	99	99	100	150	1,240
Generation Taxes	-	-	-	-	-	-	-	-	-	-	53	-	53
Capital	-	-	70	-	80	-	-	-	-	47	-	-	197
<b>Subtotal Operations</b>	\$ 402	\$ 404	\$ 472	\$ 404	\$ 482	\$ 404	\$ 402	\$ 801	\$ 402	\$ 451	\$ 457	\$ 455	\$ 5,536
Debt Service													
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,481	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,482	\$ 6,963
Bond Retirement	-	-	-	-	-	-	-	-	-	-	-	3,965	3,965
Investment Income	(27)	(27)	(28)	(28)	(28)	(28)	(28)	(21)	(13)	(13)	(13)	(13)	(267)
Paying Agent/Banking Fees	-	1	9	-	1	14	-	1	16	-	1	14	57
<b>Subtotal Debt Service</b>	\$ (27)	\$ (26)	\$ (19)	\$ (28)	\$ (27)	\$ 3,467	\$ (28)	\$ (20)	\$ 3	\$ (13)	\$ (12)	\$ 7,448	\$ 10,718
<b>Total Disbursements</b>	\$ 375	\$ 378	\$ 453	\$ 376	\$ 455	\$ 3,871	\$ 374	\$ 781	\$ 405	\$ 438	\$ 445	\$ 7,903	\$ 16,254
<b>Ending Balance</b>	\$ 20,202	\$ 21,086	\$ 22,452	\$ 23,338	\$ 24,145	\$ 21,537	\$ 22,425	\$ 22,906	\$ 23,764	\$ 24,588	\$ 25,405	\$ 18,765	\$ 18,765

**Table 6**  
**Rate Stabilization Account**  
(Dollars in Thousands)

<u>Description</u>	<u>FY 2010 Budget</u>	<u>Original FY 2009 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	6,414	586	5,828
<b>Total Beginning Balance</b>	<b>\$ 19,315</b>	<b>\$ 13,487</b>	<b>\$ 5,828</b>
Addition / (Reduction)	(550)	(102)	\$ (448)
<b>Total Ending Balance</b>	<b>\$ 18,765</b>	<b>\$ 13,385</b>	<b>\$ 5,380</b>

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

Description	Budget					Forecast					
	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
<b>Operating Costs</b>											
Labor & Overheads	\$ 1,843	\$ 1,882	\$ 1,938	\$ 1,976	\$ 2,012	\$ 2,024	\$2,085	\$2,147	\$ 2,234	\$ 2,323	\$ 2,346
Equipment/Materials/Services	1,806	1,370	2,416	2,932	2,161	1,848	1,576	1,568	2,150	2,297	2,079
Insurance	397	409	421	434	447	460	474	488	503	518	534
Bonus O&M Contract	508	523	539	277	-	-	-	-	-	-	-
Lease Payments	607	626	662	743	725	722	714	718	739	745	740
Benton County PUD	75	77	77	77	80	80	80	82	82	82	84
Risk Reserve	50	155	159	164	144	148	153	157	162	167	172
<b>Subtotal Operating Costs</b>	<b>\$ 5,286</b>	<b>\$ 5,041</b>	<b>\$ 6,211</b>	<b>\$ 6,603</b>	<b>\$ 5,568</b>	<b>\$ 5,282</b>	<b>\$5,081</b>	<b>\$5,160</b>	<b>\$ 5,870</b>	<b>\$ 6,132</b>	<b>\$ 5,954</b>
Generation Taxes	\$ 53	\$ 53	\$ 53	\$ 53	\$ 53	\$ 53	\$ 53	\$ 53	\$ 53	\$ 53	\$ 53
Capital	197	242	249	257	264	12	12	13	13	14	14
<b>Subtotal Taxes &amp; Capital Costs</b>	<b>\$ 250</b>	<b>\$ 295</b>	<b>\$ 302</b>	<b>\$ 310</b>	<b>\$ 317</b>	<b>\$ 65</b>	<b>\$ 65</b>	<b>\$ 66</b>	<b>\$ 66</b>	<b>\$ 67</b>	<b>\$ 67</b>
<b>Total Operating, Taxes, &amp; Capital Costs</b>	<b>\$ 5,536</b>	<b>\$ 5,336</b>	<b>\$ 6,513</b>	<b>\$ 6,913</b>	<b>\$ 5,885</b>	<b>\$ 5,347</b>	<b>\$5,147</b>	<b>\$5,226</b>	<b>\$ 5,936</b>	<b>\$ 6,198</b>	<b>\$ 6,021</b>

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