

**Fiscal Year 2013  
Nine Canyon  
Annual Operating Budget**

DRAFT



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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 2013, the total funding requirements equal \$20,503,000 (Table 4) with revenue of \$18,992,000 (Table 5) and a \$1,511,000 (Table 4) cash withdrawal.

The Fiscal Year 2013 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 2013 Budget is made to the original budget issued for Fiscal Year 2012.

**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 244,083 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 \$74.86 per MWh (Table 1) for Fiscal Year 2013. 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 2013 Budget</u>	<u>Original FY 2012 Budget</u>	<u>Variance</u>
<u>Revenue</u>			
Billings	\$ 18,272	\$ 16,216	\$ 2,056
BPA Scheduling Revenue	720	660	60
<b>Total Revenue</b>	<b>\$ 18,992</b>	<b>\$ 16,876</b>	<b>\$ 2,116</b>
<u>Operating Costs</u>			
Labor & Overheads	\$ 2,042	\$ 1,959	\$ 83
Equipment/Materials/Services	2,682	1,719	963
Insurance	375	399	(24)
O&M Contract	385	510	(125)
Benton County PUD	75	75	-
Lessee Payments	741	647	94
Risk Reserve	50	50	-
<b>Subtotal Operating Costs</b>	<b>\$ 6,350</b>	<b>\$ 5,359</b>	<b>\$ 991</b>
Generation Taxes	52	51	1
<b>Subtotal Operating Cost</b>	<b>\$ 6,402</b>	<b>\$ 5,410</b>	<b>\$ 992</b>
Depreciation	\$ 6,804	\$ 6,786	\$ 18
Decommissioning	82	82	-
Interest/Financing (Net)	6,086	6,254	(168)
<b>Total Cost</b>	<b>\$ 19,374</b>	<b>\$ 18,532</b>	<b>\$ 842</b>
<b>Total Net Generation (MWh)</b>	<b>244,083</b>	<b>239,066</b>	<b>5,017</b>
<b>Cost of Power (\$/MWh)</b>	<b>\$ 79.37</b>	<b>\$ 77.52</b>	<b>\$ 1.86</b>
<b>Billing Price to Participants (\$/MWh) (1)</b>	<b>\$ 74.86</b>	<b>\$ 67.83</b>	<b>\$ 7.03</b>
<b>BPA Scheduling Costs</b>	<b>\$ 720</b>	<b>\$ 660</b>	<b>\$ 60</b>
<b>Capital Cost</b>	<b>\$ 40</b>	<b>\$ 100</b>	<b>\$ (60)</b>

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

**Table 2**  
**Summary of Full Time Equivalent Positions \***

<u>Description</u>	<u>FY 2013 Budget</u>	<u>FY 2012 Budget</u>	<u>Variance</u>
Project Manager	1	1	-
O&M Technicians	10	10	-
Admin & Technical Support	<u>2</u>	<u>2</u>	<u>-</u>
<b>Total</b>	<b><u>13</u></b>	<b><u>13</u></b>	<b><u>-</u></b>

\* Includes Allocations of Corporate Full Time Equivalent Positions

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

Description	FY 2013 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2013 Total Cash
Operating Costs						
Operating Costs (excludes Lessee Payments)	\$ 5,609	\$ -	\$ -	\$ -	\$ -	\$ 5,609
Lessee Payments	741	-	-	-	-	741
Generation Tax	52	-	-	-	-	52
Capital	40	-	76	-	-	116
BPA Scheduling	720	-	-	-	-	720
Depreciation	6,804	(6,804)	-	-	-	-
<b>Subtotal Operating &amp; Capital</b>	<b>\$ 13,966</b>	<b>\$ (6,804)</b>	<b>\$ 76</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,238</b>
Net Debt Service						
Interest Expense	\$ 6,351	\$ -	\$ -	\$ -	\$ -	\$ 6,351
Bond Retirement	-	-	6,930	-	-	6,930
Amortized Cost	(246)	246	-	-	-	-
Decommissioning (1)	82	(82)	-	-	-	-
Interest Income	(64)	-	-	20	(17)	(61)
Paying Agent/Trustee Fees	45	-	-	-	-	45
<b>Subtotal Net Debt Service</b>	<b>\$ 6,168</b>	<b>\$ 164</b>	<b>\$ 6,930</b>	<b>\$ 20</b>	<b>\$ (17)</b>	<b>\$ 13,265</b>
<b>Total Disbursements</b>	<b>\$ 20,134</b>	<b>\$ (6,640)</b>	<b>\$ 7,006</b>	<b>\$ 20</b>	<b>\$ (17)</b>	<b>\$ 20,503</b>
Revenue						
Billings	\$ 18,992	\$ -	\$ -	\$ -	\$ -	\$ 18,992
<b>Total Revenue</b>	<b>\$ 18,992</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,992</b>
<b>Cash Withdrawal</b>						<b>\$ (1,511)</b>

(1)Decommissioning costs of \$363,800 through FY2012 has not been funded.



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

<u>Description</u>	<u>FY 2013 Budget</u>	<u>Original FY 2012 Budget</u>	<u>Variance</u>
<u>Operating Costs</u>			
Labor/Benefits/Overhead	\$ 2,042	\$ 1,959	\$ 83
Equipment/Materials/Services	2,682	1,719	963
Insurance	375	399	(24)
O&M Contract	385	510	(125)
Benton PUD	75	75	-
Lessee Payments	741	647	94
Risk Reserve	50	50	-
<b>Subtotal Operating Costs</b>	<b><u>\$ 6,350</u></b>	<b><u>\$ 5,359</u></b>	<b><u>\$ 991</u></b>
Generation Taxes	\$ 52	\$ 51	\$ 1
BPA Scheduling	720	660	60
Capital	116	176	(60)
<b>Subtotal Operating, Taxes &amp; Capital Costs</b>	<b><u>\$ 7,238</u></b>	<b><u>\$ 6,246</u></b>	<b><u>\$ 992</u></b>
<u>Net Debt Service</u>			
Interest Expense	\$ 6,351	\$ 6,570	\$ (219)
Bond Retirement	6,930	4,575	2,355
Interest Income	(61)	(107)	46
Paying Agent/Trustee Fees	45	45	-
<b>Subtotal Net Debt Service</b>	<b><u>\$ 13,265</u></b>	<b><u>\$ 11,083</u></b>	<b><u>\$ 2,182</u></b>
<b>Total Funding Requirements</b>	<b><u>\$ 20,503</u></b>	<b><u>\$ 17,329</u></b>	<b><u>\$ 3,174</u></b>
<b>Funding Sources</b>			
Billings	\$ 18,272	\$ 16,216	\$ 2,056
Participants for BPA Scheduling	720	660	60
Cash Withdrawal	1,511	453	1,058
<b>Total Funding Sources</b>	<b><u>\$ 20,503</u></b>	<b><u>\$ 17,329</u></b>	<b><u>\$ 3,174</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 2013 Total
<b>Beginning Balance</b>	\$ 9,625	\$ 10,581	\$ 11,790	\$ 12,885	\$ 14,101	\$ 15,321	\$ 13,260	\$ 14,471	\$ 15,490	\$ 16,498	\$ 17,714	\$ 18,863	\$ 9,625
Receipts													
Billings	\$ 1,523	\$ 1,522	\$ 1,523	\$ 1,522	\$ 1,523	\$ 1,523	\$ 1,523	\$ 1,523	\$ 1,523	\$ 1,522	\$ 1,523	\$ 1,522	\$ 18,272
BPA Scheduling	60	60	60	60	60	60	60	60	60	60	60	60	720
<b>Total Receipts</b>	\$ 1,583	\$ 1,582	\$ 1,583	\$ 1,582	\$ 1,583	\$ 1,583	\$ 1,583	\$ 1,583	\$ 1,583	\$ 1,582	\$ 1,583	\$ 1,582	\$ 18,992
Disbursements													
Operations Disbursements													
Labor & Overheads	\$ 169	\$ 156	\$ 162	\$ 155	\$ 153	\$ 160	\$ 161	\$ 152	\$ 179	\$ 154	\$ 165	\$ 276	\$ 2,042
Equipment/Materials/Services	83	88	91	83	82	87	82	83	86	83	88	1,746	2,682
Insurance	175	-	-	-	-	-	-	200	-	-	-	-	375
Other	138	68	173	68	68	173	68	68	173	68	68	118	1,251
Generation Taxes	-	-	-	-	-	-	-	-	-	-	52	-	52
BPA Scheduling	60	60	60	60	60	60	60	60	60	60	60	60	720
Capital	-	-	-	-	-	-	-	-	76	-	-	40	116
<b>Subtotal Operations</b>	\$ 625	\$ 372	\$ 486	\$ 366	\$ 363	\$ 480	\$ 371	\$ 563	\$ 574	\$ 365	\$ 433	\$ 2,240	\$ 7,238
Debt Service													
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,176	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,175	\$ 6,351
Bond Retirement	-	-	-	-	-	-	-	-	-	-	-	6,930	6,930
Investment Income	(2)	(2)	(2)	(3)	(3)	(16)	(3)	(3)	(3)	(3)	(3)	(18)	(61)
Paying Agent/Banking Fees	4	3	4	3	3	4	4	4	4	4	4	4	45
<b>Subtotal Debt Service</b>	\$ 2	\$ 1	\$ 2	\$ -	\$ -	\$ 3,164	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 10,091	\$ 13,265
<b>Total Disbursements</b>	\$ 627	\$ 373	\$ 488	\$ 366	\$ 363	\$ 3,644	\$ 372	\$ 564	\$ 575	\$ 366	\$ 434	\$ 12,331	\$ 20,503
<b>Ending Balance</b>	\$ 10,581	\$ 11,790	\$ 12,885	\$ 14,101	\$ 15,321	\$ 13,260	\$ 14,471	\$ 15,490	\$ 16,498	\$ 17,714	\$ 18,863	\$ 8,114	\$ 8,114

**Table 6**  
**Bank Accounts**  
(Dollars in Thousands)

<u>Description</u>	<u>FY 2013 Budget</u>	<u>Original FY 2012 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	9,625	8,001	1,624
<b>Total Beginning Balance</b>	<b>\$ 22,526</b>	<b>\$ 20,902</b>	<b>\$ 1,624</b>
Addition / (Reduction)	(1,511)	(453)	\$ (1,058)
<b>Total Ending Balance</b>	<b>\$ 21,015</b>	<b>\$ 20,449</b>	<b>\$ 566</b>

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

Description	Budget	Forecast								
	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
<b>Operating Costs</b>										
Labor & Overheads	\$ 2,042	\$ 2,073	\$ 2,133	\$ 2,195	\$ 2,259	\$ 2,324	\$ 2,392	\$ 2,462	\$ 2,534	\$ 2,607
Equipment/Materials/Services	2,682	1,795	1,838	1,883	1,929	1,980	2,028	2,080	2,133	2,177
Insurance	375	386	398	410	422	435	448	461	475	489
O&M Contract	385	-	-	-	-	-	-	-	-	-
Lease Payments	741	741	741	741	741	741	741	741	741	753
Benton County PUD	75	77	77	77	80	80	80	82	82	82
Risk Reserve	50	50	50	50	50	50	50	50	50	50
<b>Subtotal Operating Costs</b>	<b>\$ 6,350</b>	<b>\$ 5,122</b>	<b>\$ 5,237</b>	<b>\$ 5,356</b>	<b>\$ 5,481</b>	<b>\$ 5,610</b>	<b>\$ 5,739</b>	<b>\$ 5,876</b>	<b>\$ 6,015</b>	<b>\$ 6,158</b>
<b>Taxes &amp; Capital Costs</b>										
Generation Taxes	\$ 52	\$ 52	\$ 52	\$ 52	\$ 52	\$ 52	\$ 52	\$ 52	\$ 52	\$ 52
Capital	40	42	-	44	-	46	-	48	-	50
<b>Subtotal Taxes &amp; Capital Costs</b>	<b>\$ 92</b>	<b>\$ 94</b>	<b>\$ 52</b>	<b>\$ 96</b>	<b>\$ 52</b>	<b>\$ 98</b>	<b>\$ 52</b>	<b>\$ 100</b>	<b>\$ 52</b>	<b>\$ 102</b>
<b>Total Operating, Taxes, &amp; Capital Costs</b>	<b>\$ 6,442</b>	<b>\$ 5,216</b>	<b>\$ 5,289</b>	<b>\$ 5,452</b>	<b>\$ 5,533</b>	<b>\$ 5,708</b>	<b>\$ 5,791</b>	<b>\$ 5,976</b>	<b>\$ 6,067</b>	<b>\$ 6,260</b>

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