

Fiscal Year 2014 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
Bank Accounts	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 2014, the total funding requirements equal \$19,762,000 (Table 4) with revenue of \$19,052,000 (Table 5) and a \$710,000 (Table 4) cash withdrawal.

The Fiscal Year 2014 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 2014 Budget is made to the original budget issued for Fiscal Year 2013.

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 248,166 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 with the Site Maintenance and Warranty Agreement set to expire in August 2013. Negotiations are under way to extend that service.
- Billing Price for electrical output is estimated to be \$73.63 per MWh (Table 1) for Fiscal Year 2014. The difference between billing price and cost of power is due to depreciation and debt repayment.
- The Project budget has been reviewed and approved by the participants.

Table 1
Summary of Operations
(Dollars in Thousands)

<u>Description</u>	<u>FY 2014</u> <u>Budget</u>	<u>Original</u> <u>FY 2013</u> <u>Budget</u>	<u>Variance</u>
<u>Revenue</u>			
Billings	\$ 18,272	\$ 18,272	\$ -
BPA Scheduling Revenue	780	720	60
Total Revenue	\$ 19,052	\$ 18,992	\$ 60
<u>Operating Costs</u>			
Labor & Overheads	\$ 1,907	\$ 2,042	\$ (135)
Equipment/Materials/Services	1,652	2,682	(1,030)
Insurance	392	375	17
Site Maintenance & Warranty	937	385	552
Benton County PUD	75	75	-
Lessee Payments	741	741	-
Risk Reserve	50	50	-
Subtotal Operating Costs	\$ 5,754	\$ 6,350	\$ (596)
Generation Taxes	54	52	2
Subtotal Operating Cost	\$ 5,808	\$ 6,402	\$ (594)
BPA Scheduling Costs	\$ 780	\$ 720	60
Depreciation	6,808	6,804	4
Decommissioning	82	82	-
Capital	42	40	2
Interest/Financing (Net)	5,479	6,086	(607)
Total Cost	\$ 18,999	\$ 20,134	\$ (1,197)
Total Net Generation (MWh)	248,166	244,083	4,083
Cost of Power (\$/MWh) (1)	\$ 73.24	\$ 79.36	\$ (6.13)
Billing Price to Participants (\$/MWh) (2)	\$ 73.63	\$ 74.86	\$ (1.23)

(1) Cost of Power excludes BPA Scheduling and Capital related costs.

(2) 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 2014 Budget</u>	<u>Original FY 2013 Budget</u>	<u>Variance</u>
Project Manager	1	1	-
O&M Technicians	9	10	(1)
Admin & Technical Support	<u>2</u>	<u>2</u>	<u>-</u>
Total	<u>12</u>	<u>13</u>	<u>(1)</u>

* Includes Allocations of Corporate Full Time Equivalent Positions

(Page left intentionally blank)

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

Description	FY 2014 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2014 Total Cash
Operating Costs						
Operating Costs (excludes Lessee Payments)	\$ 5,013	\$ -	\$ -	\$ -	\$ -	\$ 5,013
Lessee Payments	741	-	-	-	-	741
Generation Tax	54	-	-	-	-	54
Capital	42	-	-	-	-	42
BPA Scheduling	780	-	-	-	-	780
Depreciation	6,808	(6,808)	-	-	-	-
Subtotal Operating, Taxes & Capital	\$ 13,438	\$ (6,808)	\$ -	\$ -	\$ -	\$ 6,630
Net Debt Service						
Interest Expense	\$ 5,876	\$ -	\$ -	\$ -	\$ -	\$ 5,876
Bond Retirement	-	-	7,265	-	-	7,265
Amortized Cost	(388)	388	-	-	-	-
Decommissioning (1)	82	(82)	-	-	-	-
Interest Income	(54)	-	-	-	-	(54)
Paying Agent/Trustee Fees	45	-	-	-	-	45
Subtotal Net Debt Service	\$ 5,561	\$ 306	\$ 7,265	\$ -	\$ -	\$ 13,132
Total Disbursements	\$ 18,999	\$ (6,502)	\$ 7,265	\$ -	\$ -	\$ 19,762
Revenue						
Billings	\$ 18,272	\$ -	\$ -	\$ -	\$ -	\$ 18,272
BPA Scheduling	780	-	-	-	-	780
Total Revenue	\$ 19,052	\$ -	\$ -	\$ -	\$ -	\$ 19,052
Cash Withdrawal						\$ (710)

(1)Decommissioning costs of \$301,000 through FY2013 has not been funded.

Table 4
Statement of Funding Requirements
(Dollars in Thousands)

<u>Description</u>	<u>FY 2014 Budget</u>	<u>Original FY 2013 Budget</u>	<u>Variance</u>
<u>Operating Costs</u>			
Labor/Benefits/Overhead	\$ 1,907	\$ 2,042	\$ (135)
Equipment/Materials/Services	1,652	2,682	(1,030)
Insurance	392	375	17
Site Maintenance & Warranty	937	385	552
Benton PUD	75	75	-
Lessee Payments	741	741	-
Risk Reserve	50	50	-
Subtotal Operating Costs	<u>\$ 5,754</u>	<u>\$ 6,350</u>	<u>\$ (596)</u>
Generation Taxes	\$ 54	\$ 52	\$ 2
BPA Scheduling	780	720	60
Capital	42	40	2
Subtotal Operating, Taxes & Capital Costs	<u>\$ 6,630</u>	<u>\$ 7,162</u>	<u>\$ (532)</u>
<u>Net Debt Service</u>			
Interest Expense	\$ 5,876	\$ 6,351	\$ (475)
Bond Retirement	7,265	6,930	335
Interest Income	(54)	(61)	7
Paying Agent/Trustee Fees	45	45	-
Subtotal Net Debt Service	<u>\$ 13,132</u>	<u>\$ 13,265</u>	<u>\$ (133)</u>
Total Funding Requirements	<u>\$ 19,762</u>	<u>\$ 20,427</u>	<u>\$ (665)</u>
<u>Funding Sources</u>			
Billings	\$ 18,272	\$ 18,272	\$ -
Participants for BPA Scheduling	780	720	60
Cash Withdrawal	710	1,511	(801)
Total Funding Sources	<u>\$ 19,762</u>	<u>\$ 20,503</u>	<u>\$ (741)</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 2014 Total
Beginning Balance	\$ 9,937	\$ 10,918	\$ 12,075	\$ 13,231	\$ 14,389	\$ 15,547	\$ 12,837	\$ 13,994	\$ 14,934	\$ 16,092	\$ 17,248	\$ 18,352	\$ 9,937
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	65	65	65	65	65	65	65	65	65	65	65	65	780
Total Receipts	\$ 1,588	\$ 1,587	\$ 1,588	\$ 1,587	\$ 1,588	\$ 1,588	\$ 1,588	\$ 1,588	\$ 1,588	\$ 1,587	\$ 1,588	\$ 1,587	\$ 19,052
Disbursements													
Operations Disbursements													
Labor & Overheads	\$ 159	\$ 159	\$ 159	\$ 159	\$ 159	\$ 159	\$ 159	\$ 159	\$ 159	\$ 159	\$ 159	\$ 159	\$ 1,907
Equipment/Materials/Services	138	138	138	138	138	138	138	138	138	138	138	138	1,652
Insurance	175	-	-	-	-	-	-	217	-	-	-	-	392
Site Maintenance & Warranty	-	-	-	-	-	937	-	-	-	-	-	-	937
Other	68	68	68	68	68	68	68	68	68	68	68	118	866
Generation Taxes	-	-	-	-	-	-	-	-	-	-	54	-	54
BPA Scheduling	65	65	65	65	65	65	65	65	65	65	65	65	780
Capital	-	-	-	-	-	-	-	-	-	-	-	42	42
Subtotal Operations	\$ 605	\$ 430	\$ 430	\$ 430	\$ 430	\$ 1,367	\$ 430	\$ 647	\$ 430	\$ 430	\$ 484	\$ 522	\$ 6,630
Debt Service													
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,938	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,938	\$ 5,876
Bond Retirement	-	-	-	-	-	-	-	-	-	-	-	7,265	7,265
Investment Income	(2)	(2)	(2)	(3)	(3)	(10)	(3)	(3)	(3)	(3)	(3)	(17)	(54)
Paying Agent/Banking Fees	4	3	4	3	3	4	4	4	4	4	4	4	45
Subtotal Debt Service	\$ 2	\$ 1	\$ 2	\$ -	\$ -	\$ 2,932	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 10,190	\$ 13,132
Total Disbursements	\$ 607	\$ 431	\$ 432	\$ 430	\$ 430	\$ 4,299	\$ 431	\$ 648	\$ 431	\$ 431	\$ 485	\$ 10,712	\$ 19,762
Ending Balance	\$ 10,918	\$ 12,075	\$ 13,231	\$ 14,389	\$ 15,547	\$ 12,837	\$ 13,994	\$ 14,934	\$ 16,092	\$ 17,248	\$ 18,352	\$ 9,227	\$ 9,227

Table 6
Bank Accounts
(Dollars in Thousands)

<u>Description</u>	<u>FY 2014</u> <u>Budget</u>	<u>Original</u> <u>FY 2013</u> <u>Budget</u>	<u>Variance</u>
Phase I Reserve Account	\$ 6,427	\$ 6,427	\$ -
Phase II Reserve Account	750	-	750
Phase III Reserve Account	4,924	4,924	-
Operating Reserve Account	750	750	-
Reserve and Contingency Account	800	800	-
Revenue Fund	9,937	9,625	312
Total Beginning Balance	\$ 23,588	\$ 22,526	\$ 1,062
Addition / (Reduction)	(710)	(1,511)	801
Total Ending Balance	\$ 22,878	\$ 21,015	\$ 1,863

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

Description	Budget	Forecast								
	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Operating Costs										
Labor & Overheads	\$ 1,907	\$ 1,964	\$ 2,023	\$ 2,084	\$ 2,146	\$ 2,211	\$ 2,277	\$ 2,345	\$ 2,416	\$ 2,488
Equipment/Materials/Services	1,652	1,702	1,753	1,805	1,859	1,915	1,973	2,032	2,093	2,155
Insurance	392	404	416	428	441	454	468	482	497	511
Site Maintenance & Warranty	937	-	-	-	-	-	-	-	-	-
Lease Payments	741	741	741	741	741	741	741	741	753	753
Benton County PUD	75	77	80	82	84	87	90	92	95	98
Risk Reserve	50	50	50	50	50	50	50	50	50	50
Subtotal Operating Costs	\$ 5,754	\$ 4,938	\$ 5,062	\$ 5,190	\$ 5,322	\$ 5,458	\$ 5,598	\$ 5,742	\$ 5,903	\$ 6,056
Taxes & Capital Costs										
Generation Taxes	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54
BPA Scheduling	780	803	828	852	878	904	931	959	988	1,018
Capital	42	-	44	-	46	-	48	-	50	50
Subtotal Taxes & Capital Costs	\$ 876	\$ 857	\$ 926	\$ 906	\$ 978	\$ 958	\$ 1,033	\$ 1,013	\$ 1,092	\$ 1,122
Total Operating, Taxes, & Capital Costs	\$ 6,630	\$ 5,795	\$ 5,988	\$ 6,097	\$ 6,300	\$ 6,416	\$ 6,632	\$ 6,756	\$ 6,995	\$ 7,178

(Page left intentionally blank)