

**Fiscal Year 2015  
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 2015, the total funding requirements equal \$19,429,000 (Table 4) with revenue of \$19,052,000 (Table 5) and a \$377,000 (Table 4) cash withdrawal.

The Fiscal Year 2015 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 2015 Budget is made to the original budget issued for Fiscal Year 2014.

**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.

- Estimated Generation is set at 240,098 MWh (Table 1) which is based off of the most recent five year average.
- 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 Long Term Service Agreement that was extended for a fifteen year term in August 2013.
- Billing Price for electrical output is estimated to be \$76.10 per MWh (Table 1) for Fiscal Year 2015. 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 2015</u> <u>Budget</u>	<u>Original</u> <u>FY 2014</u> <u>Budget</u>	<u>Variance</u>
<u>Revenue</u>			
Billings	\$ 18,272	\$ 18,272	\$ -
BPA Scheduling Revenue	780	780	-
<b>Total Revenue</b>	<b>\$ 19,052</b>	<b>\$ 19,052</b>	<b>\$ -</b>
<u>Operating Costs</u>			
Labor & Overheads	\$ 1,880	\$ 1,907	\$ (27)
Equipment/Materials/Services	1,614	1,652	(38)
Insurance	287	392	(105)
Site Maintenance & Warranty	1,155	937	218
Benton County PUD	99	75	24
Lessee Payments	741	741	-
Risk Reserve	50	50	-
<b>Subtotal Operating Costs</b>	<b>\$ 5,826</b>	<b>\$ 5,754</b>	<b>\$ 72</b>
Generation Taxes	54	54	-
<b>Subtotal Operating Cost</b>	<b>\$ 5,880</b>	<b>\$ 5,808</b>	<b>\$ 72</b>
BPA Scheduling Costs	\$ 780	\$ 780	-
Depreciation	6,808	6,808	-
Decommissioning	82	82	-
Capital	250	42	208
Interest/Financing (Net)	4,357	5,479	(1,122)
<b>Total Cost</b>	<b>\$ 18,157</b>	<b>\$ 18,999</b>	<b>\$ (1,050)</b>
<b>Total Net Generation (MWh)</b>	<b>240,098</b>	<b>248,166</b>	<b>(8,068)</b>
<b>Cost of Power (\$/MWh) (1)</b>	<b>\$ 71.33</b>	<b>\$ 73.24</b>	<b>\$ (1.90)</b>
<b>Billing Price to Participants (\$/MWh) (2)</b>	<b>\$ 76.10</b>	<b>\$ 73.63</b>	<b>\$ 2.47</b>

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

(2) Billing Price 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 2015 Budget</u>	<u>Original FY 2014 Budget</u>	<u>Variance</u>
Project Manager	1	1	-
O&M Technicians	9	9	-
Admin & Technical Support	2	2	-
<b>Total</b>	<b><u>12</u></b>	<b><u>12</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 2015 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2015 Total Cash
Operating Costs						
Operating Costs	\$ 5,826	\$ -	\$ -	\$ -	\$ -	\$ 5,826
Generation Tax	54	-	-	-	-	54
Capital	250	-	-	-	-	250
BPA Scheduling	780	-	-	-	-	780
Depreciation	6,808	(6,808)	-	-	-	-
<b>Subtotal Operating, Taxes &amp; Capital</b>	<b>\$ 13,718</b>	<b>\$ (6,808)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,910</b>
Net Debt Service						
Interest Expense	\$ 5,398	\$ -	\$ -	\$ -	\$ -	\$ 5,398
Bond Retirement	-	-	7,130	-	-	7,130
Amortized Cost	(1,032)	1,032	-	-	-	-
Decommissioning (1)	82	(82)	-	-	-	-
Interest Income	(51)	-	-	-	-	(51)
Paying Agent/Trustee Fees	42	-	-	-	-	42
<b>Subtotal Net Debt Service</b>	<b>\$ 4,439</b>	<b>\$ 950</b>	<b>\$ 7,130</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,519</b>
<b>Total Disbursements</b>	<b>\$ 18,157</b>	<b>\$ (5,858)</b>	<b>\$ 7,130</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,429</b>
Revenue						
Billings	\$ 18,272	\$ -	\$ -	\$ -	\$ -	\$ 18,272
BPA Scheduling	780	-	-	-	-	780
<b>Total Revenue</b>	<b>\$ 19,052</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,052</b>
<b>Cash Withdrawal</b>						<b>\$ (377)</b>

(1)Decommissioning costs of \$334,000 through FY2014 has not been funded.



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

<u>Description</u>	<u>FY 2015 Budget</u>	<u>Original FY 2014 Budget</u>	<u>Variance</u>
<u>Operating Costs</u>			
Labor/Benefits/Overhead	\$ 1,880	\$ 1,907	\$ (27)
Equipment/Materials/Services	1,614	1,652	(38)
Insurance	287	392	(105)
Site Maintenance & Warranty	1,155	937	218
Benton PUD	99	75	24
Lessee Payments	741	741	-
Risk Reserve	50	50	-
<b>Subtotal Operating Costs</b>	<b>\$ 5,826</b>	<b>\$ 5,754</b>	<b>\$ 72</b>
Generation Taxes	\$ 54	\$ 54	\$ -
BPA Scheduling	780	780	-
Capital	250	42	208
<b>Subtotal Operating, Taxes &amp; Capital Costs</b>	<b>\$ 6,910</b>	<b>\$ 6,630</b>	<b>\$ 280</b>
<u>Net Debt Service</u>			
Interest Expense	\$ 5,398	\$ 5,876	\$ (478)
Bond Retirement	7,130	7,265	(135)
Interest Income	(51)	(54)	3
Paying Agent/Trustee Fees	42	45	(3)
<b>Subtotal Net Debt Service</b>	<b>\$ 12,519</b>	<b>\$ 13,132</b>	<b>\$ (613)</b>
<b>Total Funding Requirements</b>	<b>\$ 19,429</b>	<b>\$ 19,762</b>	<b>\$ (333)</b>
<b>Funding Sources</b>			
Billings	\$ 18,272	\$ 18,272	\$ -
Participants for BPA Scheduling	780	780	-
Cash Withdrawal	377	710	(333)
<b>Total Funding Sources</b>	<b>\$ 19,429</b>	<b>\$ 19,762</b>	<b>\$ (333)</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 2015 Total
<b>Beginning Balance</b>	\$ 9,697	\$ 10,728	\$ 11,883	\$ 12,769	\$ 13,926	\$ 15,083	\$ 13,012	\$ 14,170	\$ 15,164	\$ 16,027	\$ 17,183	\$ 18,285	\$ 9,697
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
<b>Total Receipts</b>	\$ 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	\$ 157	\$ 157	\$ 157	\$ 157	\$ 157	\$ 157	\$ 157	\$ 157	\$ 157	\$ 157	\$ 157	\$ 157	\$ 1,880
Equipment/Materials/Services	135	135	135	135	135	135	135	135	135	135	135	135	1,614
Insurance	125	-	-	-	-	-	-	162	-	-	-	-	287
Site Maintenance & Warranty	-	-	270	-	-	285	-	-	295	-	-	305	1,155
Other	74	74	74	74	74	74	74	74	74	74	74	74	890
Generation Taxes	-	-	-	-	-	-	-	-	-	-	54	-	54
BPA Scheduling	65	65	65	65	65	65	65	65	65	65	65	65	780
Capital	-	-	-	-	-	250	-	-	-	-	-	-	250
<b>Subtotal Operations</b>	\$ 555	\$ 430	\$ 700	\$ 430	\$ 430	\$ 965	\$ 430	\$ 592	\$ 725	\$ 430	\$ 484	\$ 735	\$ 6,910
Debt Service													
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,699	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,699	\$ 5,398
Bond Retirement	-	-	-	-	-	-	-	-	-	-	-	7,130	7,130
Investment Income	(2)	(2)	(2)	(3)	(3)	(9)	(3)	(3)	(3)	(3)	(3)	(15)	(51)
Paying Agent/Banking Fees	4	3	4	3	3	4	3	4	3	4	4	3	42
<b>Subtotal Debt Service</b>	\$ 2	\$ 1	\$ 2	\$ -	\$ -	\$ 2,694	\$ -	\$ 1	\$ -	\$ 1	\$ 1	\$ 9,817	\$ 12,519
<b>Total Disbursements</b>	\$ 557	\$ 431	\$ 702	\$ 430	\$ 430	\$ 3,659	\$ 430	\$ 593	\$ 725	\$ 431	\$ 485	\$ 10,552	\$ 19,429
<b>Ending Balance</b>	\$ 10,728	\$ 11,883	\$ 12,769	\$ 13,926	\$ 15,083	\$ 13,012	\$ 14,170	\$ 15,164	\$ 16,027	\$ 17,183	\$ 18,285	\$ 9,320	\$ 9,320

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

<u>Description</u>	<u>FY 2015</u> <u>Budget</u>	<u>Original</u> <u>FY 2014</u> <u>Budget</u>	<u>Variance</u>
Phase I Reserve Account (1)	\$ 4,085	\$ 6,427	\$ (2,342)
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	9,697	9,937	(240)
<b>Total Beginning Balance</b>	<b>\$ 21,006</b>	<b>\$ 23,588</b>	<b>\$ (2,582)</b>
Addition / (Reduction)	(377)	(710)	\$ 333
<b>Total Ending Balance</b>	<b>\$ 20,629</b>	<b>\$ 22,878</b>	<b>\$ (2,249)</b>

- (1) In connection with the refunding of Phase I Bonds in 2014, approximately \$2.3 million of reserve was freed up and used to retire outstanding Principal and reduce interest expense over the remaining life of the new bonds.

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

Description	Budget	Forecast								
	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
<b>Operating Costs</b>										
Labor & Overheads	\$ 1,880	\$ 1,927	\$ 1,975	\$ 2,025	\$ 2,075	\$ 2,127	\$ 2,180	\$ 2,235	\$ 2,291	\$ 2,348
Equipment/Materials/Services	1,614	1,436	1,471	1,508	1,546	1,584	1,624	1,665	1,707	1,750
Insurance	287	294	302	309	317	325	333	341	350	358
Long Term Service Agreement	1,155	1,184	1,213	1,244	1,275	1,307	1,339	1,373	1,407	1,442
Lease Payments	741	741	741	741	741	741	741	741	741	741
Benton County PUD	99	101	104	107	109	112	115	118	121	124
Risk Reserve	50	50	50	50	50	50	50	50	50	50
<b>Subtotal Operating Costs</b>	<b>\$ 5,826</b>	<b>\$ 5,734</b>	<b>\$ 5,856</b>	<b>\$ 5,983</b>	<b>\$ 6,114</b>	<b>\$ 6,246</b>	<b>\$ 6,382</b>	<b>\$ 6,523</b>	<b>\$ 6,666</b>	<b>\$ 6,813</b>
<b>Taxes &amp; Capital Costs</b>										
Generation Taxes	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54
BPA Scheduling	780	800	819	840	861	882	905	927	950	974
Capital	250	44	-	46	-	48	-	50	-	52
<b>Subtotal Taxes &amp; Capital Costs</b>	<b>\$ 1,084</b>	<b>\$ 898</b>	<b>\$ 873</b>	<b>\$ 940</b>	<b>\$ 915</b>	<b>\$ 984</b>	<b>\$ 959</b>	<b>\$ 1,031</b>	<b>\$ 1,004</b>	<b>\$ 1,080</b>
<b>Total Operating, Taxes, &amp; Capital Costs</b>	<b>\$ 6,910</b>	<b>\$ 6,631</b>	<b>\$ 6,730</b>	<b>\$ 6,923</b>	<b>\$ 7,029</b>	<b>\$ 7,230</b>	<b>\$ 7,341</b>	<b>\$ 7,554</b>	<b>\$ 7,670</b>	<b>\$ 7,893</b>

**Key Assumptions/Qualifications:**

Escalation Rate = 2.50% starting in FY 2016 for costs.

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