

Fiscal Year 2017 Nine Canyon Wind Project 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 2017, the total funding requirements equal \$18,578,000 (Table 4) with revenue of \$18,623,000 (Table 1) resulting in a net cash deposit of \$45,000 (Table 4).

The Fiscal Year 2017 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 2017 Budget is made to the original budget issued for Fiscal Year 2016.

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.

- The Project budget has been reviewed and approved by the participants.
- Total billings to participants has been reduced by 3% for all phases as compared to FY16. Billing Price for electrical output is estimated to be \$75.16 per MWh (Table 1) for Fiscal Year 2017. The difference between billing price and cost of power is due to depreciation and debt repayment. Billing price per MWh increase is driven solely by reduced estimated net generation.
- Estimated Generation is set at 235,807 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 beginning in August 2013.

Table 1
Summary of Operations
(Dollars in Thousands)

<u>Description</u>	<u>FY 2017</u> <u>Budget</u>	<u>Original</u> <u>FY 2016</u> <u>Budget</u>	<u>Variance</u>
<u>Revenue</u>			
Billings	\$ 17,723	\$ 18,272	\$ (549)
BPA Transmission Revenue	900	900	-
Total Revenue	\$ 18,623	\$ 19,172	\$ (549)
<u>Operating Costs</u>			
Labor & Overheads	\$ 1,850	\$ 1,920	\$ (70)
Equipment/Materials/Services	1,334	1,251	83
Insurance	219	284	(65)
Site Maintenance & Warranty	1,114	1,175	(61)
Benton County PUD	99	99	-
Lessee Payments	741	741	-
Risk Reserve	100	100	-
Subtotal Operating Costs	\$ 5,457	\$ 5,570	\$ (113)
Generation Taxes	\$ 54	\$ 54	\$ -
Capital	105	105	-
BPA Transmission Costs	900	900	-
Decommissioning	93	82	11
Depreciation	6,816	6,849	(33)
Subtotal Operating, Taxes & Capital Cost	\$ 13,425	\$ 13,560	\$ (135)
<u>Net Financing</u>			
Interest/Financing (Net)	3,106	3,204	(98)
Subtotal Net Financing	\$ 3,106	\$ 3,204	\$ (98)
Total Cost	\$ 16,531	\$ 16,764	\$ (233)
Total Net Generation (MWh)	235,807	242,311	(6,504)
Cost of Power (\$/MWh) (1)	\$ 65.84	\$ 65.04	\$ 0.81
Billing Price to Participants (\$/MWh) (2)	\$ 75.16	\$ 75.41	\$ (0.25)

(1) Cost of Power excludes BPA Transmission 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 2017 Budget</u>	<u>Original FY 2016 Budget</u>	<u>Variance</u>
Project Manager / Supervisor	1	1	-
O&M Technicians	9	9	-
Admin & Technical Support	2	2	-
Total	12	12	-

* Includes Allocations of Corporate Full Time Equivalent Positions

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

Description	FY 2017 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2017 Total Cash
Operating Costs						
Operating Costs	\$ 5,457	\$ -	\$ -	\$ -	\$ -	\$ 5,457
Generation Tax	54	-	-	-	-	54
Capital	105	-	-	-	-	105
BPA Transmission	900	-	-	-	-	900
Decommissioning (1)	93	(93)	-	-	-	-
Depreciation	6,816	(6,816)	-	-	-	-
Subtotal Operating, Taxes & Capital	\$ 13,425	\$ (6,909)	\$ -	\$ -	\$ -	\$ 6,516
Net Debt Service						
Interest Expense	\$ 4,471	\$ -	\$ -	\$ -	\$ -	\$ 4,471
Bond Retirement	-	-	7,640	-	-	7,640
Amortized Cost	(1,316)	1,316	-	-	-	-
Interest Income	(109)	-	-	-	-	(109)
Paying Agent/Trustee Fees	60	-	-	-	-	60
Subtotal Net Debt Service	\$ 3,106	\$ 1,316	\$ 7,640	\$ -	\$ -	\$ 12,062
Total Disbursements	\$ 16,531	\$ (5,593)	\$ 7,640	\$ -	\$ -	\$ 18,578
Revenue						
Billings	\$ 17,723	\$ -	\$ -	\$ -	\$ -	\$ 17,723
BPA Transmission	900	-	-	-	-	900
Total Revenue	\$ 18,623	\$ -	\$ -	\$ -	\$ -	\$ 18,623
Cash (Withdrawal) / Deposit						\$ 45

(1)Decommissioning costs of \$422,000 through FY2015 has not been funded. Estimated Asset Retirement Obligation liability is \$1.4 million in 2015 dollars.

Table 4
Statement of Funding Requirements
(Dollars in Thousands)

<u>Description</u>	<u>FY 2017</u> <u>Budget</u>	<u>Original</u> <u>FY 2016</u> <u>Budget</u>	<u>Variance</u>
<u>Operating Costs</u>			
Labor/Benefits/Overhead	\$ 1,850	\$ 1,920	\$ (70)
Equipment/Materials/Services	1,334	1,251	83
Insurance	219	284	(65)
Site Maintenance & Warranty	1,114	1,175	(61)
Benton PUD	99	99	-
Lessee Payments	741	741	-
Risk Reserve	100	100	-
Subtotal Operating Costs	\$ 5,457	\$ 5,570	\$ (113)
Generation Taxes	\$ 54	\$ 54	\$ -
Capital	105	105	-
BPA Transmission	900	900	-
Subtotal Operating, Taxes & Capital Costs	\$ 6,516	\$ 6,629	\$ (113)
<u>Net Debt Service</u>			
Interest Expense	\$ 4,471	\$ 4,841	\$ (370)
Bond Retirement	7,640	7,440	200
Interest Income	(109)	(51)	(58)
Paying Agent/Trustee Fees	60	41	19
Subtotal Net Debt Service	\$ 12,062	\$ 12,271	\$ (209)
Total Funding Requirements	\$ 18,578	\$ 18,900	\$ (322)
<u>Funding Sources</u>			
Billings	\$ 17,723	\$ 18,272	\$ (549)
Participants for BPA Transmission	900	900	-
Cash Withdrawal / (Deposit)	(45)	(272)	227
Total Funding Sources	\$ 18,578	\$ 18,900	\$ (322)

Table 5
Monthly Statement of Funding Requirements
(Dollars in Thousands)

Description	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2017 Total
Beginning Balance	\$ 10,445	\$ 11,452	\$ 12,586	\$ 13,449	\$ 14,584	\$ 15,719	\$ 14,251	\$ 15,385	\$ 16,426	\$ 17,281	\$ 18,415	\$ 19,496	\$ 10,445
Receipts													
Billings	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 17,723
BPA Transmission	75	75	75	75	75	75	75	75	75	75	75	75	900
Total Receipts	\$ 1,552	\$ 1,552	\$ 1,552	\$ 1,552	\$ 1,552	\$ 1,552	\$ 1,552	\$ 1,552	\$ 1,552	\$ 1,552	\$ 1,552	\$ 1,552	\$ 18,623
Disbursements													
Operations Disbursements													
Labor & Overheads	\$ 154	\$ 154	\$ 154	\$ 154	\$ 154	\$ 154	\$ 154	\$ 154	\$ 154	\$ 154	\$ 154	\$ 154	\$ 1,850
Equipment/Materials/Services	111	111	111	111	111	111	111	111	111	111	111	111	1,334
Insurance	125	-	-	-	-	-	-	94	-	-	-	-	219
Site Maintenance & Warranty	-	-	269	-	-	275	-	-	280	-	-	290	1,114
Other	78	78	78	78	78	78	78	78	78	78	78	78	940
Generation Taxes	-	-	-	-	-	-	-	-	-	-	54	-	54
Capital	-	-	-	-	-	105	-	-	-	-	-	-	105
BPA Transmission	75	75	75	75	75	75	75	75	75	75	75	75	900
Subtotal Operations	\$ 544	\$ 419	\$ 688	\$ 419	\$ 419	\$ 799	\$ 419	\$ 513	\$ 699	\$ 419	\$ 473	\$ 709	\$ 6,516
Debt Service													
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,236	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,235	\$ 4,471
Bond Retirement	-	-	-	-	-	-	-	-	-	-	-	7,640	7,640
Investment Income	(5)	(5)	(5)	(7)	(7)	(20)	(6)	(6)	(6)	(6)	(6)	(30)	(109)
Paying Agent/Banking Fees	6	5	6	5	5	6	5	5	4	5	4	4	60
Subtotal Debt Service	\$ 1	\$ -	\$ 1	\$ (2)	\$ (2)	\$ 2,222	\$ (1)	\$ (1)	\$ (2)	\$ (1)	\$ (2)	\$ 9,849	\$ 12,062
Total Disbursements	\$ 545	\$ 419	\$ 689	\$ 417	\$ 417	\$ 3,020	\$ 418	\$ 512	\$ 697	\$ 418	\$ 471	\$ 10,558	\$ 18,578
Ending Balance	\$ 11,452	\$ 12,586	\$ 13,449	\$ 14,584	\$ 15,719	\$ 14,251	\$ 15,385	\$ 16,426	\$ 17,281	\$ 18,415	\$ 19,496	\$ 10,491	\$ 10,490

Table 6
Bank Accounts
(Dollars in Thousands)

<u>Description</u>	<u>FY 2017 Budget</u>	<u>Original FY 2016 Budget</u>	<u>Variance</u>
Phase I Bond Reserve Account	\$ 4,111	\$ 4,104	\$ 7
Phase II Bond Reserve Account	783	782	1
Phase III Bond Reserve Account	4,958	4,952	6
Operating Reserve Account	756	756	-
Reserve and Contingency Account	811	811	-
Revenue Fund	10,445	9,241	1,204
Total Beginning Balance	<u>\$ 21,864</u>	<u>\$ 20,646</u>	<u>\$ 1,218</u>
Addition / (Reduction)	93	272	\$ (179)
Total Ending Balance	<u>\$ 21,957</u>	<u>\$ 20,918</u>	<u>\$ 1,039</u>

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

Description	Budget	Forecast								
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Operating Costs										
Labor & Overheads	\$ 1,850	\$ 1,896	\$ 1,944	\$ 1,992	\$ 2,042	\$ 2,093	\$ 2,145	\$ 2,199	\$ 2,254	\$ 2,310
Equipment/Materials/Services	1,334	1,367	1,401	1,436	1,472	1,508	1,546	1,586	1,625	1,666
Insurance	219	224	230	236	242	248	254	260	267	274
Long Term Service Agreement	1,114	1,142	1,170	1,200	1,230	1,260	1,292	1,324	1,357	1,391
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	100	103	105	108	110	113	116	119	122	125
Subtotal Operating Costs	\$ 5,457	\$ 5,575	\$ 5,695	\$ 5,819	\$ 5,947	\$ 6,076	\$ 6,209	\$ 6,347	\$ 6,487	\$ 6,631
Taxes & Capital Costs										
Generation Taxes	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54
Capital	105	-	52	-	55	-	57	-	60	-
BPA Transmission	900	923	946	969	993	1,018	1,044	1,070	1,097	1,124
Subtotal Taxes & Capital Costs	\$ 1,059	\$ 977	\$ 1,052	\$ 1,023	\$ 1,102	\$ 1,072	\$ 1,155	\$ 1,124	\$ 1,211	\$ 1,178
Total Operating, Taxes, & Capital Disbursements	\$ 6,516	\$ 6,551	\$ 6,746	\$ 6,842	\$ 7,049	\$ 7,148	\$ 7,364	\$ 7,471	\$ 7,697	\$ 7,809

Key Assumptions/Qualifications:

Escalation Rate = 2.50%; FY 2017 = Base Year, excluding lease payments and generation taxes.

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