

# **Fiscal Year 2018 Nine Canyon Wind Project Annual Operating Budget**



**Table of Contents**

	<b><u>Table</u></b>	<b><u>Page</u></b>
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 2018, the total funding requirements equal \$18,709,000 (Table 4) with revenue of \$18,723,000 (Table 1) resulting in a net cash deposit of \$14,000 (Table 4).

The Fiscal Year 2018 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 2018 Budget is made to the original budget issued for Fiscal Year 2017.

### 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.
- Billing Price for electrical output is estimated to be \$76.58 per MWh (Table 1) for Fiscal Year 2018. 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 231,431 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 2018</u> <u>Budget</u>	<u>Original</u> <u>FY 2017</u> <u>Budget</u>	<u>Variance</u>
<u>Revenue</u>			
Billings	\$ 17,723	\$ 17,723	\$ -
BPA Transmission Revenue	1,000	900	100
<b>Total Revenue</b>	<b>\$ 18,723</b>	<b>\$ 18,623</b>	<b>\$ 100</b>
<u>Operating Costs</u>			
Labor & Overheads	\$ 1,953	\$ 1,850	\$ 103
Equipment/Materials/Services	1,415	1,334	81
Insurance	204	219	(15)
Site Maintenance & Warranty	1,114	1,114	-
Benton County PUD	114	99	15
Lessee Payments	741	741	-
Risk Reserve	100	100	-
<b>Subtotal Operating Costs</b>	<b>\$ 5,641</b>	<b>\$ 5,457</b>	<b>\$ 184</b>
Generation Taxes	\$ 54	\$ 54	\$ -
Capital	53	105	(52)
BPA Transmission Costs	1,000	900	100
Decommissioning	95	93	2
Depreciation	6,817	6,816	1
<b>Subtotal Operating, Taxes &amp; Capital Cost</b>	<b>\$ 13,660</b>	<b>\$ 13,425</b>	<b>\$ 235</b>
<u>Net Financing</u>			
Interest/Financing (Net)	2,737	3,106	(369)
<b>Subtotal Net Financing</b>	<b>\$ 2,737</b>	<b>\$ 3,106</b>	<b>\$ (369)</b>
<b>Total Cost</b>	<b>\$ 16,397</b>	<b>\$ 16,531</b>	<b>\$ (134)</b>
<b>Total Net Generation (MWh)</b>	<b>231,431</b>	<b>235,807</b>	<b>(4,376)</b>
<b>Cost of Power (\$/MWh) (1)</b>	<b>\$ 66.30</b>	<b>\$ 65.84</b>	<b>\$ 0.46</b>
<b>Billing Price to Participants (\$/MWh) (2)</b>	<b>\$ 76.58</b>	<b>\$ 75.16</b>	<b>\$ 1.42</b>

(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 2018 Budget</u>	<u>Original FY 2017 Budget</u>	<u>Variance</u>
Project Manager / Supervisor	1	1	-
O&M Technicians	9	9	-
Admin & Technical Support	2	2	-
<b>Total</b>	<b>12</b>	<b>12</b>	<b>-</b>

\* Includes Allocations of Corporate Full Time Equivalent Positions

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

Description	FY 2018 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2018 Total Cash
Operating Costs						
Operating Costs	\$ 5,641	\$ -	\$ -	\$ -	\$ -	\$ 5,641
Generation Tax	54	-	-	-	-	54
Capital	53	-	-	-	-	53
BPA Transmission	1,000	-	-	-	-	1,000
Decommissioning (1)	95	(95)	-	-	-	-
Depreciation	6,817	(6,817)	-	-	-	-
<b>Subtotal Operating, Taxes &amp; Capital</b>	<b>\$ 13,660</b>	<b>\$ (6,912)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,748</b>
Net Debt Service						
Interest Expense	\$ 4,105	\$ -	\$ -	\$ -	\$ -	\$ 4,105
Bond Retirement	-	-	8,010	-	-	8,010
Amortized Cost	(1,214)	1,214	-	-	-	-
Interest Income	(214)	-	-	-	-	(214)
Paying Agent/Trustee Fees	60	-	-	-	-	60
<b>Subtotal Net Debt Service</b>	<b>\$ 2,737</b>	<b>\$ 1,214</b>	<b>\$ 8,010</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,961</b>
<b>Total Disbursements</b>	<b>\$ 16,397</b>	<b>\$ (5,698)</b>	<b>\$ 8,010</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,709</b>
Revenue						
Billings	\$ 17,723	\$ -	\$ -	\$ -	\$ -	\$ 17,723
BPA Transmission	1,000	-	-	-	-	1,000
<b>Total Revenue</b>	<b>\$ 18,723</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,723</b>
<b>Cash (Withdrawal) / Deposit</b>						<b>\$ 14</b>

(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>	FY 2018 Budget	Original FY 2017 Budget	Variance
<u>Operating Costs</u>			
Labor/Benefits/Overhead	\$ 1,953	\$ 1,850	\$ 103
Equipment/Materials/Services	1,415	1,334	81
Insurance	204	219	(15)
Site Maintenance & Warranty	1,114	1,114	-
Benton PUD	114	99	15
Lessee Payments	741	741	-
Risk Reserve	100	100	-
<b>Subtotal Operating Costs</b>	<b>\$ 5,641</b>	<b>\$ 5,457</b>	<b>\$ 184</b>
Generation Taxes	\$ 54	\$ 54	\$ -
Capital	53	105	(52)
BPA Transmission	1,000	900	100
<b>Subtotal Operating, Taxes &amp; Capital Costs</b>	<b>\$ 6,748</b>	<b>\$ 6,516</b>	<b>\$ 232</b>
<u>Net Debt Service</u>			
Interest Expense	\$ 4,105	\$ 4,471	\$ (366)
Bond Retirement	8,010	7,640	370
Interest Income	(214)	(109)	(105)
Paying Agent/Trustee Fees	60	60	-
<b>Subtotal Net Debt Service</b>	<b>\$ 11,961</b>	<b>\$ 12,062</b>	<b>\$ (101)</b>
<b>Total Funding Requirements</b>	<b>\$ 18,709</b>	<b>\$ 18,578</b>	<b>\$ 131</b>
<b>Funding Sources</b>			
Billings	\$ 17,723	\$ 17,723	\$ -
Participants for BPA Transmission	1,000	900	100
Cash Withdrawal / (Deposit)	(14)	(45)	31
<b>Total Funding Sources</b>	<b>\$ 18,709</b>	<b>\$ 18,578</b>	<b>\$ 131</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 2018 Total
<b>Beginning Balance</b>	\$ 11,728	\$ 12,651	\$ 13,779	\$ 14,638	\$ 15,768	\$ 16,897	\$ 15,647	\$ 16,777	\$ 17,906	\$ 18,757	\$ 19,886	\$ 20,964	\$ 11,728
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	83	83	83	83	83	83	83	83	83	83	83	83	1,000
<b>Total Receipts</b>	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 18,723
Disbursements													
Operations Disbursements													
Labor & Overheads	\$ 163	\$ 163	\$ 163	\$ 163	\$ 163	\$ 163	\$ 163	\$ 163	\$ 163	\$ 163	\$ 163	\$ 163	\$ 1,953
Equipment/Materials/Services	118	118	118	118	118	118	118	118	118	118	118	118	1,415
Insurance	204	-	-	-	-	-	-	-	-	-	-	-	204
Site Maintenance & Warranty	-	-	269	-	-	275	-	-	280	-	-	290	1,114
Other	80	80	80	80	80	80	80	80	80	80	80	80	955
Generation Taxes	-	-	-	-	-	-	-	-	-	-	54	-	54
Capital	-	-	-	-	-	53	-	-	-	-	-	-	53
BPA Transmission	83	83	83	83	83	83	83	83	83	83	83	83	1,000
<b>Subtotal Operations</b>	\$ 648	\$ 444	\$ 713	\$ 444	\$ 444	\$ 772	\$ 444	\$ 444	\$ 724	\$ 444	\$ 498	\$ 734	\$ 6,748
Debt Service													
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,053	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,052	\$ 4,105
Bond Retirement	-	-	-	-	-	-	-	-	-	-	-	8,010	8,010
Investment Income	(15)	(16)	(16)	(17)	(18)	(18)	(18)	(18)	(19)	(19)	(20)	(20)	(214)
Paying Agent/Banking Fees	5	4	5	4	5	5	4	6	5	6	5	6	60
<b>Subtotal Debt Service</b>	\$ (10)	\$ (12)	\$ (11)	\$ (13)	\$ (13)	\$ 2,040	\$ (14)	\$ (12)	\$ (14)	\$ (13)	\$ (15)	\$ 10,048	\$ 11,961
<b>Total Disbursements</b>	\$ 638	\$ 432	\$ 702	\$ 431	\$ 431	\$ 2,811	\$ 430	\$ 432	\$ 710	\$ 431	\$ 483	\$ 10,782	\$ 18,709
<b>Ending Balance</b>	\$ 12,651	\$ 13,779	\$ 14,638	\$ 15,768	\$ 16,897	\$ 15,647	\$ 16,777	\$ 17,906	\$ 18,757	\$ 19,886	\$ 20,964	\$ 11,743	\$ 11,742

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

<u>Description</u>	<u>FY 2018</u> <u>Budget</u>	<u>Original</u> <u>FY 2017</u> <u>Budget</u>	<u>Variance</u>
Phase I Bond Reserve Account	\$ 4,148	\$ 4,111	\$ 37
Phase II Bond Reserve Account	790	783	7
Phase III Bond Reserve Account	5,002	4,958	44
Operating Reserve Account	764	756	8
Reserve and Contingency Account	816	811	5
Revenue Fund	11,742	10,445	1,297
<b>Total Beginning Balance</b>	<b><u>\$ 23,262</u></b>	<b><u>\$ 21,864</u></b>	<b><u>\$ 1,398</u></b>
Addition / (Reduction)	181	93	\$ 88
<b>Total Ending Balance</b>	<b><u>\$ 23,443</u></b>	<b><u>\$ 21,957</u></b>	<b><u>\$ 1,486</u></b>

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

Description	Budget	Forecast								
	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
<b>Operating Costs</b>										
Labor & Overheads	\$ 1,953	\$ 2,002	\$ 2,052	\$ 2,103	\$ 2,156	\$ 2,210	\$ 2,265	\$ 2,322	\$ 2,380	\$ 2,439
Equipment/Materials/Services	1,415	1,450	1,486	1,523	1,562	1,600	1,640	1,682	1,724	1,767
Insurance	204	209	214	220	225	231	237	242	249	255
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	114	117	120	123	126	129	132	136	139	142
Risk Reserve	100	100	100	100	100	100	100	100	100	100
<b>Subtotal Operating Costs</b>	<b>\$ 5,641</b>	<b>\$ 5,761</b>	<b>\$ 5,883</b>	<b>\$ 6,009</b>	<b>\$ 6,139</b>	<b>\$ 6,271</b>	<b>\$ 6,406</b>	<b>\$ 6,547</b>	<b>\$ 6,689</b>	<b>\$ 6,835</b>
<b>Taxes &amp; Capital Costs</b>										
Generation Taxes	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54
Capital	53	54	56	57	59	60	61	63	65	66
BPA Transmission	1,000	1,025	1,051	1,077	1,104	1,131	1,160	1,189	1,218	1,249
<b>Subtotal Taxes &amp; Capital Costs</b>	<b>\$ 1,107</b>	<b>\$ 1,133</b>	<b>\$ 1,160</b>	<b>\$ 1,188</b>	<b>\$ 1,216</b>	<b>\$ 1,245</b>	<b>\$ 1,275</b>	<b>\$ 1,306</b>	<b>\$ 1,337</b>	<b>\$ 1,369</b>
<b>Total Operating, Taxes, &amp; Capital Disbursements</b>	<b>\$ 6,748</b>	<b>\$ 6,894</b>	<b>\$ 7,043</b>	<b>\$ 7,197</b>	<b>\$ 7,356</b>	<b>\$ 7,516</b>	<b>\$ 7,682</b>	<b>\$ 7,852</b>	<b>\$ 8,026</b>	<b>\$ 8,204</b>

**Key Assumptions/Qualifications:**

Escalation Rate = 2.50%; FY 2018 = Base Year, excluding lease payments and generation taxes.

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