

Calculation of Financial & Capital Operating Reserve Credit for 2009

\$ in '000

Factors affecting the reserve credit for 2010 are calculated in two parts:

Part 3

Items affecting the reserve balance as of 12/31/2008.
The analysis shows the reserve balance at 12/31/2008 based on the assumptions used in our last GMC filing (for 2009), updates to those assumptions based on actual experience, and also incorporates new items affecting the reserve as of that date.

Appendix A-Part 3

Part 2

2009 events affecting the reserve, including 2009 revenues, expenses and other reserve uses and credits.

Appendix A-Part 2

SUMMARY OF RESERVE CREDIT		(Left-most columns on Part 2)		(Right-most columns on Part 2)		
		What would be expected with no changes from last year's plan		Revised: Forecast/Actual		Difference from Plan
Part 3, Line 15	Available as credit for 2009	16,995		18,916		1,921
Part 2	2009 Events					
	Reserve Balance at 1/2009	40,507		42,428		1,921
	2008 Financial Results affecting the Operating Reserve	(5,122)		17,464		22,587
	Ending Reserve Balance	35,384		59,892		24,507
	Calculation of Available 2010 Credit:					
	2009 and 2010 O&M Budget	156,743		162,679		
	Less: Reserve Requirement= 15% of O&M Budget	(23,511)		(24,402)		(890)
	2010 Credit (See Line 15 of Part 2)	11,873		35,490		23,617
Notes:						
"Plan" : Assumes 2009 expenses and revenues were equal to budgeted amounts, and that no other factors affected the reserve balance.						
"Revised" reflects the updated reserve balance as of 12/31/2008, and the items that affected the reserve in 2009.						

Explanation
2008 Results generally more favorable than anticipated. Higher revenues and interest, lower O&M, lower cash funded capex offset by project costs
See above
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Difference due to variance in 2008 and 2009 forecast results from plan
Increase in O&M budget results in higher 15% reserve requirement.
Net Difference in available reserve credit due to factors described in this column.

SUMMARY OF RESERVE (Alternative Reconciliation)					
	Available as credit for 2009 based on 25% of debt service in 2009			11,873	
Part 3	Items that Affected Prior Years (Positive = more funds for Operating Reserve)				
	Updated 2008 Beginning Reserve Balance			-	
	Updated 2008 Revenue and Expenses (previous estimate was prior to close of the 2008 year)			3,822	
	Adjust matters affecting 2008 Operating Reserve Balance (Legal and billing matters)			(1,901)	
	Subtotal			1,921	
Part 2	Items Affecting Reserve Balance from Year 2009				
	Revenue and Other Reimbursements: Difference from Budget			22,010	
	Expenses: Difference from Budget			(1,816)	
	Subtotal			20,193	
	Other Reserve Uses Including reserves for Legal, Billing & Other matters (Interest on Amend. 33 Fines, 2001 GMC billin			2,393	
	Higher O&M Budget for 2010 results in a higher 15% reserve requirement			(890)	
	Grand Total: Available Credit			35,490	

2008 Results generally more favorable than anticipated. Higher revenues and interest, lower O&M, lower cash funded capex offset by project costs
Adjustment on 2001 GMC rate case refund.
Debt service slightly below budget.
Reflect FERC ruling on A33 fines

Calculation of Available
Financial & Capital Operating Reserve Credit for 2009

Appendix A-Part 2

Budget								Actual/Forecast for Year 2009, as of [8/31/09]									

Financial & Capital Operating Reserve Credit for 2009

Per 12/2008 Rate Calculation (Used in Setting 2009 Rates)								Actual (Update during 2009 to reflect final 2008 results)								Difference: Plan vs. Forecast	General Notes						
	CRS	ETS	Forward Scheduling	Congestion Management	Market Usage	Settlements, Metering, Customer Service	Total	CRS	ETS	Forward Scheduling	Congestion Management	Market Usage	Settlements, Metering, Customer Service	Total									
1	BEGINNING RESERVE BALANCE, 1/1/2008							\$	19,845	\$	3,664	\$	4,151	\$	5,048	\$	4,355	\$	12,016	\$	49,080	-	
1a	Adjustments to beginning balance								-		-		-		-		-		-		-		
CALCULATION OF CONTRIBUTION TO RESERVE FROM OPERATIONS																							
2a	Revenue: GMC Rates: 2008 Calendar Year Revenue (as settled)	39,817	81,031	8,465	17,054	43,971	906	191,244	40,559	81,951	8,250	16,874	46,359	903	194,895	3,651	Final GMC collections for the year						
2b	Other Settlement revenues																						
2c	Reversal of reassignments per Settlement	21,940	(57,094)	7,455	(7,393)	(10,711)	45,802	-	21,940	(57,094)	7,455	(7,393)	(10,711)	45,802	-	-	Reversal of Settlement reassignments necessary to calculate revenues by filed rate categories. For actual, used revised allocation factors per "2008 GMC Cost Allocation Model".						
2d	GMC Rates: 2008 Calendar Year Revenue (as filed) = Sum of 2a+2b	61,758	23,937	15,919	9,661	33,260	46,708	191,244	62,499	24,858	15,704	9,480	35,648	46,705	194,895	3,651							
3	Other (Interest Income, WECC reimbursement, COI Path Operator fee)	8,357	1,317	295	154	457	1,314	11,894	9,044	1,426	320	166	494	1,422	12,871	977	Final interest, LGIP, COI, and other revenues for the year						
4	Expenses: O&M	(61,795)	(25,377)	(8,838)	(6,228)	(16,282)	(33,135)	(151,655)	(60,089)	(24,677)	(8,594)	(6,056)	(15,833)	(32,220)	(147,469)	4,186	Final O&M for the year						
4a	Capitalized labor 2008 or Difference btw Capitalized Labor and O&M for MRTU	-	-	-	-	-	-	-	(4,576)	(1,879)	(655)	(461)	(1,206)	(2,454)	(11,231)	(11,231)	to add back capitalized labor not funded from bond proceeds						
5a	Debt Service: Principal	(8,911)	(1,538)	(7,374)	(2,511)	(9,011)	(12,829)	(42,175)	(8,747)	(1,510)	(7,239)	(2,465)	(8,846)	(12,594)	(41,400)	775	Actual bond payments were lower than budgeted						
5b	Debt Service: Interest	(1,017)	(149)	(1,171)	(424)	(1,709)	(1,971)	(6,441)	(1,496)	(220)	(1,722)	(623)	(2,515)	(2,900)	(9,476)	(3,035)	Interest expenses were higher than budgeted						
6	Cash Funded CapEx	(6,515)	(730)	(71)	(239)	(563)	(382)	(8,500)	-	-	-	-	-	-	-	8,500	No GMC funded capital expenditures for 2009						
7	Contribution to Operating Reserve (Sum lines 2-7)	(8,123)	(2,540)	(1,240)	413	6,151	(295)	(5,633)	(3,366)	(2,003)	(2,186)	41	7,743	(2,042)	(1,811)	3,822							
8	OTHER RESERVE USES Interest on Excess Collections of Amendment 33 Fines	(562)	(469)	(179)	(116)	(500)	(967)	(2,793)	(941)	(786)	(301)	(195)	(838)	(1,621)	(4,682)	(1,889)	Interest on Amend 33 fines						
8a	Adjust Fines Recognized to Current Expectation of Refund Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	To recognize any difference in overall fines to be retained by ISO						
9	Interest on 2001 GMC Case: Incentive Comp.	(46)	(31)	(7)	(8)	(18)	(37)	(147)	(50)	(33)	(7)	(9)	(20)	(40)	(159)	(12)	Calculated using FERC interest rates on 2001 GMC overassessment of \$1.8 million.						
10	Redacted Items: Matters Pending Dispute Resolution, Litigation or Appeal including interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	No matters at this time.						
11	Net Increase in Operating Reserve	(8,730)	(3,040)	(1,426)	289	5,633	(1,299)	(8,573)	(4,357)	(2,822)	(2,494)	(162)	6,885	(3,703)	(6,652)	1,921							
12	Ending Reserve Balance	11,115	625	2,725	5,337	9,988	10,717	40,507	15,488	843	1,657	4,886	11,240	8,313	42,428	1,921							
13	Less: Reserve Requirement (15% of subsequent year Budget)	9,580	3,934	1,370	966	2,524	5,137	23,511	9,580	3,934	1,370	966	2,524	5,137	23,511								
14	FY2009 Operating Budget	63,868	26,229	9,135	6,437	16,828	34,246	156,743	63,868	26,229	9,135	6,437	16,828	34,246	156,743								
15	Equals: Revenue Credit Available	\$ 1,535	\$ (3,310)	\$ 1,355	\$ 4,372	\$ 7,464	\$ 5,580	\$ 16,995	\$ 5,908	\$ (3,092)	\$ 287	\$ 3,920	\$ 8,716	\$ 3,176	\$ 18,916	1,921	Net difference is carried forward to Appendix A-Part 2, Line 1.						