

## Calculation of Financial &amp; Capital Operating Reserve Credit for 2010

\$ in '000

Factors affecting the reserve credit for 2011 are calculated in two parts:

**Part 3** Items affecting the reserve balance as of 12/31/2009. Appendix A-Part 3  
 The analysis shows the reserve balance at 12/31/2009 based on the assumptions used in our last GMC filing (for 2010), updates to those assumptions based on actual experience, and also incorporates new items affecting the reserve as of that date.

**Part 2** 2010 events affecting the reserve, including 2010 revenues, expenses and other reserve uses and credits. Appendix A-Part 2

		(Left-most columns on Part 2)	(Right-most columns on Part 2)	
<b>SUMMARY OF RESERVE CREDIT</b>		<b>What would be expected with no changes from last year's plan</b>	<b>Revised: Forecast/Actual</b>	<b>Difference from Plan</b>
Part 3, Line 15	Available as credit for 2010	35,490	36,603	1,113
Part 2	2010 Events			
	Reserve Balance at 1/2010	59,892	61,005	1,113
	2009 Financial Results affecting the Operating Reserve	(23,295)	(6,054)	17,241
	Ending Reserve Balance	36,597	54,951	18,354
	Calculation of Available 2011 Credit:			
	2010 and 2011 O&M Budget	162,696	162,548	
	Less: Reserve Requirement= 15% of O&M Budget	(24,404)	(24,382)	22
	2011 Credit (See Line 15 of Part 2)	12,192	<b>30,569</b>	18,376

Notes:  
 "Plan" : Assumes 2010 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 12/31/2009, and the items that affected the reserve in 2010.

<b>SUMMARY OF RESERVE (Alternative Reconciliation)</b>			
	Available as credit for 2010 based on 25% of debt service in 2010		12,192
Part 3	Items that Affected Prior Years (Positive = more funds for Operating Reserve)		
	Updated 2009 Beginning Reserve Balance	-	
	Updated 2009 Revenue and Expenses (previous estimate was prior to close of the 2009 year)	109	
	Adjust matters affecting 2009 Operating Reserve Balance (Legal and billing matters)	1,005	
	Subtotal		1,113
Part 2	Items Affecting Reserve Balance from Year 2010		
	Revenue and Other Reimbursements: Difference from Budget	13,432	
	Expenses: Difference from Budget	3,000	
	Subtotal		16,432
	Other Reserve Uses Including reserves for Legal, Billing & Other matters (Interest on Amend. 33 Fines, 2001 GMC billir		809
	Higher O&M Budget for 2011 results in a higher 15% reserve requirement		22
	Grand Total: Available Credit		30,569

Calculation of Available  
Financial & Capital Operating Reserve Credit for 2010

## Appendix A-Part 2

Budget								Actual/Forecast for Year 2010, as of [6/21/10]									
	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	Difference, Plan vs. Forecast	General Notes	
1	BEGINNING RESERVE BALANCE, 1/1/2010	\$ 15,513	\$ 8,294	\$ (1,192)	\$ 7,751	\$ 22,543	\$ 6,983	\$ 59,892	\$ 15,702	\$ 8,014	\$ (477)	\$ 5,095	\$ 26,014	\$ 6,657	\$ 61,005	1,113	
CALCULATION OF CONTRIBUTION TO RESERVE FROM OPERATIONS																	
Revenue:																	
2a	GMC Rates: 2010 Calendar Year Revenue (as settled/collected)	44,496	89,147	22,201	-	37,365	1,872	195,081	43,996	88,647	20,701	-	37,365	1,872	192,581	(2,500)	Expected Revenue shortfall of \$2.5M
2b	Other Settlement revenues								3,067	6,810	1,235	-	4,664	156	15,932		
2c	Reversal of Reassignments per Settlement	23,959	(62,208)	(407)	-	(19,360)	58,015	-	23,959	(62,208)	(407)	-	(19,360)	58,015	-	-	Reversal of Settlement reassignments necessary to calculate revenues by filed rate categories.
2d	GMC Rates: 2010 Calendar Year Revenue (as filed basis)	68,455	26,939	21,795	-	18,005	59,887	195,081	71,022	33,249	21,529	-	22,669	60,043	208,513	13,432	Total Revenues as described above
3	Other (Interest Income, WECC reimbursement, COI Path Operator fee, LGIP revenues)	4,500	1,091	306	-	713	1,490	8,100	4,500	1,091	306	-	713	1,490	8,100	-	Estimated Other income is at budget
3a	Realized Loss on Investments	-	-	-	-	-	-	-								-	
Expenses:																	
4	O&M	(63,845)	(27,013)	(6,432)	-	(26,180)	(39,226)	(162,696)	(62,668)	(26,515)	(6,313)	-	(25,697)	(38,503)	(159,696)	3,000	O&M running below budget by about \$3M
4a	Differential btw capitalized labor and O&M for MRTU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A for 2010
5a	Debt Service: Principal	(7,469)	(2,880)	(6,455)	-	(10,412)	(12,939)	(40,155)	(7,469)	(2,880)	(6,455)	-	(10,412)	(12,939)	(40,155)	-	Budgeted Debt Service: Principal
5b	Debt Service: Interest	(1,604)	(619)	(1,387)	-	(2,236)	(2,779)	(8,625)	(1,604)	(619)	(1,387)	-	(2,236)	(2,779)	(8,625)	-	Budgeted interest
6	Cash Funded CapEx	(3,293)	(899)	(3,253)	-	(3,400)	(4,156)	(15,000)	(3,293)	(899)	(3,253)	-	(3,400)	(4,156)	(15,000)	-	Cash funded Capex of \$15M for 2010
7	Contribution to Operating Reserve (Sum lines 2-7)	(3,256)	(3,381)	4,575	-	(23,510)	2,278	(23,295)	488	3,428	4,428	-	(18,363)	3,157	(6,863)	16,432	
OTHER RESERVE USES																	
8	Interest on Excess Collections of Amendment 33 Fines								(119)	(99)	(38)	(25)	(106)	(205)	(591)	(591)	Anticipated interest for 2010
8a	Adjust Fines Recognized to Current Expectation of Refund Liability								437	295	63	75	174	356	1,400	1,400	Fines interest reversal - estimate
9	Interest on 2001 GMC Case: Incentive Comp.															-	
10	Redacted Items: Matters Pending Dispute Resolution, Litigation or Appeal including interest on potential awards or judgment.															-	Reserve for pending legal matters and other issues that affect the operating reserve. None for 2010 at this time.
11	Net Increase in Operating Reserve	(3,256)	(3,381)	4,575	-	(23,510)	2,278	(23,295)	806	3,623	4,453	51	(18,295)	3,308	(6,054)	17,241	
12	Ending Reserve Balance	12,256	4,913	3,383	7,751	(967)	9,261	36,597	16,509	11,637	3,976	5,145	7,718	9,965	54,951	18,354	
13	Less: Reserve Requirement (15% of subsequent year Bud	9,577	4,052	965	-	3,927	5,884	24,404	9,935	4,080	1,421	1,001	2,618	5,327	24,382	(22)	
14	FY 2010 and FY2011 Operating Budget	63,845	27,013	6,432	-	26,180	39,226	162,696	66,233	27,200	9,473	6,675	17,452	35,515	162,548	(148)	
15	Equals: Revenue Credit Available							\$ 12,192	\$ 6,574	\$ 7,557	\$ 2,556	\$ 4,144	\$ 5,101	\$ 4,638	\$ 30,569	18,376	
																	25% of 2010 Debt Service

Financial & Capital Operating Reserve Credit for 2010

Per 12/2009 Rate Calculation (Used in Setting 2010 Rates)									Actual (Update during 2010 to reflect final 2009 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, 1/1/2009	\$ 15,488	\$ 843	\$ 1,657	\$ 4,886	\$ 11,240	\$ 8,313	\$ 42,428	\$ 15,488	\$ 843	\$ 1,657	\$ 4,886	\$ 11,240	\$ 8,313	\$ 42,428			-	
1a	Adjustments to beginning balance																	-	
2a	<b>CALCULATION OF CONTRIBUTION TO RESERVE FROM OPERATIONS</b>																		
	<b>Revenue:</b>																		
	GMC Rates: 2009 Calendar Year Revenue (as settled)	38,691	83,318	11,357	2,767	63,400	1,615	201,148	38,584	83,252	11,905	-	66,980	1,632	202,353			1,205	2009 actuals includes collections through September, November and accrued amounts for Oct and Dec. (both collected in 2010)
2b	Other Settlement revenues	3,032	6,576	1,220	-	4,358	154	15,340	2,714	6,332	1,189	-	4,617	157	15,009			(331)	Payment Acceleration - collected November 2009 GMC in 2009
2c	Reversal of reassignments per Settlement	22,109	(56,091)	(361)	-	(17,201)	51,544	-	22,109	(56,091)	(361)	-	(17,201)	51,544	-			-	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: 2009 Calendar Year Revenue (as filed) = Sum of 2a+2b	63,832	33,803	12,216	2,767	50,557	53,313	216,488	63,407	33,493	12,733	-	54,396	53,333	217,362			874	
3	Other (Interest Income, WECC reimbursement, COI Path Operator fee)	3,430	915	209	-	512	1,075	6,141	4,890	1,305	298	-	731	1,533	8,756			2,615	Other revenues (including LGIP of \$3,569) and interest income of \$2755, which does not include interest income for restricted funds). Does not include asset write-off amount of \$6,362.
3a	Realized loss on investments	(838)	(223)	(51)	-	(125)	(263)	(1,500)	(660)	(176)	(40)	-	(99)	(207)	(1,181)			319	Realized loss on investments of \$1,181.
4	<b>Expenses:</b>																		
	O&M	(59,154)	(24,954)	(6,877)	-	(28,058)	(39,516)	(158,559)	(61,365)	(25,887)	(7,134)	-	(29,106)	(40,993)	(164,484)			(5,925)	Actual for 2009. Cap labor of \$1,024 added back since it was not bond funded. Deducted \$500k for GASB OPEB
4a	Capitalized labor 2009 or Difference btw Capitalized Labor and O&M for MRTU	-	-	-	-	-	-	-	-	-	-	-	-	-	-			-	
5a	Debt Service: Principal	(6,351)	(2,047)	(6,998)	-	(9,893)	(13,811)	(39,100)	(6,351)	(2,047)	(6,998)	-	(9,893)	(13,811)	(39,100)			-	Budgeted Debt Service: Principal
5b	Debt Service: Interest	(1,364)	(440)	(1,503)	-	(2,125)	(2,967)	(8,399)	(1,003)	(323)	(1,105)	-	(1,562)	(2,180)	(6,173)			2,226	Interest (cash and accrued) \$13,474, amortization of DDE and premium \$(1,846), and excluding capitalized interest of \$4,433. Series 2009 Interest adjusted for amounts that were funded through bond proceeds (\$5,028) and for the CIC interest earned in 2009 (\$527)
6	Cash Funded CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-			-	No GMC funded capital expenditures for 2009
7	Contribution to Operating Reserve (Sum lines 2-7)	(445)	7,054	(3,005)	2,767	10,868	(2,168)	15,071	(1,081)	6,365	(2,247)	-	14,467	(2,325)	15,180			109	
8	<b>OTHER RESERVE USES</b>																		
	Interest on Excess Collections of Amendment 33 Fines	503	419	161	104	448	866	2,500	(425)	(355)	(136)	(88)	(379)	(732)	(2,114)			(4,614)	Interest \$2,114 for 2009.
8a	Adjust Fines Recognized to Current Expectation of Refund Liability	-	-	-	-	-	-	-	1,823	1,230	264	315	726	1,485	5,843			5,843	Fines interest reversal
9	Interest on 2001 GMC Case: Incentive Comp.	(33)	(22)	(5)	(6)	(13)	(27)	(107)	(81)	(55)	(12)	(14)	(32)	(66)	(261)			(154)	Calculated using FERC interest rates on 2001 GMC overassessment of \$1.8 million. Interest is for year 2009.
10	Redacted Items: Matters Pending Dispute Resolution, Litigation or Appeal including interest	-	-	-	-	-	-	-	(22)	(15)	(3)	(4)	(9)	(18)	(70)			(70)	WSCC Fines. Reserve for pending legal matters and other issues that affect the operating reserve.
11	Net Increase in Operating Reserve	24	7,451	(2,849)	2,865	11,302	(1,330)	17,464	214	7,171	(2,134)	209	14,773	(1,656)	18,578			1,113	
12	Ending Reserve Balance	15,513	8,294	(1,192)	7,751	22,543	6,983	59,892	15,702	8,014	(477)	5,095	26,014	6,657	61,005			1,113	
13	Less: Reserve Requirement (15% of subsequent year Budg FY2009 Operating Budget	9,943	4,083	1,422	1,002	2,620	5,332	24,402	9,943	4,083	1,422	1,002	2,620	5,332	24,402				
14		66,286	27,222	9,481	6,681	17,466	35,543	162,679	66,286	27,222	9,481	6,681	17,466	35,543	162,679				
15	Equals: Revenue Credit Available	\$ 5,570	\$ 4,210	\$ (2,614)	\$ 6,749	\$ 19,923	\$ 1,652	\$ 35,490	\$ 5,759	\$ 3,930	\$ (1,899)	\$ 4,093	\$ 23,394	\$ 1,326	\$ 36,603			1,113	Net difference is carried forward to Appendix A-Part 2, Line 1.