



**ENERGY
NORTHWEST**

Energy/Business Services Opportunities Overview

**Jack Baker
Vice President
Energy/Business Services
March 24, 2009**

Key Strategies & Major Changes from Fiscal Year 2009

- ✦ Provide Services at Cost to all Public Customers
- ✦ Continue High Quality Operation of Generation Facilities, Increasing the Value to the Participants:
 - Nine Canyon
 - Packwood
 - White Bluffs Solar
 - Mason County PUD #3 – Olympic View Generating Plant
- ✦ Provide Generation Options to our Members and Public Power
- ✦ Aggregate Service Interest of our Members
- ✦ Maintain a Sustainable Business Development Fund

Key Strategies & Major Changes from Fiscal Year 2009

- ✦ Develop New Business Opportunities
 - Continue wind development at Radar Ridge and pre-development of future wind sites
 - Seek & partner with public utilities to develop natural gas & renewable resources
 - Market of thermal options at Kalama Site
 - Meet professional/O&M services needs of our members
 - Continue to refine rental business
 - Continue as hometown marketing affiliate

Key Strategies & Major Changes from Fiscal Year 2009

- ✦ Energy/Business Services (E/BS) Overhead
 - Liquidate internal business costs
 - Increase sustainability
- ✦ Rate Stays at 15% on Total Cost
- ✦ What Types of Costs are Covered in E/BS Overheads?
 - Management Oversight, Finance & Contracting Support, Legal, Audits, Administrative Support, Insurance, Sales & Marketing, General Supplies, etc.

Key Strategies & Major Changes from Fiscal Year 2009

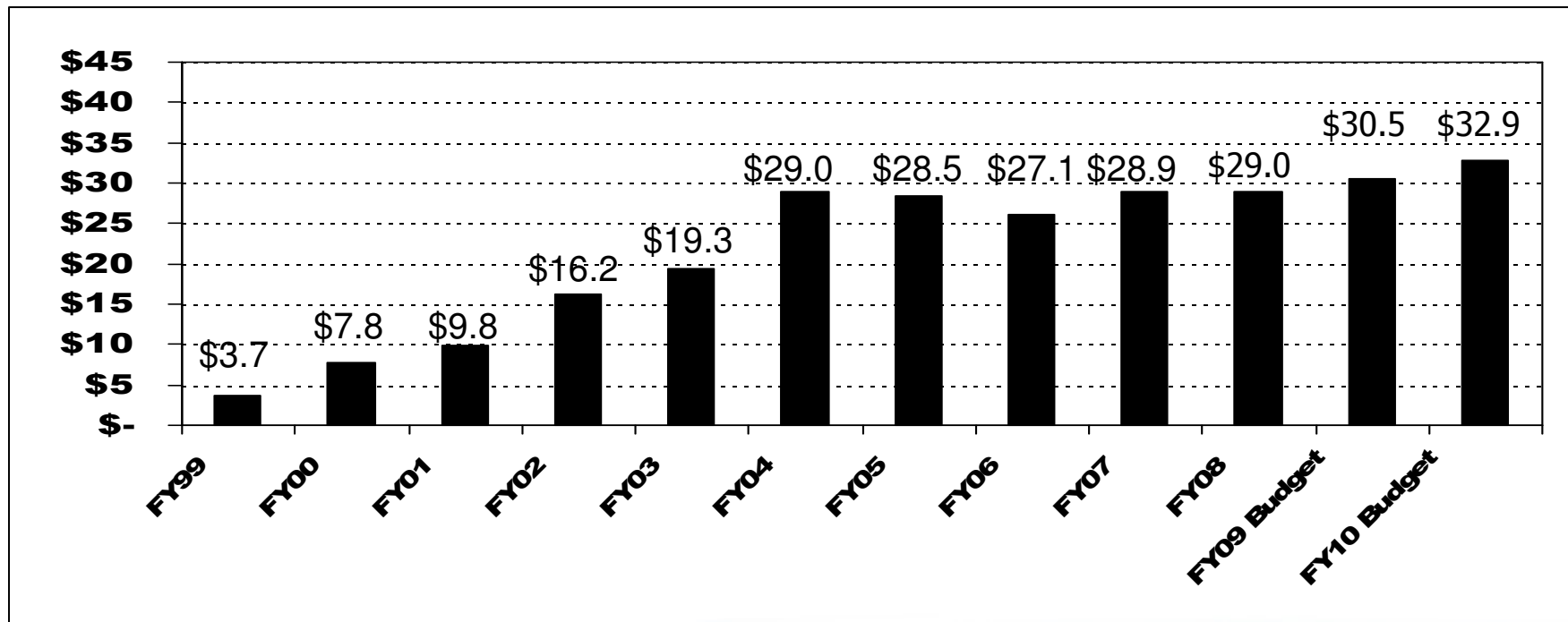
- ✦ Fiscal Year 2010 Allocations @ 15% = \$2.7 Million
- ✦ Continue to Develop New Business Opportunities & Manage the Overheads
- ✦ Ability to Recover Generation Development Cost with Successful Projects
 - Continue and refine the concept of participant funding on future project development

Financial Summary

Develop New Business Opportunities

Energy/Business Services Gross Revenue Performance

Dollars in Millions



Financial Summary

Energy/Business Services Projects

(Dollars in Thousands)

<u>BU</u>	<u>Revenue</u>	<u>Expense</u>	<u>Gross Margin</u>	<u>Capital Expenses</u>
01 Project 1	\$167	\$499	(\$332)	\$0
02 Columbia Generating Station	3,019	3,352	(333)	46
05 Nine Canyon	15,665	5,339	10,326	127
07 Packwood	2,662	1,777	885	637
08 Business Development	10,990	10,892	98	125
09 Internal Service Fund (CDC)	390	339	51	0
Total E/BS	\$32,893	\$22,198	\$10,695	\$935

Note: The above does not include debt service or depreciation.

Gross Margin () - Unfavorable

Financial Summary - Fund Balances

(Dollars in Thousands)

	<u>FY 2010 Budget</u>		<u>FY 2010 Budget</u>
<u>Beginning Balance</u>		<u>Sources of Funds</u>	
Performance Fee Account (PFA)	\$6,467	Revenues (BDF)	\$10,982
Business Development Fund (BDF)	<u>2,772</u>	Investment Income (PFA)	24
Total Beginning Balance	<u><u>\$9,239</u></u>	Investment Income (BDF)	8
		CDC Margin (PFA)	51
<u>Use of Funds</u>		Transfer from PFA to BDF	<u>0</u>
Expenses (BDF)	\$10,892	Total Sources of Funds	<u><u>\$11,065</u></u>
Capital (BDF)	125		
Transfer from BDF to PFA	<u>0</u>	<u>Ending Balances</u>	
Total Use of Funds	<u><u>\$11,017</u></u>	PFA	\$6,542
		BDF	<u>2,745</u>
		Total Ending Balances	<u><u>\$9,287</u></u>

Business Development Full Time Equivalents

<u>Description</u>	<u>FY 2010 Budget</u>	<u>Original FY 2009 Budget</u>	<u>Variance</u>
Generation	5	5	-
General Services	39	37	2
Overhead	13	14	(1)
Professional Services	4	4	-
Total FTEs	<u>61</u>	<u>60</u>	<u>1</u>



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Facilities & General Services

**Mike Price, Manager
General Services & Facilities
March 24, 2009**

Energy Northwest Office Complex (ENOC) Facilities

- ✦ **Advanced Process Engineering Lab (APEL) Facility**
 - 98% occupancy
 - IsoRay leasing APEL Annex & High Bay - \$360K revenue/yr
 - PNNL anchor tenant - \$1,300K revenue/yr
 - InovaTek, EAS & EN Environmental Services - \$120K revenue/yr
 - \$460K roof replacement planned for Fiscal Year 2010
- ✦ **Multi-Purpose Facility (MPF) Facility**
 - 100% occupancy
 - Bechtel National and S&S Hospitality - \$1,022K revenue/yr
 - Construction & Maintenance Services (C&MS) currently occupies 1,400 sq. ft. This space will become available May 2009 when C&MS relocates to ENOC Maintenance Shop
 - \$42K HVAC climate control system upgrade planned for Fiscal Year 2010

Energy Northwest Office Complex (ENOC) Facilities

- ✦ ENOC Maintenance Shop
 - 4,000 sq. ft. shop for equipment, materials and C&MS personnel
 - Construction scheduled to be completed in May 2009
- ✦ Capital Development Corporation (CDC) Facility
 - 100% occupancy
 - Bechtel National - \$390K revenue/yr

Financial Summary

Energy Northwest Office Complex

(Dollars in Thousands)

Description	Revenue	Costs	IT and A&G Overhead	E/BS Overhead	Gross Margin
Facilities					
APEL	\$1,760	\$1,705	\$103	\$273	(\$321)
CDC	390	295		45	50
MPF	1,022	812	49	131	30
Sub-Total Facilities	\$3,172	\$2,812	\$152	\$449	(\$241)
Capital/Miscellaneous					
APEL - Capital		\$14	\$1		(\$15)
MPF - Capital		30	2		(32)
Maint Shop O&M		9	9	9	(27)
Sub-Total Cap/Misc		\$53	\$12	\$9	(\$74)
Total	\$3,172	\$2,865	\$164	\$458	(\$315)

Gross Margin - () Unfavorable

General Services

✧ Calibration Services

- Fluor Calibration Services Fiscal Year 2010 revenue increased to \$912K
\$24K increase from Fiscal Year 2009 based on negotiating a 4.5% price increase starting October 1, 2009
- CGS Calibration Services Fiscal Year 2010 revenue = \$1,570K
- Direct Costs = \$821K with margin = \$0
- Commercial Calibration Services Fiscal Year 2010 revenue increased to \$608K; \$100K increase (20%) over Fiscal Year 2009

✧ Environmental Services

- CGS Environmental services Fiscal Year 2010 revenue = \$1,641K
- Direct Costs = \$893K with margin = \$0
- Commercial Environmental Services Fiscal Year 2010 revenue target is \$355K - no revenue increase over Fiscal Year 2009

General Services

✧ Information Services

- Broadband Services - Co-location services in APEL
\$33K revenue with margin = \$0
- Telecom Services - Bechtel National in CDC, MPF & Main
\$134K revenue with margin = \$21K
- Rattlesnake Mountain O&M – Combined community communication facility on Rattlesnake Mountain
\$292K revenue with margin = \$0

✧ NoaNet Debt Services

- Reduced from \$190K in Fiscal Year 2009 to \$170K in Fiscal Year 2010

Financial Summary - General Services

(Dollars in Thousands)

Description	Revenue	Costs	IT and A&G Overhead	E/BS Overhead	Gross Margin
Calibration Services	\$3,081	\$2,679	\$78	\$425	(\$100)
Environmental Services	2,062	1,702	15	259	85
Information Services	458	362	21	60	15
Sub-Total	\$5,601	\$4,743	\$115	\$744	(\$1)
Capital/Miscellaneous					
Calibration Services		\$95	\$6		(\$101)
Environmental Services		23	1		(24)
NOA Network Debt Service		170			(170)
Sub-Total Cap/Misc		\$288	\$7	\$0	(\$295)
Total	\$5,601	\$5,031	\$122	\$744	(\$296)

Gross Margin - () Unfavorable



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Industrial Development Complex

**Mike Price, Manager
General Services & Facilities
March 24, 2009**

Industrial Development Complex (IDC)

✦ IDC Facilities Leasing

- 65% occupied
- Fiscal Year 2010 revenue target is \$890K; 15% decrease due to loss of Bechtel National
- Ausra, Washington Closure Hanford, Energy Solutions Layne Christiansen and CGS

✦ Reuse Funding

- Fiscal Year 2010 = \$132K to be used for infrastructure maintenance/repair and prepare facilities for leasing
- Well pump maintenance; potable water system maintenance; repair high voltage power loop

Industrial Development Complex (IDC)

- ✦ Fixed Maintenance Costs
 - Facilities & equipment maintenance, DOE lease, state licensing, utilities
 - Assumes a "Dark Site" - No leasing; minimal personnel on site; minimal preventative and corrective maintenance
 - Fiscal Year 2010 fixed maintenance cost budget = \$161K
 - Fiscal Year 2010 fixed cost goal = \$212K based on original goal of \$150K in Fiscal Year 2000
- ✦ Variable Costs (cost will eventually go away)
 - EFSEC fees \$14K; reduced by \$16K
 - Regulatory programs labor & overheads \$26K
- ✦ Fiscal Year 2010 Budget does not Include Potential Fluor Sanitary Waste Treatment Project

Industrial Development Complex Summary of Costs (Dollars in Thousands)

Description	Revenue	Costs	IT and A&G Overhead	E/BS Overhead	Gross Margin
IDC Leasing (BU08)	\$890	\$719	\$44	\$115	\$12
Reuse Funds (BU01)		115		17	(132)
Fixed Cost (BU01)	167	309	19		(161)
Variable Cost (BU01)		39			(39)
Total IDC Net	\$1,057	\$1,182	\$63	\$132	(\$320)

Gross Margin - () Unfavorable

Industrial Development Complex Full Time Equivalents

<u>Description</u>	<u>FY 2010 Budget</u>	<u>Original FY 2009 Budget</u>	<u>Variance</u>
Business Development Fund (BU08)	6	6	-
WNP1 (BU01)	2	2	-
Total	8	8	-



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Business Development Fund Generation

**Tom Krueger, Manager
Generation Project Development
March 24, 2009**

Business Development Fund Generation

✦ Business Goals

- Prioritize development efforts according to member & regional public power needs
- Assist members with generation resources, transmission integration, and power management issues
- Offer cost competitive resource options that manage risk and promote environmental stewardship

Business Development Fund Generation

✦ Scope of Business

- Develop Wholesale Power Options for Members & Public Power
 - Generation Resource Development
 - Wholesale Power Structuring & Negotiation
- Evaluate, Offer, & Develop Power Generation
 - Technology Evaluation
 - Wholesale Power Structuring & Assistance
 - Project Siting & Business Plan
 - Financial Proforma Modeling
 - Aggregation of Utility Participants
 - Negotiation & Execution of Joint Development Agreements
 - Establish Project Ownership Governance & Oversight
 - Power Purchase Structuring & Agreement Negotiation
 - Project Permitting & Supply Agreements
 - EPC Negotiations & Agreements
 - Project Financing
- Construction Management Oversight
 - Startup and turnover to Operations and Maintenance

Business Development Fund Generation

✦ Budget Anticipates

- Continued public power interest in renewable generation supply to comply with State policies such as the renewable portfolio standard
- Growing interest in base-load generation for public utility load growth as BPA system is fully allocated
- Increased need for wholesale power system assistance to understand and evaluate BPA tier 2 alternatives and emerging energy policies
- Continued evaluation of emerging renewable technologies and distributed generation options

Business Development Fund Generation

✦ Wind Resource Generation

- Evaluate & lease sites, create project offerings & secure utility funding, develop and permit projects
- Secure majority development costs from utility participants in advance of permitting and development
- Projects highlight Energy Northwest (EN) Development, Construction Management, Operations and Maintenance
- Projects will include cost recovery and modest success fee
- In order to compete, projects will most likely need to be structured to utilize Federal tax credits and accelerated depreciation benefits- White Creek model

Business Development Fund Generation

✦ Thermal Resource Generation

■ Kalama

- Market Kalama Energy to utility & IPP companies for joint development
- Minimize costs
- Maintain power options for public power

■ High Efficiency, Quick Response NG Plants for Capacity

- Evaluate sites including Kalama
- Potential offering driven by wind shaping requirements

Business Development Fund Generation

✦ Other Generation Opportunities

- Power System Services Options
 - Hire wholesale power developer- challenge
 - Transmission integration
 - Integrated resource planning
 - BPA Tier II alignment
- Renewable Power System Services Options
 - Develop business & potential investment offerings
 - Biomass – wood
 - Solar
 - Landfill gas
 - Support member Tier II local resource evaluations

Financial Summary - Generation

(Dollars in Thousands)

Description	Revenue	Costs	Gross Margin
Wind Mining	\$0	\$735	(\$735)
Mustang Ridge	750	736	14
Radar Ridge Wind Project	1,058	593	465
Kalama Energy Project	1,500	575	925
Power System Services	0	175	(175)
Thermal Generation	0	152	(152)
Biomass (Wood)	0	60	(60)
Adage Alliance	125	201	(76)
Small Hydro	0	44	(44)
Geothermal	0	26	(26)
Ocean Energy	0	7	(7)
Solar	0	63	(63)
Total	\$3,433	\$3,367	\$66

Gross Margin - () Unfavorable



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Packwood Hydroelectric Project

**Steve Wotruba, Manager
Professional Services Sector
March 24, 2009**

Packwood Hydroelectric Project

- ✦ Budget Based on Annual Average Generation of 88,720 MWh
- ✦ Expect New Operating License in 3Q
- ✦ Implementation of New Operating Parameters and Additional Monitoring/Reporting with New License

Financial Summary

Packwood Hydroelectric Project

(Dollars in Thousands)

<u>Description</u>	FY 2010 Budget	Original FY 2009 Budget	Variance
Operating & Support Services	\$1,669	\$1,664	\$5
Generation Taxes	19	20	(1)
Maintain Licenses & Permits	89	74	15
Sub-Total	<u>\$1,777</u>	<u>\$1,758</u>	\$19
Re-Licensing	508	460	48
Other Capital	129	73	56
Debt Service	34	1,289	(1,255)
Available for Debt Service or to Bank Account	<u>504</u>	<u>778</u>	(274)
Total Funding Requirements	<u><u>\$2,952</u></u>	<u><u>\$4,358</u></u>	<u><u>(\$1,406)</u></u>
 Funding Sources			
Sales for Resale	\$2,662	\$2,760	(\$98)
Beginning Packwood Funds	290	1,598	(1,308)
Total Funding Sources	<u><u>\$2,952</u></u>	<u><u>\$4,358</u></u>	<u><u>(\$1,406)</u></u>

Packwood Full Time Equivalents

Description	FY 2010 Budget	Original FY 2009 Budget	Variance
Operations & Maintenance	4	4	-
Capital	1	1	-
Total	5	5	-



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Nine Canyon Wind Project

**Steve Wotruba, Manager
Professional Services Sector
March 24, 2009**

Nine Canyon Wind Project Budget Assumptions

- ✦ Generation is 248,143 MWh
- ✦ Combined Average Price to Participants = \$57.18 per MWh

Nine Canyon Wind Project Budget Assumptions (Con't)

- ✦ Renewable Energy Production Incentive (REPI)
 - 2009 REPI funded at 10% of actual generation application value (cash)
 - Budget assumes Fiscal Year 2010 REPI will be funded at 10% of the applied production
 - Permanent shortfalls in REPI funding have led to increases in the billing of the project to the participants

Financial Summary Nine Canyon Wind Project (Dollars in Thousands)

Description	FY 2010 Budget	Original FY 2009 Budget	Variance
Operating Costs			
Labor/Benefits/Overheads	\$1,843	\$1,715	\$128
Equipment/Materials/Services/Taxes	2,541	2,703	(162)
Bonus O&M Contract	508	493	15
Insurance	397	341	56
Risk Reserve	50	50	0
Total Operating Costs	\$5,339	\$5,302	\$37
Capital	\$197	\$150	\$47
Debt Service	10,718	10,471	247
Total Funding Requirements	\$16,254	\$15,923	\$331

Sources and Uses of Funds Nine Canyon Wind Project (Dollars in Thousands)

<u>Description</u>	<u>FY 2010 Budget</u>	<u>Original FY 2009 Budget</u>	<u>Variance</u>
Sources of Funds			
Billings	\$15,148	\$15,526	(\$378)
REPI	595	295	300
Sub-Total	<u>\$15,743</u>	<u>\$15,821</u>	<u>(\$78)</u>
RSA *	511	102	409
Total Sources of Funds	<u><u>\$16,254</u></u>	<u><u>\$15,923</u></u>	<u><u>\$331</u></u>
Uses of Funds			
O&M	\$5,536	\$5,452	\$84
Debt Service	<u>10,718</u>	<u>10,471</u>	<u>247</u>
Total Uses of Funds	<u><u>\$16,254</u></u>	<u><u>\$15,923</u></u>	<u><u>\$331</u></u>

* RSA is Rate Stabilization Account

Nine Canyon Full Time Equivalents

<u>Description</u>	<u>FY 2010 Budget</u>	<u>Original FY 2009 Budget</u>	<u>Variance</u>
Total Positions	<u>11</u>	<u>11</u>	<u>-</u>



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Business Development Fund O&M/Professional Services

**Steve Wotruba, Manager
Professional Services Sector**

March 24, 2009

Business Development Fund O&M/Professional Services

- ✦ Preferred Provider of O&M, Technical and Professional Services (with preference to our members and public customers)
 - Develop and maintain critical mass of competence/capabilities
 - Develop and maintain mix of qualified critical skills
 - Earn trust and respect as the “go to team”
 - Become self-sustaining operation

Business Development Fund O&M/Professional Services

✦ Target Markets

- Main Focus - Manage, operate, maintain, modify and support facilities related to power generation
 - EN members and publics – services provided at cost
 - All Others – services provided with margin
- Other Focus – Sell services to any reasonable market to maintain low cost and spread overhead

Business Development Fund O&M/Professional Services

✦ Strategy to Meet Objectives

- High quality operation and maintenance of current facilities
- Preparation to support new internal/external wind operations
- Continue to provide professional and technical services
- Analyze/prepare to aggregate public power needs (minimize costs/maximize results)

Business Development Fund O&M/Professional Services

- ✦ Revenue Estimates Reflect Concentration on Activities we can Add Value to the Client's Facility
- ✦ Expect to Bid on O&M RFP's to Leverage Skills and Knowledge Attained on Existing Projects
- ✦ Aggressively Pursue Institutional Opportunities for Scheduled Overhaul/Maintenance Activities

Financial Summary O&M/ Professional Services

(Dollars in Thousands)

<u>Description</u>	<u>Revenue</u>	<u>Costs</u>	<u>Gross Margin</u>
Special Coatings	\$350	\$348	\$2
Engineering Services	408	404	4
Construction & Maint. Services	150	146	4
Technical Services	250	226	24
Roving Work Force O&M Srvs	104	104	0
Miscellaneous	2	0	2
Total Professional Services	\$1,264	\$1,228	\$36

Gross Margin - () Unfavorable