

EXHIBIT D

PROJECT COSTS AND FINANCING

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D.1 CONSTRUCTION COSTS

The estimated cost of restoration of hydropower generation at Enloe Dam is shown on Table D-1. The estimate is based on January 2007 price levels. The estimated costs of Project Protection, Mitigation, and Enhancement Measures (PM&Es) are summarized in Appendix D.1.

The estimate includes cost allowances for access road modifications, environmental protection mitigation, and enhancement measures. Construction contingency allowances are included in estimated direct costs. The cost estimate excludes sunk costs of previous licensing applications, and sales taxes.

Land necessary to the development of the Project is used by the District under a right-of-way agreement with the BLM. The WDNR has jurisdiction over the river bedlands and shorelands to the pre-inundation ordinary high water mark. However, the WDNR has not finalized a request to the District regarding use of the State's land.

Water rights necessary to the development of the Project are either already owned by the District or would be acquired by application to the Washington Department of Ecology (Ecology). Application fees are very nominal; however costs may be associated with the provision of environmental benefits to obtain expedited processing of the water right application. No project has been identified to provide environmental benefits, but such a project would be scaled to be proportionate to the size of this small hydroelectric project. An example might be providing infiltration galleries for cool groundwater to benefit rearing ponds downstream. Such a project might cost approximately \$50,000.

Table D-1
Restoration of Enloe Hydroelectric Project
Preliminary Construction Cost Estimate

FERC Electric Plant Account		Amounts	Subtotals	Totals
PRODUCTION PLANT				
Hydraulic Production				
330	Land and Land Rights	\$0		
331	Structures and Improvements	\$3,016,000		
332	Reservoirs Dams and Waterways	\$6,547,000		
333	Waterwheels Turbines and Generators	\$9,505,000		
334	Accessory Electrical Equipment	\$330,000		
335	Miscellaneous Powerplant Equipment	\$330,000		
336	Roads Railroads and Bridges	\$244,000		
	Subtotal - Hydraulic Production Plant		\$19,972,000	
TRANSMISSION PLANT				
352	Structures and Improvements	\$104,000		
353	Station Equipment	\$587,000		
	Subtotal - Transmission Plant		\$691,000	
OTHER COSTS				
	Environmental Protection, Mitigation and Enhancement Measures	\$2,357,000		
	Subtotal - Other Costs		\$2,357,000	
INDIRECT COSTS				
	Engineering and Construction Management	\$3,220,000		
	Environmental Studies	\$2,700,000		
	Owners Administrative and Legal Cost	\$920,000		
	Interest During Construction	\$1,120,000		
	Subtotal - Indirect Costs		\$7,960,000	
ESTIMATED PROJECT CONSTRUCTION COST (Jan 2007 price levels - rounded)				\$30,980,000

D.2 COST OF PREVIOUSLY CONSTRUCTED UNLICENSED FACILITIES

This section is required only for previously constructed, unlicensed facilities. The existing Enloe Dam is no longer licensed and is applying for a new license, but was previously licensed. The original construction cost of Enloe Dam, which was completed in 1923, is not known.

D.3 COMPENSATION FOR TAKEOVER

This section is required only if the applicant is not a municipality or state. The applicant is a municipality, therefore, this section does not apply.

D.4 ANNUAL COST

The estimated annual cost of electric generation from the Enloe Hydroelectric Project is shown on Table D-2.

**Table D-2
Enloe Hydroelectric Project Estimated Annual Costs (2007 \$)**

Item		Qty	Cost		
			(\$)	(\$/kW)	(\$/kWh)
Generation Data					
	Plant Capacity (MW)	9			
	Net Average Annual Generation (GWh)	45			
	Capacity Factor (%)	57.0%			
Plant Investment					
	Plant Investment Cost		\$30,980,000	\$3,442	
Annual Cost					
I. Capital Costs					
	a. Interest on Capital	4.50%	\$1,394,100	\$155	\$0.0310
	b. Capital recovery cost (40yr, 4.5%)	0.93%	\$289,451	\$32	\$0.0064
	Total Capital Costs		\$1,683,551	\$187	\$0.0374
	II. Insurance	0.20%	\$61,960	\$7	\$0.0014
	III. Taxes - Privilege Tax (% of first 4 mills/kWh)	5.35%	\$9,630	\$1	\$0.0002
	IV. Operation and Maintenance		\$600,000	\$67	\$0.0133
	V. Environmental Measures (40yr, 4.5%)		\$34,624	\$4	\$0.0008
	VI. Administrative and General/Contingency	35%	\$222,118	\$25	\$0.0049
	Total Generation Cost		\$2,611,883	\$290	\$0.0580

The annual capital cost components shown in Table D-2 (I.a. and I.b.) are based on a financing interest rate of 4.5 percent on invested capital, which is equivalent to current interest rates on municipal revenue bonds, over the expected Project life and license term of 40 years. The interest on capital investment is the annual interest paid on the total plant investment cost. The capital recovery cost is the annualized (or levelized) cost of the total plant investment over the 40-year life. Therefore, the Total Capital Costs include the equivalent of annualized principal and interest for the Project over the full life of the Project. The Environmental Measures annual cost component in Table D-2 (V.) has also been annualized (or levelized) over the 40-year period, as some costs occur every year and others occur at specific intervals over the 40-year life.

The initial cost of energy from the project in 2007 dollars is estimated to be \$.058/kWh or \$58/MWh which is comprised of \$.037/kWh in fixed capital related costs and \$.021/kWh in variable annual operating, maintenance and administrative costs.

D.5 VALUE OF PROJECT POWER

The Project is expected to generate an average of 45.0 GWh annually. This Project has both an economic and a financial value. While this section primarily focuses on the financial value as it is quantified, the economic value is qualitative. The economic value of restoring the Project is two-fold. First, it is the best use of an aging asset by the District, and the restoration extends the life of this asset as a benefit to the District. Second, this small hydroelectric project is not a fossil-fuel burning project, and relies on a renewable resource. Therefore, operating as a run-of-river Project (no large man-made reservoir, with limited inundated vegetation), Enloe leaves a minimal carbon footprint and can contribute to reduced emissions when compared to the fossil fuel alternative power projects discussed in Section D.6.

The annual financial value of this power is estimated based on a trend projection of the Mid-Columbia bulk power price as the lowest cost alternative source of power. This project is run-of-river, and as such is not a peaking plant. Therefore, the weighted-average between on-peak and off-peak monthly prices were used to value this power.

ANNUAL VALUE

The projected Mid-Columbia bulk power prices for the license term were estimated using the trend growth (excluding outliers) over the period 2002 through September 2007 for on-peak high, on-peak low, off-peak high, and off-peak low prices. In order to make the most reliable estimates, the trend was progressed over three years, and the projected prices were averaged and held constant in real terms. The estimated monthly and average annual value of the Project power is presented in Table D-3. Depending on the month, the estimated average prices range from a low of \$44.10 per MWh in March to a high of \$85.57 per MWh in July, with an average annual cost of \$66.62 per MWh.

ON PEAK VALUE

The monthly average projected on-peak cost of bulk power at the Mid-Columbia hub over the time period discussed above is shown in Table D-3. The range is between \$46.63 per MWh in March and \$106.70 per MWh in July.

OFF PEAK VALUE

The monthly average projected off-peak cost of bulk power at the Mid-Columbia hub over the time period discussed above is shown in Table D-3. These prices range from \$30.01 per MWh to \$77.10 per MWh, for the months of April and December, respectively.

Table D-3
Mid-Columbia Projected Average Prices

Month	On-Peak Price	Off-Peak Price	Average Price
January	\$63.20	\$56.84	\$61.08
February	\$70.98	\$64.44	\$68.80
March	\$46.63	\$39.03	\$44.10
April	\$59.75	\$30.01	\$49.84
May	\$63.36	\$51.19	\$59.31
June	\$95.04	\$62.64	\$84.24
July	\$106.70	\$43.30	\$85.57
August	\$78.13	\$42.50	\$66.26
September	\$61.99	\$51.12	\$58.37
October	\$66.69	\$59.19	\$64.19
November	\$79.71	\$65.20	\$74.88
December	\$85.71	\$77.10	\$82.84
Annual Average	\$73.16	\$53.55	\$66.62

Source: ENTRIX elaborations on Mid-Columbia hub weekly prices from Energy NewsData, Western Price Survey, available at: <http://www.newsdata.com/wps/archives.html>. The trend was progressed over three years, and the projected prices were averaged and held constant in real terms for the license term.

TOTAL VALUE OF PROJECT POWER

Using projected average monthly power prices based on the trend over the period 2002-2007, the total value of the power produced by the Project is estimated to be over \$3 million annually, as Table D-4 shows. This value takes into account the intra-year, or monthly average price variations, discussed above, and defined by the District load curves in Exhibit B.

Table D-4
Restoration of Enloe Hydroelectric Project
Total Value of Project Power

Month	Average Energy (MWh)	Average Price \$/MWh	Value (\$)
January	2,634	\$61.08	\$160,881
February	2,494	\$68.80	\$171,585
March	3,003	\$44.10	\$132,422
April	4,707	\$49.84	\$234,593
May	5,889	\$59.31	\$349,255
June	5,684	\$84.24	\$478,821
July	5,689	\$85.57	\$486,790
August	3,494	\$66.26	\$231,500
September	2,396	\$58.37	\$139,855
October	2,763	\$64.19	\$177,350
November	3,212	\$74.88	\$240,503
December	2,998	\$82.84	\$248,349
Total	44,963		\$3,051,904
Annual Average		\$66.62	

Source: ENTRIX elaborations on Mid-Columbia hub weekly prices from Energy NewsData, Western Price Survey, available at: <http://www.newsdata.com/wps/archives.html>.

D.6 OTHER ELECTRIC ENERGY ALTERNATIVES

Restoration of the Enloe Hydroelectric Project would meet load growth in North Okanogan County. The District has not developed a specific electric energy alternative that would be pursued if the Project were not licensed. If a license were not granted, the District could increase market purchases from the Bonneville Power Administration (BPA), if available, and other sources, and, to the extent reasonable, expand the Conservation Program. Because demand now exceeds system supply, BPA will allocate system resources ("Tier 1" low cost hydropower from the existing system) to its existing customers in 2011. New load growth would need to be met by non-BPA power purchases or by "Tier 2" purchases (new, more expensive power resources) to be developed by BPA.

The District is a BPA customer and as such receives approximately two thirds of its power resource needs from the BPA. The BPA portion consists of about 93 percent hydro and 7 percent nuclear. The District also receives a portion of the Wells Dam Project operated by Douglas PUD and is one of the largest participants in the Nine Canyon Wind Farm phases 1 and 2, having 25 percent of that project. The District's overall portfolio is made up of approximately 88 percent hydro with the remainder being nuclear, wind and a small mix of other energy sources.

If a new large capital project were considered to replace market purchases, natural gas, wind power, or possibly coal-fired power generation would be the likely preferred sources.

D.7 CONSEQUENCES OF DENIAL OF THE LICENSE APPLICATION

If the Enloe License Application were denied, the project site would continue to be managed as it is today. The District would continue to monitor dam safety under the jurisdiction of the State of Washington. The District's Emergency Action Program for Enloe Dam will soon provide remote video monitoring of the site via a high-speed communication link, enabling dispatchers to visually inspect and verify an emergency situation in real-time. If the license application is denied, the District would continue to implement its proposed Emergency Action Program.

If the License Application is denied, the District would pursue other sources of electric power generation to meet its customers' future needs, including new generation or purchased power. The source of replacement electric power may be conventional natural gas or coal fired generation, renewables (including conservation), or a combination of sources, depending on availability and cost. If replacement generation comes from a natural gas fired power plant, the estimated green house gas emissions are equivalent to 20,000 tons of carbon dioxide per year. If replacement generation comes from a coal fired power plant, the estimated green house gas emissions are equivalent to 44,000 tons of carbon dioxide per year. However, if replacement generation comes from a renewable source such as conservation, wind, or solar, carbon emissions are greatly reduced. For example, wind power generally contributes approximately one percent of the carbon emissions from coal and two percent of carbon emissions from natural gas. The District is interested in pursuing various renewable power options. Currently the District receives 25 percent of Phases 1 and 2 of the Nine Canyon Wind Farm near Kennewick, Washington.

The east bank upstream of the dam has historically been used for informal access and camping along the Similkameen River and this use would likely continue.

The original powerhouse and appurtenant facilities have been vandalized and have deteriorated. If these structures are left in place and not rehabilitated, further deterioration will occur. This would be considered an "adverse effect" under Section 106 of the National Historic Preservation Act.

Sediment has accumulated behind the dam, and occasionally log jams occur during storm flows. Sediment quality is not expected to represent an ongoing source of contamination to the river.

Economic consequences of license denial would depend on the continued status of the undeveloped project site, which would be determined in consultation with BLM. If the

District license application were denied, the District could potentially face such costs for site restoration as might be required by the federal land owner and by the Washington Department of Ecology, Division of Dam Safety.

Depending on the nature of the issues leading to denial of the license application, the District may maintain the site and its options to license the Project in the future, and continue to seek resolution of issues. Present unknowns and uncertainties, such as load growth in northern Okanogan County or the potential effects of climate change, could increase interest in the Enloe Hydroelectric Project again in the future.

As a consequence of denial of the license application the following would not occur:

- Restoration of hydroelectric generation at Enloe Dam.
- Incremental environmental impacts of construction and operation of the new powerplant.
- Beneficial use of 45.0 GWh/year of renewable and sustainable hydroelectric generation potential at Enloe Dam.
- Economic benefits to the local community in the form of employment in construction and operation of the Enloe power plant.
- Recreation and environmental enhancements proposed by the applicant.
- Anticipated power generation benefits to District customers resulting from current investment in engineering feasibility and environmental studies of the Project.

D.8 SOURCES AND EXTENT OF FINANCING

The proposed source of financing will be revenue-backed municipal bonds. The District intends to finance the capital cost associated with this Project using a combination of bonds and revenues from power rates.

D.9 COST TO DEVELOP LICENSE APPLICATION

The District estimates that approximately \$3.0 M has been spent on internal costs and contracts (engineering, consulting) to develop the Draft License Application.

D.10 VALUE OF ON-PEAK AND OFF-PEAK POWER

This section is not required. Run-of-river operations are exempted. The Enloe Hydroelectric Project will operate as a run-of-river project.