

# **TRI-DAM PROJECT**

*Strawberry, California*

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**Annual Financial Report**  
**December 31, 2009**

**TRI-DAM PROJECT**

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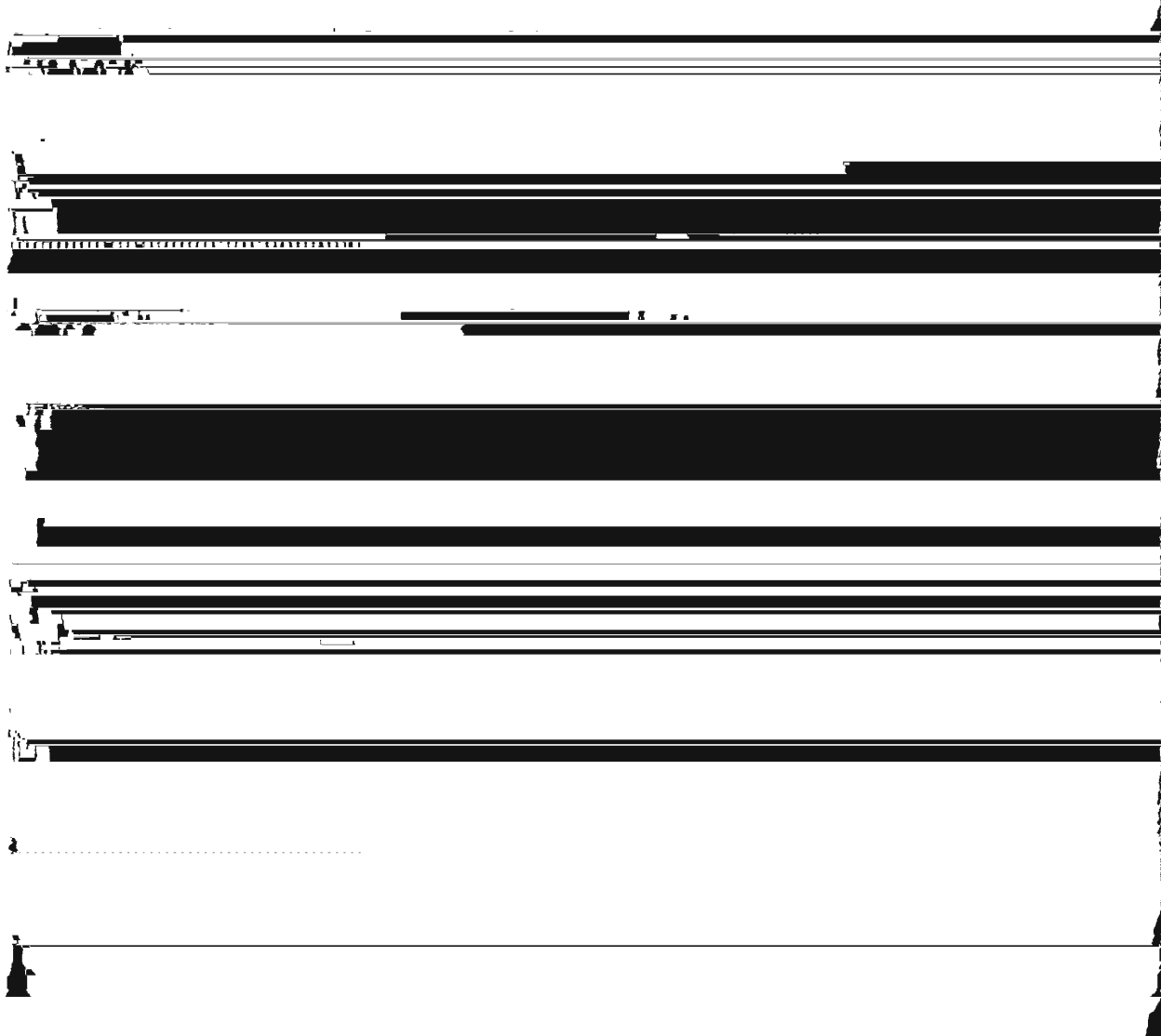
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# MARCELLO & COMPANY

## CERTIFIED PUBLIC ACCOUNTANTS

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Tri-Dam Project  
Strawberry, California

We have audited the accompanying financial statements of the business-type activities of the Tri-Dam Project (the Project) as of and for the year ended December 31, 2009, which collectively comprise the Project's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Project's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Tri-Dam Project as of December 31, 2009, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purposes of forming an opinion on the financial statements taken as a whole. The other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Tri-Dam Project. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is presented fairly in all material respects in relation to the financial statements taken as a whole.

*Marcello & Company*

Certified Public Accountants  
Sacramento, California  
March 4, 2010

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March 4, 2010

Joint Board of Directors of the Tri-Dam Project and  
Other Interested Individuals and Entities,

This letter accompanies the Tri-Dam Project's basic financial statements including the notes to the financial statements for the year ended December 31, 2009. This document, constituting a discussion and analysis of the financial activities and position of the Tri-Dam Project and prepared by its management, is intended to be read in conjunction with the statements and the independent auditor's report dated March 4, 2010 on those statements.

**CONDENSED FINANCIAL STATEMENTS**

The Government Accounting Standards Board (GASB) presentation requirement, to which the Project adheres, requires that a statement from the Project's management staff accompany the annual financial reports. This *management discussion and analysis* is that statement. The GASB requirements provide that a condensed financial report be included in this statement. The key aspects of these condensed statements (immediately below) are discussed later in this statement.

**Condensed Statement of Net Assets**

	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
Cash & Investments	\$ 30,230,615	\$ 37,992,884
Accounts Receivable	3,125,361	1,950,459
Prepaid Expenses	661,043	175,868
Plant & Equipment, net	42,420,350	37,104,676
Relicensing Costs, net	3,126,124	3,189,944
<b>Total Assets</b>	<u>\$ 79,563,493</u>	<u>\$ 80,413,831</u>
<b>Liabilities &amp; Net Assets</b>		
Bank Overdraft	\$ 1,288,958	\$ -
Accounts Payable	617,761	556,885
Deferred Revenue	10,940	9,314
Deposits	55,169	54,498
Vacation Payable	143,179	148,930
<b>Total Liabilities</b>	<u>2,116,005</u>	<u>769,627</u>
Net Assets	<u>77,447,487</u>	<u>79,644,204</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 79,563,493</u>	<u>\$ 80,413,831</u>

**Condensed Statement of Revenue, Expenses, and Net Revenue**

Operating Revenue	\$ 17,242,881	\$ 28,436,230
Operating Expense	7,299,838	7,420,094
<b>Net Operating Revenue</b>	<u>9,943,043</u>	<u>21,016,137</u>
Non-operating Revenue	<u>860,240</u>	<u>2,724,332</u>
<b>Combined Net Revenue</b>	<u>\$ 10,803,283</u>	<u>\$ 23,740,468</u>

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**BACKGROUND**

Tri-Dam Project, although not a formal legal entity, was created in 1948 as a joint-venture of the *Oakdale Irrigation District* and the *South San Joaquin Irrigation District*. The five elected directors from each of the two districts comprise the “*Joint Board of Directors*” of the Project. Overall management of the Tri-Dam Project is vested in the General Manager by the Joint Boards. The General Manager and the managers for operations, maintenance, and finance/administration handle the day-to-day activities of the Project. We refer to the joint entity variously as “Tri-Dam Project,” “Tri-Dam,” “Project” or “the Project.”

*Tri-Dam Power Authority*, a separate but related entity, and the *Tri-Dam Project* share management, administrative facilities, and operations and maintenance staff. The Authority reimburses Tri-Dam Project for the Authority's share of expenses.

Tri-Dam Project is engaged in water diversion, storage, and hydroelectric generation from several locations on the Middle Fork and main stem of the Stanislaus River in Tuolumne and Calaveras Counties, California. It operates Donnells dam, reservoir and power plant; Beardsley dam, reservoir, and power plant; Tulloch dam, reservoir, and power plant; and Goodwin dam and reservoir, along with several ancillary facilities. Tri-Dam Project's facilities are situated on federal public lands (Stanislaus National Forest), private lands with easements granted to the Districts, and lands owned by the Districts. Water is delivered by Tri-Dam Project to each District's water conveyance systems (canals) without charge.

Electric output of the Project previously was sold to Pacific Gas & Electric Company (PG&E) under an index-price-based agreement which was terminated on December 31, 2008 by agreement of PG&E and Project. The Project simultaneously entered into a five year power purchase and marketing agreement with Shell Energy North America (SENA or “Shell”) for the marketing of the Project's energy production beginning January 1, 2009.

Operation and maintenance of the hydroelectric plants, including how much water is available for hydroelectric generation, is subject to various federal and state laws, regulations, and fees. Maintenance of the plants, access ways, transmission power lines, communications sites, and related facilities are, to some degree, subject to regulation by the US Forest Service for those facilities which are on Forest Service lands.

**Federal License to Operate Facilities**

The Federal Energy Regulatory Commission (FERC) licenses the dams, reservoirs, and power plants. The original 50-year licenses, one for Donnells and Beardsley and the other for Tulloch, expired on December 31, 2004. Licenses to operate the three facilities for an additional 40 years (through December 31, 2045 following a one year temporary license) were issued by FERC in early 2006.

Tri-Dam Project was involved in a substantial multi-year collaborative effort with federal and state agencies, non-governmental organizations, and consultants to meet the requirements for new licenses. Approximately \$3,324,000 was expended on those efforts. These costs are being amortized over the life of the FERC licenses. (These amounts, like all those in this document, have been rounded and in some cases are approximations.)

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Tri-Dam Project has agreed to certain operating conditions (principally the frequency, volume, and duration of water flows) which may somewhat reduce generation capability from that enjoyed under the now expired license. Additionally Tri-Dam Project has agreed to fund certain environmental and recreational activities, sometimes referred to as mitigation measures. Tri-Dam Project's funding for these activities will principally occur during the first 10 years of the 40 year licenses (2006 through 2015).

The reduced generation is expected to be approximately 5% of existing generation capacity. Expenses for environmental and recreational activities are expected to total between \$3,000,000 and \$4,000,000 over the 1 to 10 year period following issuance of the FERC license. On-going expenses in support of these activities are expected to be between \$200,000 and \$250,000 per year, increasing with inflation, for the duration of the FERC licenses. These on-going outlays began in 2008 and will continue for the duration of the current license. These expenses will be for environmental monitoring and the development of additional recreational facilities in and adjacent to the Project facilities and direct and indirect financial support to the US Forest Service through formal settlement agreements. These outlays will be reflected as operating expenses in the year in which they occur. Facilities created or improved by such expenditures will not be owned by Tri-Dam nor reflected as Project assets.

In addition, FERC authorized the addition of a 7 MW generator at Tulloch with an early-estimated capital cost of \$18,000,000 over a 4 to 5 year period. Feasibility and engineering design work for that generator began during 2007 and continued through 2008 with approximately \$3,400,000 having been expended through 2008. In early 2009 construction of an access road to the generator site (Phase 1 of the entire project) was started and completed. Accumulated costs through 2009 amount to \$6,227,000. Management is working with consultants to provide an updated cost estimate for the third generating unit.

Management believes that existing and future agreements for the sale of energy generated, and ancillary services, will produce substantially greater revenue than the accumulated costs of relicensing, including reduced generation capability and the environmental and recreational mitigations. This is further discussed in **POWER REVENUE** below.

**REVENUE, INCLUDING POWER REVENUE**

Overall revenue for 2009 was \$18,103,000. This compares to \$31,161,000 for 2008, a decrease of \$13,057,000 (42%). The sale of energy – **Sale of Energy** – accounts for 91% (\$16,489,000) of the Project's revenue stream. Headwater benefit income from PG&E and reimbursement from Tri-Dam Power Authority for wages and wage-overhead costs are included in this category and account for 4% of Total Revenue. **Other Revenue** (operating and non-operating) - is comprised of a combination of fees, charges, rentals, reimbursements, and other miscellaneous income and accounts for 5% of Total Revenue.

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The table below provides more information on non-operating revenue.

	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>Change</u>
<b><u>Operating Revenue / Power Revenue</u></b>				
Sale of Energy & Ancillary Services	\$ 16,488,592	\$ 27,734,586	(11,245,994)	-40.5%
Headwater Benefit - Tulloch	315,294	294,717	20,577	7.0%
Services to Tri-Dam Power Authority	438,995	406,927	32,068	7.9%
Total Sale of Energy & Related	<u>17,242,881</u>	<u>28,436,230</u>	<u>(11,193,349)</u>	-39.4%
<b><u>Non-operating Revenue</u></b>				
Interest Earned	408,615	973,629	(565,014)	-58.0%
Shell Payment to Terminate PG&E Agreement		1,000,000	(1,000,000)	-100.0%
Services to Stockton East Water District	178,200	196,535	(18,335)	-9.3%
Water Sales	103,481	122,198	(18,717)	-15.3%
US Bureau of Reclamation - Tulloch	84,452	69,670	14,782	21.2%
Rental Income	45,041	49,469	(4,428)	-9.0%
Encroachment Permits - Tulloch Reservoir	11,000	11,500	(500)	-4.3%
Land Sales - Tulloch Reservoir	5,148	140,242	(135,095)	-96.3%
Other	24,304	161,088	(136,784)	-84.9%
Total Non-operating Revenue	<u>860,240</u>	<u>2,724,332</u>	<u>(1,864,091)</u>	-68.4%
Total Revenue	<u>\$ 18,103,122</u>	<u>\$ 31,160,562</u>	<u>\$ (13,057,440)</u>	-41.9%

**SALE OF ENERGY & RELATED**

Electric generation is measured in kilowatts (kW). Typically payments are made to generators for kW “capacity” and for actual energy generated – kilowatt hours (kWh). Power from generation is delivered via a transmission system owned by Pacific Gas and Electric Company (PG&E) with oversight by the California Independent System Operator (CaISO). All of Tri-Dam Project’s ‘capacity’ and ‘generation’ was under contract to Shell Energy North America. Shell also marketed certain other energy values including “renewable energy certificates” – ‘RECS’ and certain demand ‘products’ including “spinning reserves” and “reg. up / reg. down” (‘REG’) for the Project.

Recent California legislation requires utilities to obtain required renewable energy (including the kind produced by the Project) in its generation portfolio. It is expected that demand for all renewable energy will increase in the foreseeable future.

Management budgeted \$31,400,000 in 2009 power generation revenue based on the terms of the power sale agreement and estimates of water supplies and of energy prices. This sum is net of fees, charges, and penalties.

Power revenue of about \$16,489,000 was actually realized during 2009 - a negative variance from the budget of about \$14,900,000. The decrease in power revenue from 2008 to 2009 and negative variance from the 2009 budget owes to dramatically lower prices - a weighted average change from 8.28 cents per kilowatt hour in 2008 to 4.33 cents per kilowatt hour in 2009, and to a lesser extent, to less favorable hydrologic conditions (useable runoff) than had been forecast. Reduced power prices were slightly offset by a 9.6% increase in net generation (384 gigawatt hours in 2009 vs. 351 in 2008).

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The Donnell generating unit unexpectedly went out of service on September 2, 2009 owing to electrical and mechanical failure and remained out of service through the remainder of the year. Restoration of the unit to service is expected to be completed by April 15, 2010. Management believes that the lost revenue and expense of repairs will be substantially covered by insurance. No revenue or insurance recovery for lost revenue for Donnell the period September 2, 2009 through December 31, 2009 is included in this 2009 financial statement.

The power marketing agreement with SENA provides for a commission to be paid to SENA based on actual revenues; management believes this arrangement best aligns the Project and SENA's economic interests. Power generation revenue for 2010 has been budgeted at \$25,000,000 anticipating 'normal' and hydrologic conditions and current market price indications.

Significant annual variances in power revenue will occur from year-to-year reflecting changes in water available for generation and the wholesale price of energy. Tri-Dam Project can and likely may incur penalties and charges for failing to meet contract obligations for timely power production which are likely to occur during the course of normal operations.

Management has made what it regards as reasonable estimates of the fees, charges, and penalties that are likely to be incurred during normal operation of the power plants.

**NON-OPERATING REVENUES**

Earnings from medium and short term investments, including changes in market valuation of securities, were \$409,000 for 2009. In the prior year, earnings from the same sources were \$974,000. Management expects investment earnings for 2010 to be less than those for 2009 reflecting a general decline in interest rates. Earnings will, of course, also reflect future funds available for investment.

Other revenues for Tri-Dam Project are set forth in the table above. Management believes that similar amounts will be received during 2010.



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**EXPENSES**

Expenses fall into three broad areas: *wage and benefits*; *other operating costs*; *depreciation/amortization*. These can be understood by looking at them from different perspectives.

The three tables that follow on the next two pages set forth all Project expenses.

This first table reflects expense by location with depreciation and amortization as a single number. The expenses for Goodwin Facility represent all of the expense of operation at that location before a one-third cost sharing reimbursement agreement with Stockton East Water District.

<u>Location</u>	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>Change</u>
Donnells Facility	\$ 497,431	\$ 654,807	\$ (157,376)	-24.0%
Beardsley Facility	457,757	413,061	44,695	10.8%
Tulloch Facility	636,749	510,604	126,145	24.7%
Goodwin Facility	240,986	242,337	(1,351)	-0.6%
Mt. Elizabeth Facility	31,086	21,201	9,885	46.6%
Strawberry Peak	19,595	36,140	(16,545)	-45.8%
Operations Center - Strawberry	150,593	93,905	56,687	60.4%
Service Center - Beardsley	204,761	190,468	14,293	7.5%
Division Point	148,308	141,337	6,970	4.9%
General and administrative	3,731,702	4,045,987	(314,285)	-7.8%
Depreciation and amortization	1,180,872	1,070,245	110,626	10.3%
Grand Total - All Expenses	<u>\$ 7,299,838</u>	<u>\$ 7,420,094</u>	<u>\$ (120,255)</u>	-1.6%

This second table sets forth Project expenses by functional activity: Operations, Maintenance, Administrative, and Depreciation & Amortization.

<u>Activity</u>	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>Change</u>
Operations	\$ 1,195,599	\$ 1,111,993	\$ 83,606	7.5%
Maintenance	1,003,231	1,012,041	(8,810)	-0.9%
General and administrative	3,920,137	4,225,814	(305,678)	-7.2%
Depreciation and amortization	1,180,872	1,070,245	110,626	10.3%
Grand Total - All Expenses	<u>\$ 7,299,838</u>	<u>\$ 7,420,094</u>	<u>\$ (120,255)</u>	-1.6%

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This third table reflects Project expenses by nature of expense.

<u>Type of Expense</u>	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>Change</u>
<b>Wages &amp; Benefits</b>	\$ 2,263,583	\$ 2,215,633	\$ 47,950	2.2%
<b>Other Operating Costs</b>				
Outside services	2,410,373	1,818,343	592,029	32.6%
Supplies & Materials	425,306	362,159	63,146	17.4%
FERC license fees	255,488	284,586	(29,098)	-10.2%
Property insurance	235,619	229,940	5,679	2.5%
Streamgaging	126,388	101,381	25,007	24.7%
Safety fees and expense	120,026	113,822	6,204	5.5%
Headwater Benefit Assessment	90,192	90,089	103	0.1%
Office supplies and expense	50,003	38,755	11,248	29.0%
Other	38,213	15,541	22,672	145.9%
Utilities	28,402	27,303	1,099	4.0%
State Water Rights fees	20,959	2,012	18,947	941.6%
Meals allowances and travel expense	16,126	17,032	(905)	-5.3%
Telephone, internet, data links	16,236	15,473	763	4.9%
Computer supplies	9,004	6,841	2,164	31.6%
USFS Resource Management Support	8,262	8,126	136	1.7%
Professional organizations	3,600	1,500	2,100	140.0%
County taxes	1,186	1,313	(127)	-9.7%
PG&E Termination Fee	-	1,000,000	(1,000,000)	
Total Other Than Wages & Benefits	<u>3,855,383</u>	<u>4,134,215</u>	<u>(278,832)</u>	-6.7%
<b>Depreciation &amp; Amortization</b>				
Depreciation Capital Assets	1,117,053	1,006,426	110,626	11.0%
Amortization Relicensing	63,819	63,819	-	0.0%
Total Depreciation & Amortization	<u>1,180,872</u>	<u>1,070,245</u>	<u>110,626</u>	10.3%
Grand Total All Expense	<u>\$ 7,299,838</u>	<u>\$ 7,420,094</u>	<u>\$ (120,255)</u>	-1.6%

The principal operating cost for Tri-Dam Project is *wages and benefits*. Tri-Dam Project's 23 full time employees, except for the 4 managers and part-time staff, are covered by a labor agreement with IBEW Local 1245. The represented employees fall into two categories: 10 employees in operations and 9 employees in maintenance activities. The General Manager, Operations Manager, Maintenance Manager, and Chief Financial Officer (for finance and administration) complete the complement of full time employees. A half time assistant is employed in the office and interns working for 3 to 6 months are part of the Maintenance Department staff.

The labor agreement covering represented employees was ratified to be effective for the four years March 1, 2008 through February 28, 2012. The agreement provides for a 4% increase in wage rates on March 1, 2008 and annually for the three successive years and also for certain benefits improvements. Employee medical care is provided through a group plan at no cost to full time employees with employees responsible for 20% of any elected dependent premium costs.

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The Project's full time staff is provided retirement and certain other benefits by virtue of the Project's contract with the State of California's Public Employee Retirement System (CalPERS). The cost of the future benefit is shared between the Project and the employee.

The labor agreement provides that retirees who complete at least 10 years of service and are at least age 55 as of their retirement date are eligible to share 50% of the cost of the retiree's health care premium with the Project. The Tri-Dam Project contribution terminates when the retiree reaches age 65. There are 7 retired persons presently covered by this provision; an increase from 5 retirees in 2008.

All wages (productive and non-productive) and non-wage overhead (payroll taxes and employer-paid employee benefits) paid or accrued for 2009 amounted to \$2,731,600 compared to \$2,658,400 for 2008 – an 11% increase. In 2009 \$468,000 of wages and benefits were allocated to, or reimbursed by, capital expenditures and Tri-Dam Power Authority. This compares to \$442,800 for 2008. The net operating cost to the Project for wages and benefits was, therefore, \$2,263,600 for 2009 and \$2,215,600 for 2008 as reflected in the table above.

**Other operating costs** include non-payroll expenses for operations, maintenance, and administration of the Project. Exclusive of depreciation and amortization, they totaled \$4,134,000 for 2009, and \$2,622,000 for 2008. Five broad categories of “**other operating costs**” are reviewed below.

- **Federal, state, and local licenses, fees, taxes** (other than payroll taxes) and **assessments** amounted to \$487,900 for 2009 and \$491,800 for 2008.
- **Purchased insurance** was \$235,600 for 2009 and \$230,000 for 2008 (an increase of 3%). The insurance amounts are net of reimbursement from the Tri-Dam Power Authority of approximately 25% of the premium costs representing management's estimate of the Authority's share.
- **Professional fees (Outside services)** costs amount to \$2,4108,400 for 2009, and \$1,818,300 for 2008 (a 33% increase) and include investment management, legal, labor consulting, and accounting fees, fish biology consultants, consultants assisting with the implementation of FERC license conditions, consultants required to provide technical studies for regulatory agencies, and studies and expenses in connection with protecting the District's water rights. This expense category (water rights) was partially offset by Stockton East Water District's contribution of \$100,000 in both 2009 and 2008 (reflected in Non-operating revenue) to certain of these efforts. Management expects continuing expenses in these categories in the future as the terms of the FERC license are implemented on US Forest Service lands and Districts, through the Project, gather information in connection with the US Bureau of Reclamation's operation of New Melones as it affects District water rights.
- **All other expenses** (supplies & materials, streamgaging, office supplies, fuel, utilities, data & telephone, data processing, and the like) amounted to \$721,500 for 2009 and \$594,400 for 2008 a 21% increase.
- **Depreciation and amortization** amounted to \$1,180,900 for 2009, and \$1,070,200 for 2008.

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*Other operating costs* are expected to rise somewhat for future years as the federal and state governments have established a pattern of increasing the fees and assessments charged to Tri-Dam Project (and similarly situated entities). Future environmental and recreational mitigation costs (discussed above) will be in addition to “*other operating costs*” discussed here.

**RESERVES AND DISTRIBUTION OF EARNINGS**

The Joint Board of Director's adopted, in February 2008 (amended), **RESOLUTION ESTABLISHING RESERVES FUNDS & SEMI ANNUAL DISTRIBUTIONS FOR TRI-DAM PROJECT**. The resolution establishes Project reserves, including Maintenance Reserve, Self-Insurance and Licensing Reserve, and an Operating Reserve. These are categorized as “Investments” on the Project's Statement of Net Assets (\$30,224,700) and “Cash” (\$5,900) at December 31, 2009.

The *Maintenance Reserve* was initially funded at \$15,000,000 and will increase with an annual transfer-in from revenues equal to the July 1<sup>st</sup> application of the consumer price index for the greater San Francisco-Oakland-San Jose area, rounded to the nearest \$50,000. The reserve is intended to provide funds for the timely repair or replacement of critical project components, especially those relating to the storage and delivery of water to the Districts and those relating to the maintenance of reliable and efficient generating capability. The Maintenance Reserve balance stands at approximately \$12,863,300 at December 31, 2009, and at \$17,347,000 on December 31, 2008. The reserve was drawn down during 2009 in part to fund construction expenses for the Tulloch 3<sup>rd</sup> generating unit and to fund, in part, on an interim basis, repairs to the Donnell generator.

The *Self-Insurance and Licensing Reserve* was initially funded at \$4,000,000 and will increase with an annual transfer-in from revenues equal to the July 1<sup>st</sup> application of the consumer price index for the greater San Francisco-Oakland-San Jose area, rounded to the nearest \$50,000. The reserve is intended to be used to cover the deductible amounts for insured losses, uninsured losses, and for the implementation of the various FERC license requirements - principally associated with enhancing recreation enhancements for the public's enjoyment and for continuing scientific studies of the project area. The Self-Insurance and Licensing Reserve balance stands at approximately \$4,696,700 at December 31, 2009, and at \$4,637,800 on December 31, 2008.

The *Operating Reserve* was established at \$6,000,000. The reserve is intended to be used to fund maintenance, operations, and general and administrative expenses for the year. The Operating Reserve balance stands at \$12,703,400 on December 31, 2009, and at \$16,007,200 on December 31, 2008. This is reflected as the combined balances of the Project's funds on deposit with the State of California's Local Agency Investment Fund (LAIF) and the Revenue/Operations Reserve held by Union Bank.

Resolution 2008-02 permits the distribution to the Districts, in equal shares, of funds held in the Reserves in excess of the amounts specified in the resolution. Distributions are to be considered at the January and July meetings of the Joint Board of Directors.

The Joint Boards authorized total distributions of \$13,000,000 in 2009, \$18,800,000 in 2008, \$21,200,000 in 2007, \$27,600,000 in 2006, \$11,400,000 in 2005, \$8,384,000 in 2004 and \$5,544,000 in 2003. The Joint Boards have not made any distributions thus far in 2010.

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**ASSETS, LIABILITIES, NET ASSETS, and CASH FLOWS**

The assets held by the Project are principally of the kind and in the amounts judged by the Joint Board of Directors and management necessary to support on-going, normal operations. Cash sufficient to meet 12 to 18 months operating needs is maintained in a combination of the Revenue Fund and in a pooled fund with the State of California (Local Agency Investment Fund). All funds are invested according to the Tri-Dam Project's investment policy.

Of the \$30,230,000 in funds on hand at December 31, 2009, approximately 58% (\$17,361,000) representing longer-term needs was under the fee-based management of Highmark Capital, a subsidiary of Union Bank. The balance, 42% (\$12,869,000) representing shorter-term needs, was under the supervision of Tri-Dam management and, at year's end, substantially invested in a money market fund offered held by Union Bank.

Substantially all Project funds are held by Union Bank (as custodian, not as deposits), the California State Treasurer's Office (Local Agency Investment Fund - LAIF), or by the Project's bank, Oak Valley Community Bank, as deposits.

Loss of dam structures is not presently covered by insurance. Management believes that insurance for loss of dam structures is not financially feasible, even if available. Loss of revenue due to business interruption is presently insured to \$15,000,000 with a 30 day waiting period and a 6 months maximum coverage period. There is no assurance that continued business interruption insurance will be cost-effective.

A preliminary claim under the Project's boiler and machinery coverage and, separately, its business interruption insurance coverage was made during late 2009 owing to the catastrophic failure of the Donnell generating unit in September 2009. All expenditures made during 2009 (\$1,606,300) toward reconstruction of the generator have been funded by the Project and have been classified as an account receivable from the insurance underwriter.

Net additions to 'Property, Plant, and Equipment' for 2009 amounted to \$6,446,500 compared to \$3,300,000 for 2008. Of the 2009 additions approximately \$6,227,000 is represented by fees and expenses related to engineering fees, expenses, equipment, and road construction for the addition of a third generating unit to the Tulloch plant. The balance of \$176,900 reflects investments in various infrastructure projects including communications equipment at Division Point (\$40,500), office telephone system replacement (\$40,400), Donnell Cottage improvements (\$11,300), Operations Center renovations (\$14,200), and governor pump controls at Tulloch (\$13,100).

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Approximately \$12,600,000 has been budgeted for 38 capital improvements for 2010. Of this sum, \$7,100,000 is for the 2009 portion of Phase II expenses for the addition of a third generator at Tulloch, \$4,100,000 for continuing outlays associated with restoring the Donnell generating unit to production (expected to be recovered through insurance), \$415,000 for spare transformers for Beardsley, \$125,000 for transformer inspection and oil treatment at Donnell, \$100,000 for technician test equipment, \$100,000 for accounting software, \$80,000 for two trucks, and a wide variety of 31 smaller infrastructure projects including, Arc flash assessments, re-roofing at Beardsley, communication link modernization, SCADA improvements, office and residence renovations, relay upgrades, penstock and spiral case coating, erosion control, server replacement, and several other projects.

Over a longer horizon, 5 to 10 years, management anticipates that Tri-Dam Project will increase annual investment in each of the generating plants and related facilities.

Various interconnections and refinements of existing systems are expected to be required by the California Independent System Operator to achieve more optimal control over generation. These costs are unknown but expected to be in the tens of thousands of dollars per year for the next few years. Except as noted below, with the necessary substantial generating and control improvements now completed management expects that it will be 10 to 15 years before significant annual investments are required for generating and operating systems improvements.

The completion of the addition of a third generating unit at Tulloch is in final engineering design with Phase I (partial access road) of the actual construction having been completed in 2009. Management has not completed a revised engineering and cost construction estimate to bring this unit on-line; \$9,619,600 has been invested through the end of 2009 and \$7,100,000 has been budgeted for 2010.

Depreciation and amortization (recorded as expense) in 2009 reduced the net book value of all property, plant, and equipment by \$1,180,900.

Total Assets (cash, reserves, receivables, and net plant), decreased in 2009 by \$850,000 to \$79,563,000 (1%) from 2008. Total Net Assets (total assets minus liabilities – also referred to as 'equity') decreased from \$79,644,000 to \$77,447,000 or \$2,197,000 (3%).

This decrease in Total Net Assets reflects the effect that more funds were dispersed to the Districts 2009 than was earned in 2009. Approximately \$2,197,000 more was distributed to the Districts in 2009 than was earned in 2009 net income; that is 2009 distributions of \$13,000,000 were made compared to 2009 net income of \$10,803,000. The opposite situation occurred in 2008: less was distributed to the Districts than was earned and Total Net Assets increased from 2007 to 2008.

For 2009 net cash outflows amounted to \$16,002,000 compared to net cash inflows of \$9,415,000 for 2008. In 2009 \$13,000,000 was distributed to the two Districts and \$6,406,000 invested, net, in plant and equipment, including construction in progress. The difference was made up by cash inflows from operating and non-operating activities as set forth in the Statement of Cash Flows.

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The Tri-Dam Project's basic financial statements are designed to meet the needs of the Directors and management, comply with regulatory requirements, and offer other readers a general overview of the Tri-Dam Project's finances and evidence of accountability. Either the Chief Financial Officer or General Manager is available to interested persons to respond to questions or to provide appropriate supplemental information.

Sincerely yours,

Dan Pope  
General Manager

Summer Nicotero  
Chief Financial Officer

## ***BASIC FINANCIAL STATEMENTS***



**TRI-DAM PROJECT**  
**Statement of Net Assets**  
**December 31, 2009**

	<b>2009</b>	<i>for comparative purposes only</i> <b>2008</b>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 5,888	\$ 16,008,116
Investments	30,224,727	21,984,768
Accounts receivable, PG&E	413,537	1,423,142
Accounts receivable, Shell Energy N. America	833,000	-
Accounts receivable, Insurance claim	1,606,324	-
Accounts receivable, Tri-Dam Power Authority	4,582	32,950
Accounts receivable, Other	208,918	381,667
Accrued interest receivable	59,000	112,700
Prepaid expenses	661,043	175,868
totals	34,017,019	40,119,211
Property, Plant, and Equipment		
Capital assets (note 4)	79,004,239	72,597,255
Accumulated depreciation	(36,583,890)	(35,492,578)
totals	42,420,350	37,104,676
Other Assets		
Relicensing costs	3,323,989	3,323,989
Accumulated amortization	(197,865)	(134,045)
totals	3,126,124	3,189,943
Total Assets	\$ 79,563,493	\$ 80,413,830
<b>LIABILITIES</b>		
Current Liabilities		
Bank account overdraft	\$ 1,288,958	\$ -
Accounts payable	527,761	466,884
Deferred revenue	10,940	9,314
Deposits	55,169	54,498
Due to the Federal Energy Regulatory Commission	90,000	90,000
totals	1,972,827	620,696
Long-Term Liabilities		
Compensated absences	143,179	148,930
totals	143,179	148,930
Total Liabilities	2,116,005	769,626
<b>NET ASSETS</b>		
Invested in capital assets	42,420,350	37,104,676
Unrestricted	35,027,138	42,539,528
Total Net Assets	77,447,487	79,644,204
Total Liabilities and Net Assets	\$ 79,563,493	\$ 80,413,830

*The accompanying notes are an integral part of these financial statements*

**TRI-DAM PROJECT**  
**Statement of Revenue, Expenses, and Change in Net Assets**  
**Year Ended December 31, 2009**

	<b>2009</b>	<i>for comparative purposes only</i> <b>2008</b>
<b>Operating Revenues</b>		
Power generation revenue	\$ 16,488,592	\$ 27,734,586
Headwater Benefit fees	315,294	294,717
Services to Tri-Dam Power Authority	438,995	406,927
totals	<u>17,242,881</u>	<u>28,436,230</u>
<b>Operating Expenses</b>		
Operations	1,195,599	1,111,993
Maintenance	1,003,231	1,012,041
General and administrative	3,920,137	4,225,814
Depreciation and amortization	1,180,872	1,070,245
totals	<u>7,299,838</u>	<u>7,420,094</u>
<b>Operating Income</b>	<u>9,943,043</u>	<u>21,016,137</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment earnings	408,615	973,629
Water Sales	103,481	122,198
Rental of equipment and facilities	45,041	49,469
Other receipts	40,451	312,830
Reimbursements	262,652	1,266,205
totals	<u>860,240</u>	<u>2,724,332</u>
<b>Change in Net Assets</b>	10,803,283	23,740,468
Net Assets - Beginning	79,644,204	74,221,258
Prior Period Adjustment - PG&E Refund	-	482,477
Less: Distributions to Districts	<u>(13,000,000)</u>	<u>(18,800,000)</u>
Net Assets - End of Year	<u>\$ 77,447,487</u>	<u>\$ 79,644,204</u>

*The accompanying notes are an integral part of these financial statements*

**TRI-DAM PROJECT**  
**Statement of Cash Flows**  
**Year Ended December 31, 2009**

<b>Cash Flows Provided by (Used For)</b>	<b>2009</b>	<i>for comparative purposes only</i> <b>2008</b>
	<u>                    </u>	<u>                    </u>
<b>Operating Activities</b>		
Cash received from customers for power generation	\$ 16,665,197	\$ 27,582,844
Other operating receipts, cash basis	782,657	673,170
Cash payments for personnel costs	(2,754,510)	(2,215,633)
Cash payments to suppliers for goods & services	(4,137,614)	(3,791,661)
Net cash provided (used)	<u>10,555,730</u>	<u>22,248,720</u>
<b>Nonoperating Activities</b>		
Water Sales	284,287	107,911
Rental of equipment and facilities	46,391	51,089
Other receipts	40,451	312,830
Reimbursements	254,871	1,158,272
Net cash provided (used)	<u>626,000</u>	<u>1,630,102</u>
<b>Noncapital Financing Activities</b>		
Cash distribution to Districts	(13,000,000)	(18,800,000)
Net cash provided (used)	<u>(13,000,000)</u>	<u>(18,800,000)</u>
<b>Capital and Related Financing Activates</b>		
Purchase and construction of capital assets, cash basis	(6,406,984)	(2,907,419)
Net cash provided (used)	<u>(6,406,984)</u>	<u>(2,907,419)</u>
<b>Investing Activities</b>		
Sale (purchase) of investments, net	(8,239,959)	6,073,307
Investment earnings, cash basis	462,986	1,170,405
Net cash provided (used)	<u>(7,776,973)</u>	<u>7,243,713</u>
<b>Increase (Decrease) in Cash</b>	(16,002,227)	9,415,116
Cash and Cash Equivalents - beginning	16,008,116	6,593,000
Cash and Cash Equivalents - end of year	<u>\$ 5,889</u>	<u>\$ 16,008,116</u>
<b>Operating Activities Analysis</b>		
Operating Income (page 16)	\$ 9,943,043	\$ 21,016,137
Reconciliation adjustments:		
Depreciation, a noncash expense	1,117,053	1,006,426
Amortization, a noncash expense	63,819	63,819
Depreciation on retired plant and equipment	(25,741)	-
Decrease (increase) in power generation receivable	176,605	(151,742)
Decrease (increase) in other receivables	(1,577,956)	(28,474)
Decrease (increase) in prepaid expenses	(485,175)	26,955
Increase (decrease) in bank overdraft	1,288,958	-
Increase (decrease) in accounts payable	60,877	323,943
Increase (decrease) in other liabilities	(5,752)	(8,344)
Net cash provided (used)	<u>\$ 10,555,730</u>	<u>\$ 22,248,720</u>

*The accompanying notes are an integral part of these financial statements*

**TRI-DAM PROJECT**  
**Notes to Financial Statements**  
**December 31, 2009**

The notes to the financial statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and financial position of the Project as follows:

- Note 1 - Summary of Significant Accounting Policies
- Note 2 - Cash and Investments
- Note 3 - Power Generation Revenues and Receivables
- Note 4 - Capital Assets
- Note 5 - Construction-in-Progress
- Note 6 - Distributions to Districts
- Note 7 - Risk Management
- Note 8 - Contingencies
- Note 9 - Defined Benefit Pension Plan
- Note 10 - Other Postretirement Employee Benefits (OPEB)
- Note 11 - New Pronouncements

**TRI-DAM PROJECT**  
**Notes to Financial Statements**  
**December 31, 2009**

**Note 1 - Summary of Significant Accounting Policies**

A. Reporting Entity

The Tri-Dam Project (Project) is a joint venture of the Oakdale Irrigation District and the South San Joaquin Irrigation District (Districts). The Project consists of irrigation and power development on the Stanislaus River, including the Donnels Dam, Donnels Tunnel, Donnels Plant, Beardsley Dam, Beardsley Plant, Beardsley Afterbay, Tulloch Plant, Goodwin Reservoir and Dam, and appurtenant facilities. The Project's principal activities are the storage and delivery of water to the Districts and the hydraulic generation of electricity. These activities are carried out pursuant to the Districts water rights and the Districts licenses issued by the Federal Energy Regulatory Commission (FERC).

Oversight responsibility, meaning the ability to appoint management and key employees, and authorize and approve contracts and financing arrangements, is exercised by a joint board of directors consisting of all five elected directors of the Oakdale Irrigation District and all five elected directors of the South San Joaquin Irrigation District.

The Tri-Dam Project issues financial statements as a separate reporting entity because of the historical joint exercise of oversight responsibility by both Districts.

The Tri-Dam Power Authority (Authority), an entity formed in 1982, under a Joint Exercise of Powers Agreements between the two Districts, is excluded from the accompanying financial statements. While the Authority has in substance the same joint board of directors as does the Project, the Project is not responsible for debts or other obligations of the Authority.

B. Measurement Focus, Basis of Presentation, Basis of Accounting, and Reserves

Measurement Focus, Basis of Presentation: The Project is accounted for on the flow of economic-resources-measurement-focus and uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

Basis of Accounting: The Project has elected to follow Paragraph 7 of Governmental Accounting Standards Board (GASB) Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. Under this pronouncement, a governmental entity applies, for financial reporting purposes, all Financial Accounting Standards Board (FASB) statements and related guidance except for those that conflict or contradict GASB pronouncements.

Reserves: Operations, Maintenance, and General and Administrative Activities: Operations, maintenance, and general and administrative activities are combined in the accompanying financial statements within the current assets category and the cash and investment caption. The Joint Board of Directors has established by Resolution 2008-02 a policy and procedure to set aside certain monies as Project Reserves for future needs including major maintenance or replacements, implementation of certain contractually required infrastructure improvements (principally for public recreation purposes), and operating needs. Monies not needed for operational, maintenance, general and administrative costs or infrastructure changes may be withdrawn by the Districts, semi-annually and in equal shares, for any lawful purpose pursuant to that Resolution.

**TRI-DAM PROJECT**  
**Notes to Financial Statements**  
**December 31, 2009**

**Note 1 - Summary of Significant Accounting Policies**

Maintenance Reserve: A maintenance reserve was created by Joint Board of Directors Resolution 2008-02 for the purpose of retaining funds for the replacement and maintenance of critical elements of the water storage and delivery systems and of the hydroelectric generation facilities. The reserve amount is designed to increase annually based on an index, subject to joint board action.

Self-Insurance and Licensing Reserve: A self-insurance and licensing reserve was created by Joint Board of Directors Resolution 2008-02 for the purpose of retaining funds for self-insurance, including the deductible amounts for insured coverage, and uninsured risks, and the future costs of implementing FERC license conditions. The reserve amount is designed to increase annually based on an index, subject to joint board discretion.

Operating Reserve: An operating reserve was created by Joint Board of Directors Resolution 2008-02 for the purpose of retaining funds for future operating expenses.

C. Assets, Liabilities, and Net Assets

1. *Deposits and Investments*

The Project's cash and cash equivalents are considered to be cash, demand deposits, money market funds, deposits with the State of California Local Agency Investment Fund (subject to withdrawal on demand), repurchase agreements, and short-term investments with original maturities of three months or less from the date of acquisition.

The Project, pursuant to its investment policy, may invest its funds in U.S. Government securities or other securities. The funds are substantially held by Union Bank of California as custodian. The Project's investment policy authorizes investments to be made in U.S. Treasury securities, Federal Agency securities, mortgage-backed and asset-backed securities, corporate bonds rated "A" or better, floating rate notes, and money market funds all with maturity dates of less than five years. Trading securities are debt securities bought and held principally for the purpose of selling them in the near future.

2. *Receivables*

Trade accounts receivable are carried at net realizable values. The Project records power generation receivables for energy deliveries to Shell Energy North America (SENA) and certain energy-related amounts due from Pacific Gas and Electric Company (PG&E).

3. *Prepayments*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

4. *Restricted Assets*

The Project's Maintenance Reserve, Self-Insurance and Licensing Reserve, and Operating Reserve assets are carried as current assets and are used in accord with the Joint Board of Directors resolutions and future actions. The Project is considering how GASB 54 (see Note 11) will be implemented for 2010 and whether that will change this treatment.

**TRI-DAM PROJECT**  
**Notes to Financial Statements**  
**December 31, 2009**

**Note 1 - Summary of Significant Accounting Policies**

5. *Other Assets - Capitalized Relicensing Costs*

The Project completed the process in 2005 of applying for license renewals (Relicensing) from the Federal Energy Regulatory Commission (FERC) for the Project's hydroelectric generating facilities. The former 50-year licenses expired on December 31, 2004 with extensions through 2005. New licenses were issued in February 2006 for all existing facilities. The licenses extend through December 31, 2045.

The Relicensing process involved a substantial commitment of staff resources, formal consultation with several federal and state agencies, the acceptance of public input, the conduct of numerous studies, and the public filing of documents and reports. The process was undertaken cooperatively with Pacific Gas & Electric Company (PG&E). PG&E has FERC-licensed facilities in the same watershed. The Project incurred \$3,324,000 in Relicensing costs between 2000 and 2005. The Project will amortize these costs over the 40 year term of the new licenses. It is anticipated that conditions attached to the new license will require the expenditure of between \$2 million and \$4 million in Project funds over the next few years for recreation and wildlife-related activities. Such expenditures will be reflected as administrative expenses in the year in which they are incurred. Other license conditions may effect a reduction in generation by approximately five percent annually for the term of the new license.

6. *Cash and Cash Equivalents*

For the purposes of the statement of cash flows, the Project considers all highly liquid investments with a maturity of 100 days or less when purchased to be cash equivalents.

7. *Capital Assets*

Property, plant, and equipment are stated at historical cost. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital asset constructed, net of interest earned on the invested proceeds over the same period. Donated capital assets are valued at fair value at time of donation. Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Class of Capital Asset</u>	<u>Estimated Lives in Years</u>
Dams	100
Buildings and turbines	50
Accessory equipment and fixtures	25
Equipment	10

8. *Compensated Absences*

Project employees accumulate earned but unused vacation pay benefits which can be converted to cash at termination of employment, with certain limitations. Vacation pay is accrued when incurred and reported as a liability of the Project. Since no means exists to reasonably estimate the amounts that might be liquidated with expendable currently available resources, if any, they are reported as long term debt obligations on the statement of net assets. The amount payable for this benefit in accord with the Project's benefit program is \$143,179.

**TRI-DAM PROJECT**  
**Notes to Financial Statements**  
**December 31, 2009**

**Note 1 - Summary of Significant Accounting Policies**

9. *Net Assets*

Retained earnings are reserved for net assets held by the Project or for other purposes as established by the Joint Board of Directors. Cash distributions made by the Project to the Oakdale Irrigation District and South San Joaquin Irrigation District are recorded as charges against net assets.

10. *Restricted Resources*

It is the Project's policy to first apply unrestricted resources when an expense is incurred for the purposes for which both restricted and unrestricted net assets are available.

C. *Power Generation Revenues*

The Project recognizes power generation revenues pursuant to the terms and provisions of a MASTER POWER PURCHASE AND SALE AGREEMENT between the Districts and Shell Energy North America ("SENA" or "Shell" which five-year Agreement was entered into in as of January 1, 2009 and replaced a similar agreement with Pacific Gas and Electric Company. The Project had considered alternatives to PG&E due to changes in the power market that made the PG&E agreement less favorable than market terms offered by SENA. PG&E was offered the opportunity to modify the existing arrangement but declined.

The Agreement provides, generally, that the Districts shall sell and deliver to SENA during the term of the Agreement, and certain other documents and agreements, all of the electric power and energy generated by Donnell's Plant, Beardsley Plant, and Tulloch Plant. The Agreement provides for a commission to SENA based on the actual value of the energy delivered and certain ancillary services.

D. *Related Party Transactions*

Significant related party transactions consisting primarily of cash distributions to the Districts are charged directly to net assets. Charges to the Tri-Dam Power Authority for operations, maintenance and administrative support expenses are incurred in the normal course of business, and for 2009 was approximately \$554,000.

E. *Use of Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. *Net Assets*

GASB Statement No. 34 requires that the difference between assets and liabilities be reported as net assets. Net assets are classified as either invested in capital assets, net of related debt, restricted, or unrestricted. Net assets that are invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net assets are those net assets that have external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net assets consist of net assets that do not meet the definition of invested in capital assets, net of related debt, or restricted net assets.



**TRI-DAM PROJECT**  
**Notes to Financial Statements**  
**December 31, 2009**

**Note 1 - Summary of Significant Accounting Policies (concluded)**

G. Prior Period Comparative Financial Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

H. Governmental Accounting Standards Board Statement No. 40

The Project adopted the provisions of GASB Statement No. 40, *Deposits and Investment Risk Disclosures - an amendment of GASB Statement No. 3*. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The statement requires certain disclosures of investment that have fair values that are highly sensitive to changes in interest rates.

I. Revenues

Operating revenues are those revenues that are provided from power generation operations, headwater benefit fees, and operating expense reimbursements while all other revenues are reported as nonoperating revenues.

J. Allowance for Uncollectible Accounts

Management has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

**Note 2 - Cash and Investments**

Cash and investments as of December 31, 2009 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and cash equivalents	\$ 5,888
Cash in bank (overdraft)	(1,288,958)
Investments	<u>30,224,727</u>
Total cash and investments	<u>\$ 28,941,357</u>

Cash and investments as of December 31, 2009 consist of the following:

Deposits with financial institutions in:	
• Money market accounts	\$14,690,728
• Checking accounts (overdraft)	(1,288,958)
Investment in Local Agency Investment Fund (LAIF)	5,588
Investment in Commercial Paper	4,963,019
Investment in Corporate obligations	7,261,974
Investment in US Government agency obligations	<u>3,309,007</u>
Total cash and investments	<u>\$ 28,941,357</u>

**TRI-DAM PROJECT**  
**Notes to Financial Statements**  
**December 31, 2009**

**Note 2 - Cash and Investments (continued)**

Investments Authorized by the Project's Investment Policy

The Project's management is given discretion to invest funds on a short term basis for the benefit of Tri-Dam Project. All funds invested are managed to meet the requirements stated in both California Code Section 53600, et. seq. and the Project's investment policy. The following additional guidelines and directives are followed by management:

1. The legal, final maturity of any single security within the investment portfolio will not exceed five years at purchase, with maturities laddered to protect against market swings.
2. The *weighted average life* of the portfolio will not exceed three years.
3. Corporate obligations, including corporate debentures and medium-term notes, must be rated "A" or its equivalent or better by a nationally recognized rating service, and no more than 30% of the portfolio may be invested in this sector at any one time.
4. Other obligations including bank certificates of deposit, commercial paper, bankers' acceptance notes and money market funds shall not be subject to the 30% limitation, but rather shall be subject of the distinct requirements for each asset class set forth in the California Government Code.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the Project's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

		<u>Maturity Date</u>
State investment pool (LAIF)	\$ 5,588	8 months average maturity
US Government agency obligations	3,309,007	4 months average maturity
Commercial paper	4,963,019	3 months average maturity
Corporate obligations	7,261,974	16 months average maturity
Money Market	14,690,728	N/A - due on demand

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Project investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

**TRI-DAM PROJECT**  
**Notes to Financial Statements**  
**December 31, 2009**

**Note 2 - Cash and Investments (concluded)**

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Project deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Project's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Concentration of Credit Risk

The investment policy of the Project contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code except that no more than 30% of the portfolio may be invested in corporate obligations.

Investment in State Investment Pool

The Project is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF, established in 1977, is regulated by California Government Code Section 16429 and under the day to day administration of the State Treasurer. There is a five member Local Investment Advisory Board that is chaired by the State Treasurer. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available. As of December 31, 2009, LAIF had more than 2,770 participants and approximately \$22 billion in investments. Annual reports of the Pooled Money Investment Account (PMIA) may be obtained from the California Treasurer's web site at [www.treasurer.ca.gov](http://www.treasurer.ca.gov).

The fair value of the Project's investment in this pool is reported in the accompanying financial statements at amounts based upon the Project's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**Note 3 - Power Generation Revenues and Receivables**

Power generation revenues were provided by:

	<u>2009</u>	<u>2008</u>
Energy deliveries	\$ 16,488,592	\$ 27,734,586
Headwater Benefit to PG&E	315,294	294,717
Total	<u>\$ 16,803,886</u>	<u>\$ 28,029,303</u>

At December 31, 2009, power generation receivables in the amount of \$1,246,537 represented revenues earned from energy deliveries and headwater benefit assessments for the month of December 2009 and certain other receivables from Pacific Gas and Electric Company.

**TRI-DAM PROJECT**  
**Notes to Financial Statements**  
**December 31, 2009**

**Note 4 - Capital Assets**

Capital asset activity for the year, excluding amortization of relicensing costs, consists of the following:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<u>Non-depreciable assets</u>				
Land	\$ 196,313	\$ -	\$ -	\$ 196,313
Construction-in-progress	3,440,046	6,269,691	(41,131)	9,668,606
subtotals	<u>3,636,359</u>	<u>6,269,691</u>	<u>(41,131)</u>	<u>9,864,919</u>
<u>Depreciable assets</u>				
Dam and power plants	41,269,561	-	-	41,269,561
Reservoir, dam, water	989,919	-	-	989,919
Water, wheel, turbines, generators	7,250,899	-	-	7,250,899
Accessory electric equipment	1,276,005	-	-	1,276,005
Service center	259,177	-	-	259,177
Miscellaneous power plant equip.	1,699,024	13,116	-	1,712,139
Railroad relocation	1,082,161	-	-	1,082,161
Streamgaging station	96,447	-	-	96,447
Telemetry	2,914,778	-	(26,798)	2,887,980
Housing	652,915	11,306	-	664,221
Engineering costs	5,565,085	-	-	5,565,085
Office furniture and equipment	115,900	54,581	-	170,480
Transportation equipment	1,329,957	36,524	-	1,366,481
Tools, shop and garage equipment	33,512	-	-	33,512
Power operated equipment	25,370	-	-	25,370
Communication equipment	149,728	40,452	-	190,180
Miscellaneous equipment	606,485	20,875	28,368	655,729
Capitalized interest	5,163,904	-	-	5,163,904
Interest (gain) on construction invest.	(1,519,929)	-	-	(1,519,929)
subtotals	<u>68,960,896</u>	<u>176,854</u>	<u>1,570</u>	<u>69,139,320</u>
<u>Accumulated depreciation</u>	<u>(35,492,578)</u>	<u>(1,117,053)</u>	<u>25,741</u>	<u>(36,583,890)</u>
Total Capital Assets, net	<u>\$ 37,104,676</u>	<u>\$ 5,329,493</u>	<u>\$ (13,819)</u>	<u>\$ 42,420,350</u>

Relicensing costs in the amount of \$3,323,989 are being amortized over the 40 year term of the license agreement issued by the Federal Energy Regulatory Commission (FERC) in 2006.

**Note 5 - Construction-in-Progress**

The Project completed the first phase addition of a third generating unit at the Project's Tulloch Reservoir to augment the two existing units. A contract for the second and final phase was awarded in 2009 and some work was completed. Approximately nine and a half million dollars has been invested and is carried as "construction in progress." Updated engineering estimates of costs-to-completion are expected to be available in the second quarter 2010. This project is expected to be financed from existing reserves and future cash flows.

**TRI-DAM PROJECT**  
**Notes to Financial Statements**  
**December 31, 2009**

**Note 6 - Distributions to Districts**

The Project provided the following cash distributions from surplus operation funds:

	2009	2008
Oakdale Irrigation District	\$ 6,500,000	\$ 9,400,000
South San Joaquin Irrigation District	6,500,000	9,400,000
	\$ 13,000,000	\$ 18,800,000

**Note 7 - Risk Management**

The Project is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters, for which the Project carries commercial insurance. The Project carries, jointly with the Tri-Dam Power Authority, commercial insurance coverage which includes \$75 million on real and personal property (excluding dams and penstocks), \$15 million business income interruption coverage (30 days waiting period and 6 months period of indemnity). The Project also carries \$1 million general liability for all owned vehicles. There were no settlements in 2009 that exceeded applicable coverage.

**Note 8 - Contingencies**

Water Rights: The SWRCB is in the process of updating its 1995 and 2006 Water Quality Control Plans. New San Joaquin River and Delta Salinity flow standards are expected to be adopted in late 2010 or 2011. Water rights hearings to enforce the new standards would then be held, which could take several years. The enforcement proceedings could require that the Districts contribute water to implement the standards. The amount of this potential exposure is not known at this time. The two Districts are parties to the San Joaquin River Agreement with the USBR and other state and federal agencies in which the two Districts agreed to contribute water to assist the USBR in implementing the 1995 and 2006 Plans, in lieu of regulatory enforcement against them. The Districts have contributed water to meet the flow standards in some years and have been paid for their commitment over the 10 year terms of the agreement. The SJRA expired after 10 years in 2009, but it has been extended for an additional year. Negotiations to extend the SJRA for several more years are under way. If the SJRA is extended, the Districts' exposure to new water quality standards would be greatly minimized for so long as the new agreement is in effect.

Tulloch Power Generation: The CVPIA passed by Congress in 1992 provides for substantial changes in operation of the New Melones Reservoir. The impact of these changes upon power generation at the Tulloch plant cannot be presently determined, but may be significant because power generation at Tulloch is controlled by New Melones operating conditions.

**Note 9 - Defined Benefit Pension Plan**

Plan Description: All eligible full-time employees participate in the Project's defined benefit pension plan, administered through the California Public Employee's Retirement System, which provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. The California Public Employees' Retirement System (CalPERS) is an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law.

**TRI-DAM PROJECT**  
**Notes to Financial Statements**  
**December 31, 2009**

**Note 9 - Defined Benefit Pension Plan (continued)**

The Project selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local resolution (other local methods). The contract between the project and CalPERS was amended in 2009 to change the benefit for future retirees from “**2% at 55**” to **2.5% at 55**”. Additionally the Project funded \$514,000 towards unfunded retirement benefits and is amortizing that amount over 17 years. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California, 95814.

Funding Status and Progress: Participants are required to contribute 8% of their annual salary. That 8% is shared between the Project and the employees: the Project contributes approximately 5.7%, while the employees contribute 2.3%. The Employer is required to contribute at an actuarially determined rate of annual covered payroll. The contribution requirements of plan members and the Employer are established and may be amended by CalPERS. The required employer contribution rate for the July 1<sup>st</sup> CalPERS fiscal year 2010/2011 is estimated at 10.263% and at 11.6% for the 2011/2012 fiscal year.

Annual Pension Cost: The Project’s annual pension cost of \$ \$283,250 for 2009, and \$257,439 for 2008, to CalPERS was equal to the employer’s required and actual contributions. The required 2010 contribution is determined as part of the June 30, 2006, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) an 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.25% to 14.45% depending on age, service and type of employment, (c) an inflation rate of 3.0%, (d) a payroll growth rate of 3.25%, and (e) an individual salary growth merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.0% and an annual production growth of 0.25%.

**Three-Year Trend Information**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/07	\$ 245,253	100%	\$ -0-
6/30/08	\$ 257,439	100%	\$ -0-
6/30/09	\$ 283,250	100%	\$ -0-

Plan Description: All eligible full-time employees participate in the Project’s self-funded, self administered postretirement employee medical benefits plan. The Plan provides that the Project will continue to provide retired employees group medical coverage and that retired employees will reimburse the Project for one-half of their health insurance costs for up to ten years after retirement between the ages of 55 and 65 as long as the employee retires with at least ten years of service. At age 65 the retired employee is dropped from coverage and becomes eligible to participate in the federal government’s Medicare insurance program.

Funding Policy: The Project’s funding commitment is in accordance with a Memorandum of Understanding (MOU) with its employees and subject to change with each new MOU. The current MOU expires on February 29, 2012. Employees are not required to contribute to the plan. It is the policy of the Project to not fund the plan.

Annual Costs: The Project’s annual cost was \$13,013 for 2009, and \$12,399 for 2008.

**TRI-DAM PROJECT**  
**Notes to Financial Statements**  
**December 31, 2009**

**Note 10 - Other Postretirement Employee Benefits (OPEB)**

GASB 43 and 45: In accordance with the Governmental Accounting Standards Board (GASB) Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Project is required to report the actuarial accrued liability for the estimated future expenditures for the postemployment benefits other than pension plans, and the actuarial value of the plan assets, if any. The Project has no such assets to value. The description of the plan (arrangement) and the actuarial liability for the plan is discussed below.

Plan Description: All eligible full-time employees participate in the Project's self-funded, self administered postretirement employee medical benefits arrangement. The arrangement, as described in the Project's April 1, 2008 labor agreement (Memorandum of Understanding or MOU), requires that the Project provide eligible retired employees group medical coverage for up to ten years after retirement (between the ages of 55 and 65) as long as the employee retires with at least ten years of service and reimburses the Project for one-half of the premium costs. At age 65 the retired employee is dropped from coverage and becomes eligible to participate in the federal government's Medicare insurance program. The Project's medical insurance underwriter provides such insurance to the Project on the same terms as it does for current employees.

Participation: At December 31, 2009, 7 retired employees were drawing a benefit under this arrangement, an increase from 5 retirees at December 31, 2008. Remaining eligibility for the 7 retirees is between 1.5 years and 8.5 years. There are 19 employees who will be eligible for these post employment retirement benefits under the current arrangement. They have an average age of 48 and an average length of service of 11 years.

Funding Policy: The Project's funding commitment is in accordance with a Memorandum of Understanding (MOU) with its employees and is subject to change with each new MOU. The current MOU expires on February 29, 2012. Employees are not required to contribute to the plan. It is the policy of the Project to not fund the plan and to expense the Project's share of insurance premiums as incurred.

Annual Costs: The Project's annual cost was \$13,013 for 2009, and \$12,399 for 2008.

Actuarial Assumptions: The Project has calculated its December 31, 2009 OPEB obligation to be \$999,310. Actuarial assumptions include: (1) a growth in medical insurance premium costs of 8% per year, (2) a net present value of 4%, and (3) all eligible employees will retire as soon as they achieve 10 years of service, between the age of 55 and 65.

**Note 11 - New Pronouncements of the Governmental Accounting Standards Board**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 51, "**Accounting and Financial Reporting for Intangible Assets.**" This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The Project does not have any intangible assets that are the subject of this Statement.

**TRI-DAM PROJECT**  
**Notes to Financial Statements**  
**December 31, 2009**

**Note 11 - New Pronouncements of the Governmental Accounting Standards Board (continued)**

The GASB issued Statement No. 54, “**Fund Balance Reporting and Governmental Fund Type Definitions**,” issued in March 2009, initially distinguishes fund balance between amounts that are considered non-spendable, such as fund balance associated with long-term notes receivable or inventory, and other amounts that are classified as spendable based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Restricted - Amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.
- Committed - Amounts that can be used only for the *specific purposes* determined by a formal action of the government’s highest level of decision-making authority.
- Assigned - Amounts intended to be used by the government for *specific purposes* but do not meet the criteria to be classified as restricted or committed.
- Unassigned - The residual classification for the government’s general fund and includes all spendable amounts not contained in the other classifications.

The new standard also clarifies the definitions of individual governmental fund types. It also specifies how economic stabilization or “rainy day” amounts should be reported. Because of the specific nature of these accounts, the statement considers stabilization amount as *specific purposes*. Stabilization amounts should be reported in the general fund as restricted or committed if they meet the appropriate criteria. Only if the resources in the stabilization arrangement derive from a restricted or committed revenue source could a stabilization fund be reported as a special revenue fund.

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by this statement. The capital projects fund type was clarified for better alignment with the needs of financial statement users and prepares. Definitions are as follows:

- General fund - Account for and report all financial resources and uses not accounted for and reported in another fund.
- Special revenue funds - Account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- Capital projects funds - Account for and report financial resources that are restricted, committed, or assigned to the expenditure for capital outlays, including the acquisition of construction of capital facilities and other capital assets.
- Debt service funds - Account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.
- Permanent funds - Account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government’s programs, that is, for the benefit of the government or its citizenry.

The requirements of this Statement are effective for fiscal periods beginning after June 15, 2010 with earlier implementation encouraged.



***REQUIRED SUPPLEMENTARY INFORMATION***

**TRI-DAM PROJECT**  
**Schedule of Funding Progress**  
**Defined Benefit Pension Plan**  
**Year Ended December 31, 2009**

***Report Format***

Since the Project has less than 100 active members in each plan, it is required by CalPERS to participate in a risk pool. The following valuation reports the activity of the risk pool as a whole and not the specific activity of individual members such as the Project.

<u>Miscellaneous Plan - 2.5% at 55</u>	<u>Actuarial Valuation Date - Fiscal Year Ended</u>		
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Actuarial Accrued Liabilities (AL)	\$ 1,537,909,933	\$ 1,315,454,361	\$ 912,988,585
Actuarial Value of Assets (AVA)	\$ 1,337,707,835	\$ 1,149,247,298	\$ 787,758,909
Unfunded Liabilities (UL)	\$ 200,202,098	\$ 166,207,063	\$ 125,229,676
Funded Ratio (AVA/AL)	87.0%	87.4%	86.3%
Annual Covered Payroll	\$ 333,307,600	\$ 289,090,187	\$ 200,320,145
UL as a Percentage of Payroll	60.1%	57.5%	62.5%

*Note - Details of the defined benefit pension plan can be found in Note 9 of the financial statements. Information for the fiscal year ended June 30, 2009 has not been released by the Plan Actuary.*

***OTHER SUPPLEMENTARY INFORMATION***

**Tri-Dam Project**  
**Supporting Schedules of Expense**  
**Operations, Maintenance, General, and Administrative**

	<u>2009</u>	<u>2008</u>
<b><u>Donnells Facility</u></b>		
Operations		
Supervision wages and benefits	\$ 28,414	\$ 32,127
Hydraulic wages and benefits	9,717	11,778
Electric wages and benefits	190,795	176,922
Other wages and benefits	33,869	43,095
Supplies and materials	5,390	5,325
Total Operations	<u>268,186</u>	<u>269,246</u>
Maintenance		
Supervision wages and benefits	451	17,434
Structures wages and benefits	9,832	26,497
Reservoirs and dams wages and benefits	51,658	70,405
Electrical plant wages and benefits	31,345	101,146
Other wages and benefits	20,267	15,332
High voltage wages and benefits	3,403	33,173
Communications and security wages and benefits	32,523	18,279
Supplies and materials	79,766	103,294
Total Maintenance	<u>229,245</u>	<u>385,561</u>
<b>Total Donnells Facility</b>	<u>497,431</u>	<u>654,807</u>
 <b><u>Beardsley Facility</u></b>		
Operations		
Supervision wages and benefits	16,695	20,750
Hydraulic wages and benefits	49,371	22,643
Electric wages and benefits	150,707	146,601
Other wages and benefits	36,463	41,011
Supplies and materials	2,450	1,992
Total Operations	<u>255,686</u>	<u>232,996</u>
Maintenance		
Supervision wages and benefits	604	15,819
Structures wages and benefits	35,306	36,980
Reservoirs and dams wages and benefits	48,669	24,950
Electrical plant wages and benefits	36,917	53,366
Other wages and benefits	10,546	9,217
High voltage wages and benefits	7,342	131
Communications and security wages and benefits	10,176	9,394
Supplies and materials	40,439	22,081
Total Maintenance	<u>190,000</u>	<u>171,940</u>
General and Administrative		
Other wages and benefits	3,809	-
USFS Resource Management Support	8,262	8,126
Total General & Administrative Beardsley	<u>12,071</u>	<u>8,126</u>
<b>Total Beardsley Facility</b>	<u>457,757</u>	<u>413,061</u>

**Tri-Dam Project**  
**Supporting Schedules of Expense**  
**Operations, Maintenance, General, and Administrative**

	2009	2008
<b><u>Tulloch Facility</u></b>		
Operations		
Supervision wages and benefits	\$ 17,415	\$ 19,755
Hydraulic wages and benefits	39,443	24,703
Electric wages and benefits	180,861	179,665
Other wages and benefits	31,349	13,529
Supplies and materials	3,628	2,673
Total Operations	272,697	240,325
Maintenance		
Supervision wages and benefits	661	22,592
Structures wages and benefits	22,759	71,690
Reservoirs and dams wages and benefits	42,000	22,300
Electrical plant wages and benefits	123,256	19,412
Other wages and benefits	8,013	8,836
High voltage wages and benefits	4,462	810
Communications and security wages and benefits	15,547	9,681
Supplies and materials	57,162	24,870
Total Maintenance	273,860	180,190
General and Administrative		
Headwater Benefit Assessment	90,192	90,089
<b>Total Tulloch Facility</b>	<b>636,749</b>	<b>510,604</b>
 <b><u>Goodwin Facility</u></b>		
Operations		
Supervision wages and benefits	28,494	29,505
Hydraulic wages and benefits	25,653	22,726
Electric wages and benefits	89,963	92,399
Other wages and benefits	-	1,395
Supplies and materials	2,952	1,718
Total Operations	147,062	147,743
Maintenance		
Supervision wages and benefits		2,044
Structures wages and benefits	1,447	1,318
Reservoirs and dams wages and benefits	2,419	2,258
Other wages and benefits	-	1,234
Communications and security wages and benefits	2,406	6,105
Supplies and materials	1,481	22
Total Maintenance	7,753	12,981
General and Administrative		
Administrative wages and benefits	9,355	8,876
Contract Services	2,138	1,960
Property insurance	5,028	3,602
Dam safety fees	11,593	11,717
Streamgaging	55,658	53,058
Other	2,400	2,400
Total General & Administrative Goodwin	86,171	81,612
<b>Total Goodwin Facility</b>	<b>240,986</b>	<b>242,337</b>

**Tri-Dam Project**  
**Supporting Schedules of Expense**  
**Operations, Maintenance, General, and Administrative**

	<u>2009</u>	<u>2008</u>
<b><u>Mt Elizabeth Facility</u></b>		
Operations		
Supplies and materials	\$ 10,106	\$ 9,911
Maintenance		
Supervision wages and benefits	-	2,571
Structures wages and benefits	1,337	532
Other wages and benefits	1,970	1,420
Communications and security wages and benefits	14,396	6,767
Supplies and materials	3,277	
Total Maintenance	<u>20,980</u>	<u>11,290</u>
<b>Total Mt. Elizabeth Facility</b>	<u>31,086</u>	<u>21,201</u>
 <b><u>Strawberry Peak Facility</u></b>		
Operations		
Supplies and materials	6,515	6,039
Maintenance		
Supervision wages and benefits	473	1,440
Structures wages and benefits	1,467	2,692
Other wages and benefits	2,202	2,130
Communications and security wages and benefits	7,791	8,048
Supplies and materials	1,146	15,791
Total Maintenance	<u>13,080</u>	<u>30,101</u>
<b>Total Strawberry Peak</b>	<u>19,595</u>	<u>36,140</u>
 <b><u>Operations Center</u></b>		
Operations		
Supervision wages and benefits	17,358	22,196
Hydraulic wages and benefits	4,664	2,433
Electric wages and benefits	62,358	44,978
Supplies and materials	5,082	3,595
Total Operations	<u>89,462</u>	<u>73,203</u>
Maintenance		
Supervision wages and benefits	-	330
Structures wages and benefits	4,272	486
Other wages and benefits	1,633	-
Communications and security wages and benefits	37,919	16,674
Supplies and materials	17,307	3,213
Total Maintenance	<u>61,130</u>	<u>20,703</u>
<b>Total Operations Center</b>	<u>150,593</u>	<u>93,905</u>

**Tri-Dam Project**  
**Supporting Schedules of Expense**  
**Operations, Maintenance, General, and Administrative**

	2009	2008
<b><u>Service Center Facilities</u></b>		
Operations		
Hydraulic wages and benefits	\$ 13,536	\$ 115
Maintenance		
Supervision wages and benefits	574	934
Structures wages and benefits	1,276	1,257
Equipment wages and benefits	-	28,282
Communications and security wages and benefits	3,835	222
Supplies and materials	185,540	159,657
Total Maintenance	191,225	190,353
<b>Total Service Center</b>	204,761	190,468
 <b><u>Division Point Facility</u></b>		
Operations		
Supervision wages and benefits	17,790	19,910
Hydraulic wages and benefits	21,787	20,918
Electric wages and benefits	91,027	90,217
Supplies and materials	1,746	1,369
Total Operations	132,350	132,414
Maintenance		
Supervision wages and benefits	-	2,979
Structures wages and benefits	245	636
Reservoirs and dams wages and benefits	2,103	486
Other wages and benefits	1,652	316
Communications and security wages and benefits	10,639	3,899
Supplies and materials	1,319	609
Total Maintenance	15,957	8,924
<b>Total Division Point</b>	148,308	141,337
 <b>Total Operations &amp; Maintenance</b>	 \$ 2,387,265	 \$ 2,303,861

**Tri-Dam Project**  
**Supporting Schedules of Expense**  
**Operations, Maintenance, General, and Administrative**

	<b>2009</b>	<b>2008</b>
<b><u>General and Administrative</u></b>		
Outside services	\$ 2,408,235	\$ 2,816,384
Administrative wages and benefits	440,288	385,693
FERC license fees	255,488	284,586
Property insurance	230,591	226,338
Safety fees and expense	108,433	102,105
Other wages and benefits - mobile equip. operation	36,607	59,189
Streamgaging	70,730	48,324
Office supplies and expense	50,003	38,755
Utilities	28,402	27,303
Meals allowances and travel expense	16,126	17,032
Telephone, internet, data links	16,236	15,473
Miscellaneous	35,813	13,141
Computer supplies	9,004	6,841
State Water Rights fees	20,959	2,012
Professional organizations	3,600	1,500
County taxes	1,186	1,313
<b>Total General and Administrative</b>	<b>3,731,702</b>	<b>4,045,987</b>
 <b><u>Depreciation and Amortization</u></b>		
Depreciation Capital Assets	1,117,053	1,006,426
Amortization Relicensing	63,819	63,819
Total Depreciation and Amortization	<b>1,180,872</b>	<b>1,070,245</b>
 <b>GRAND TOTAL - ALL EXPENSES</b>	<b>\$ 7,299,839</b>	<b>\$ 6,349,848</b>
 <b><u>Recapitulation</u></b>		
Operations	\$ 1,195,599	\$ 1,111,993
Maintenance	1,003,231	1,012,041
General and administrative	3,920,136	4,225,814
subtotal	6,118,966	6,349,848
Depreciation and amortization	1,180,872	1,070,245
Grand Total - All Expenses	<b>\$ 7,299,838</b>	<b>\$ 7,420,093</b>



