



Rock Island Project Update

Presentation to the Executive Team and Board, August 2010

Update on RI Modernization and Project Evaluation

Response to Economic Drivers

Introduction

The RI Modernization plan has been reviewed and changes are proposed based on District economic needs

Overall Objectives

Operational – Contractual – Economic

- Maintain the required reliability at RI Hydro, primarily PHI
- Assure that money invested is going to provide the highest return
- Maintain our construction contract advantages and relationships
- Utilize existing equipment
- Perform work internally wherever possible

Modernization Progress

- Civil structure
- Dewatering Systems
- Cranes
- Electrical system improvements 95%
- Mechanical system improvements 90%
- Fire and safety improvements 85%
- Units completed - B10, B3, B4

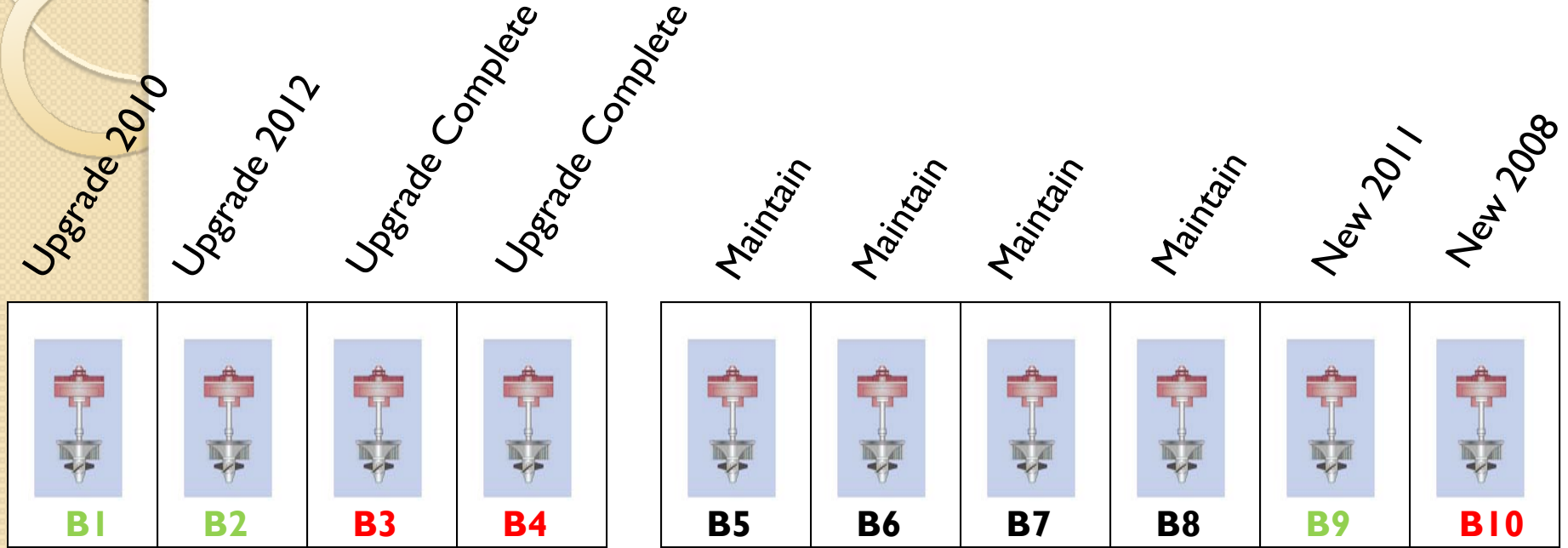
Financial Modeling / Decision Analysis

- Key Attributes of Decision
 - Stressed Financial Position of District (2009-2011)
 - Run Time percentages of units
 - Unit dispatch opportunities
 - Unit efficiencies
 - Outage impacts – short and long term
 - Fish Spill %
 - Powerhouse II Unit Assessment
 - Integration with long term view of entire Rock Island facility modernization
 - Equipment purchased or currently being manufactured
 - Existing contracts with Andritz and Voith

The Recommended Plan

- Conservative investment at PH1
Address (6) units
Rehab B1 – B4
Modernize B9 and B10
- Determine estimated remaining life of PH2 units

PHI Generating Units



Future O&M

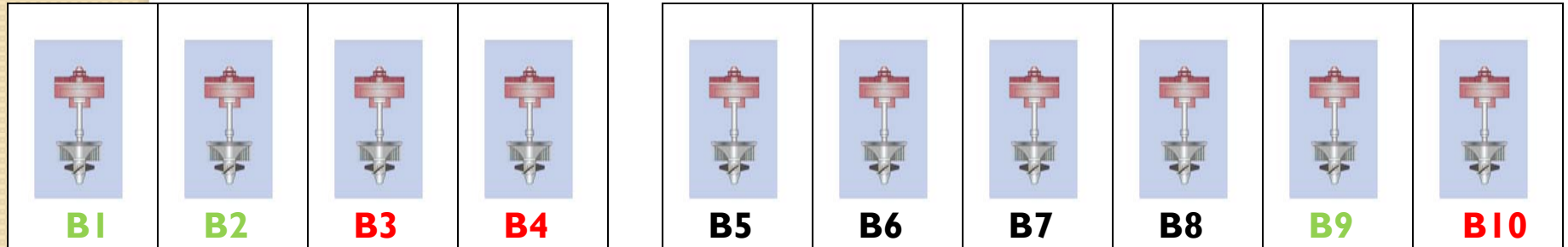


Work Completed



Future Upgrades/Replacements

PHI Generating Units



Financial Impacts: Big Picture

	Capital Expenditures: (Approx. Total Spend Thru 2012)	
	Plan: Early 2008-2009:	Plan: Proposed: **
	\$ Millions	\$ Millions
Ancillary Work (essentially complete) Transformers, Cranes, Entrance Modifications, Other:	~24	~24
Rehab 4 Units (B1-B4): B3-B4 Complete	~20	~20
Modernize Units Unit B10: Complete (~\$37 Million): Proposed and early 2008/2009 1 More Unit (1 of 5) (B9) (~\$26 Million) : Proposed Turbine Runner of 3 rd unit (~\$3 Million) : Proposed 4 More Units (4 of 5) (B5-B9) (~\$95 Million): Early 2008/2009	~132	~66
Total	~176*	~110
Total Cost Deferral (approximation)		~\$60 to \$70

* Note: If additional / 10th unit fully rehabbed it is estimated an additional cost of ~\$24 Million required or an estimated total cost of ~\$200 Million. 10th unit never in budget nor approved by purchasers.

** Includes U Unit Assessment (Powerhouse II)

Summary

- Modernize/Rehab (6) units
- Maintain (4) units as required
- Assess and respond to units at PH2
- We plan to keep units available at the least annual cost
- Risk management approach becomes more reactive