
Appendix I

Financial Assurance Plan

ADMIRALTY INLET PILOT TIDAL PROJECT
FERC PROJECT NO. 12690

FINANCIAL ASSURANCE PLAN
(submitted with the Final Application for a New Pilot Project License)

Submitted by:
Public Utility District No. 1 of Snohomish County



February 29, 2012

FINANCIAL ASSURANCE PLAN **for the Admiralty Inlet Pilot Tidal Project**

The Commission whitepaper on licensing hydrokinetic pilot projects requires a proposed licensee to include with the Final License Application a proposed plan for assuring that the licensee has the financial resources to remove the Project and restore the site before the end of the pilot project license unless a standard license is obtained. The Commission's standard license articles for such pilot projects include both financial and non-financial options, such as insurance, corporate guarantee, letter of credit, and a fully funded trust fund. The intent is to ensure that the licensee has the wherewithal and commitment to completely and adequately remove and restore the Project in accordance with the Project Removal and Site Restoration Plan submitted with the final license application (see Appendix C to the final license application).

Public Utility District No. 1 of Snohomish County, Washington (the District), is a non-profit consumer-owned utility district providing electrical power to more than 320,000 residential and commercial customers in Snohomish County and on neighboring Camano Island. Despite the economic downturn, Snohomish County continues to exhibit population growth and the District's customer base has continued to increase, with the District receiving 3,100 requests for new electric service connections in 2010. This continued growth in the customer base contributed to another strong financial year for the District in 2010, when electrical system operating revenue exceeded \$570,000,000.

In conjunction with the sale of bonds in October 2011 to fund several capital construction projects, the District secured ratings affirmations from Moody's Investors Service, Standard & Poor's, and Fitch Ratings of Aa3, AA-, and AA-, respectively. These outstanding ratings from the bond market confirm that the District is managing its finances in a prudent manner and keeping its cost of borrowing low. The strong ratings are noteworthy in the current market given rating agencies are increasingly risk adverse due to the national recession.

As part of its financial strategy and to comply with certain legal and bond requirements, the District maintains a certain level of reserves in several different reserve accounts. In Resolution No. 5319, and prior Resolutions cited therein, the District's governing Board of Commissioners established several financial reserve funds. The general reserve policies stated in Resolution No. 5319 include structuring reserve funds to enable the District to prudently and consistently meet its financial obligations and to mitigate risks from unforeseen financial variability. The Board of Commissioners has funded the various reserve accounts to accomplish these policies.

In addition to its strong financial position, the District is a long-standing member of the local community. The District was formed by a vote of the people in 1936, and began providing electrical service in 1949. The District's operations are overseen, and its policy is set, by a three member Board of Commissioners. Each Commissioner is publicly elected and serves a six year term. This assures local control over the utility, its policies, and its overall operations. The District proposes to locate the Project approximately 25 miles from the District's headquarters in Everett, Washington, and less than 8 miles from the edge of the District's service territory. One of the key advantages to locating the Project in the utility's backyard is the ability to remain responsive to local concerns.

The District's credit rating, strong financial performance, reserve levels, and stable, long-standing relationship with the community provides sufficient guarantee of the resources and commitment to remove the Project and restore the site should a standard license not be issued.