

Amended Fiscal Year 2023 Columbia Generating Station Annual Operating Budget



Prepared 7/27/22

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Summary

Energy Northwest's Columbia Generating Station (Columbia) is a 1,174 megawatt boiling water nuclear power station utilizing a General Electric nuclear steam supply system. The project is located on the Department of Energy's Hanford Reservation near Richland, Washington. The project began commercial operation in December 1984.

This Columbia Generating Station Fiscal Year 2023 Annual Operating Budget has been prepared by Energy Northwest pursuant to the requirements of Board of Directors Resolution No. 640, the Project Agreement, and the Net Billing Agreements. This document includes all capitalized and non-capitalized costs associated with the project for Fiscal Year 2023. In addition, this document includes all funding requirements.

The total cost budget for Fiscal Year 2023 for Expense and Capital related costs are estimated at \$689,452,000 (Table 2), with associated total funding requirements of \$717,538,000 (Table 5). Using the Memorandum of Agreement basis for measuring Columbia's costs, budget requirements for Fiscal Year 2023 have been established at \$437,963,000 (Table 1). In Fiscal Year 2023, Bonneville Power Administration will be directly paying the funding requirements on a monthly basis under the provisions of the Direct Pay Agreements. This will take the net billing requirements to zero, for the statements which are normally sent to participants in the project and will be paid in accordance with the terms of the Net Billing Agreements. The Net Billing Agreements are still in place, but the direct cash payments from Bonneville Power Administration will simply take the participant payment amounts to zero. In the Direct Pay Agreements, Energy Northwest agreed to promptly bill each participant its share of the costs of the project under the Net Billing Agreements, if Bonneville fails to make a payment when due under the Direct Pay Agreements. Fiscal Year 2023 Capital costs will be funded by bond proceeds and are not included in the Fiscal Year 2023 direct pay requirements. Total direct pay requirements of \$430,172,000 (Table 5) will be the basis for billing directly to Bonneville Power Administration.

This budget is presented on a cost basis and includes a cost to cash reconciliation (Table 4) converting cost data to a cash basis. The Columbia Generating Station's Annual Budget (Table 5) is required by the various project agreements.

Comparison of the Amended Fiscal Year 2023 Budget is made to the Amended Budget for Fiscal Year 2023, dated April 27, 2022.

Table 1
Memorandum of Agreement (MOA) (1)
(Dollars in Thousands)

<u>Description</u>	<u>Amended FY 2023 Budget</u>	<u>Original FY 2023 Budget</u>	<u>Variance</u>
Baseline	\$ 149,024	\$ 149,024	\$ -
Allocations O&M	74,183	74,183	-
Expense Projects	34,633	34,633	-
FY 2022 Transfer to FY 2023	2,370	-	2,370
Risk Reserve	2,594	2,594	-
Operations & Maintenance Total	\$ 262,804	\$ 260,434	\$ 2,370
Capital Projects	\$ 78,057	\$ 78,057	\$ -
Allocations Capital	33,570	33,570	-
FY 2022 Transfer to FY 2023	5,580	-	5,580
Risk Reserve	10,668	10,668	-
Capital Total	\$ 127,875	\$ 122,295	\$ 5,580
Nuclear Fuel Related Costs	\$ 47,284	\$ 47,284	\$ -
Fuel Total	\$ 47,284	\$ 47,284	\$ -
Total	\$ 437,963	\$ 430,013	\$ 7,950
Net Generation (GWh)	8,657	8,731	(74)
Cost of Power (\$/MWh)	\$ 50.59	\$ 49.25	\$ 1.34

- (1) Columbia costs as defined by the Memorandum of Agreement between Energy Northwest and BPA. This measure includes operations and maintenance, capital additions and fuel related costs as well as an appropriate allocation of indirect costs (such as employee benefits, A&G, and information technology expenses).

Table 2
Summary of Costs
(Dollars in Thousands)

<u>Description</u>	<u>Amended FY 2023 Budget</u>	<u>Original FY 2023 Budget</u>	<u>Variance</u>
<u>Controllable Expense</u>			
Energy Northwest Labor	\$ 72,303	\$ 72,303	\$ -
Base Non-Labor	54,662	54,662	-
Expense Projects Non-Labor (1)	32,992	32,992	-
Incremental Outage	23,700	23,700	-
Allocations	74,183	74,183	-
FY2022 Transfer to FY2023	2,370	-	2,370
O&M Risk Reserve	2,594	2,594	-
Subtotal Controllable	\$ 262,804	\$ 260,434	\$ 2,370
<u>Incremental</u>			
Nuclear Fuel Amortization	\$ 47,284	\$ 47,284	\$ -
Generation Taxes	5,395	5,395	-
Subtotal Incremental	\$ 52,679	\$ 52,679	\$ -
<u>Fixed</u>			
Treasury Related Expenses (2)	\$ 122,744	\$ 122,744	\$ -
Decommissioning (3)	33,049	33,049	-
Depreciation	90,301	90,301	-
Subtotal Fixed	\$ 246,094	\$ 246,094	\$ -
Total Operating Expense	\$ 561,577	\$ 559,207	\$ 2,370
<u>Capital</u>			
Energy Northwest Labor	\$ 3,389	\$ 3,389	\$ -
Capital Projects Non-Labor (4)	74,668	74,668	-
Indirect Allocations	33,570	33,570	-
FY2022 Transfer to FY2023	5,580	-	5,580
Capital Risk Reserve	10,668	10,668	-
Total Capital	\$ 127,875	\$ 122,295	\$ 5,580
Total Expense and Capital	\$ 689,452	\$ 681,502	\$ 7,950

(1) See Table 5B (page 10).

(2) See Table 6 (page 11).

(3) Includes ISFSI Decommissioning.

(4) See Table 5A (page 10).

Table 3
Treasury Related Expenses
(Dollars in Thousands)

<u>Description</u>	<u>Amended FY 2023 Budget</u>	<u>Original FY 2023 Budget</u>	<u>Variance</u>
Interest Expense (1)	\$ 155,127	\$ 155,127	\$ -
Build America Bond Subsidy (2)	(3,458)	(3,458)	-
Interest on Note (3)	500	500	-
Commitment Fee on Note (3)	200	200	-
Amortized Financing Cost (4)	(30,096)	(30,096)	-
Investment Income (5)	(200)	(200)	-
Treasury Svcs/Paying Agent Fees (6)	671	671	-
Total	\$ 122,744	\$ 122,744	\$ -

Assumptions

- (1) Budget assumes approximately \$266.8 million in principal will be refunded in FY 2023 and approximately \$23.9 million will be repaid during FY 2023.
- (2) Build America Bonds were expected to receive a subsidy from the Treasury for 35% of the interest payments. Reductions have been implemented as part of the Congressional budget cuts.
- (3) A portion of Columbia bond interest expenses has been funded by lines of credit that enable the repayment of Bonneville federal debt obligations as part of the regional cooperation debt initiative.
- (4) The amortized financing costs are driven by the amortization of the premiums on bond issues.
- (5) Includes income on investment of monies held in the Interest and Principal Accounts and the Capital Fund which can be transferred periodically to the Revenue Fund. Projected investment income earning rates are forecasted to average 0.20%.
- (6) Includes all non-interest costs of banking, debt and internal labor and overheads.

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Table 4
Cost-to-Cash Reconciliation
(Dollars in Thousands)

Description	FY 2023 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2023 Total Cash
<u>Operating</u>						
Controllable - Expense	\$ 262,804	\$ -	\$ -	\$ -	\$ -	\$ 262,804
Controllable - Capital	127,875	-	919	-	-	128,794
Nuclear Fuel	47,284	(47,023)	40,509	-	-	40,770
Fuel Litigation	-	-	185	-	-	185
Spares/Inventory Growth	-	-	2,947	-	-	2,947
Generation Taxes	5,395	-	564	-	-	5,959
Subtotal Operating	\$ 443,358	\$ (47,023)	\$ 45,124	\$ -	\$ -	\$ 441,459
<u>Fixed Expenses</u>						
Treasury Related Expense						
Interest on Bonds	\$ 155,127	\$ -	\$ -	\$ -	\$ -	\$ 155,127
Build America Bond Subsidy	(3,458)	-	-	-	-	(3,458)
Interest on Note Payable	500	-	-	-	-	500
Commitment Fee on Note	200	-	-	-	-	200
Payoff of Note Principal	-	-	94,380	-	-	94,380
Bond Retirement	-	-	23,910	-	-	23,910
Amortized Cost	(30,096)	30,096	-	-	-	-
Investment Income-Revenue Fund	(200)	-	-	127	-	(73)
Treasury Services	671	-	-	-	-	671
Decommissioning and Site Restoration(1)	32,815	(32,815)	4,557	-	-	4,557
ISFSI Decommissioning	234	(234)	265	-	-	265
Depreciation	90,301	(90,301)	-	-	-	-
Subtotal Fixed Expenses	\$ 246,094	\$ (93,254)	\$ 123,112	\$ 127	\$ -	\$ 276,079
Total	\$ 689,452	\$ (140,277)	\$ 168,236	\$ 127	\$ -	\$ 717,538

(1) Decommissioning and Site Restoration paid directly by the Bonneville Power Administration

Note: Controllable cost and cash is equal due to BPA decision to Direct Pay and the institution of contractor time & labor.

Table 5
Annual Budget
Statement of Funding Requirements (Revenue Fund)
(Dollars in Thousands)

<u>Description</u>	Amended		Original	Variance
	FY 2023	FY 2023	FY 2023	
	<u>Budget</u>	<u>Budget</u>		
<u>Operating</u>				
Controllable Expense	\$ 262,804	\$ 260,434	\$	2,370
Controllable Capital	128,794	123,214		5,580
Nuclear Fuel	40,770	40,770		-
Fuel Litigation	185	185		-
Spares/Inventory Growth	2,947	2,947		-
Generation Taxes	5,959	5,959		-
Subtotal Operating Requirements	\$ 441,459	\$ 433,509	\$	7,950
<u>Fixed</u>				
Treasury Related Expenses				
Interest on Bonds	\$ 155,127	\$ 155,127	\$	-
Build America Bond Subsidy	(3,458)	(3,458)		-
Interest on Note	500	500		-
Note Commitment Fee	200	200		-
Payoff of Note Principal	94,380	94,380		-
Bond Retirement (1)	23,910	23,910		-
Investment Income-Revenue Fund	(73)	(73)		-
Treasury Services/Paying Agent Fees	671	671		-
Decommissioning and Site Restoration Costs (2)	4,557	4,557		-
ISFSI Decommissioning Costs (2)	265	265		-
Subtotal Fixed	\$ 276,079	\$ 276,079	\$	-
Total Funding Requirements	\$ 717,538	\$ 709,588	\$	7,950
<u>Funding Sources</u>				
Direct Pay from BPA / Net Billing (3)	\$ 430,172	\$ 430,172	\$	-
Excess Direct Pay from FY2022	2,370	-		2,370
Note / Line of Credit Draws (4)	28,500	28,500		-
Bond Proceeds (Capital) (5)	128,794	123,214		5,580
Bond Proceeds (Interest / LOC) (6)	57,000	57,000		-
Fuel Revenue	65,880	65,880		-
Line of Credit / Fuel Revenue (7)	-	-		-
Bonneville Direct Funding Decommissioning (2)	4,822	4,822		-
Total Funding Sources	\$ 717,538	\$ 709,588	\$	7,950

(1) \$266.8 million of maturing July 2023 bonds are expected to be extended while \$23.9 million will be repaid.

(2) BPA directly funds the requirements for the Decommissioning and Site Restoration Funds on behalf of Energy Northwest.

(3) Bonneville will direct pay the monthly funding requirements under the provisions of the Direct Pay Agreement.

(4) Draws against Note / Line of Credit for Tax-Exempt Interest Expense in January 2023.

(5) Bond Proceeds do not include any funding related to the Energy Northwest Office Complex.

(6) Approximately \$57 million of interest expense is expected to be extended as part of Phase II of RCD.

(7) Line of Credit / Fuel Revenue includes proceeds related to the scheduled TVA revenue to be received by 9/30/22.

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