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## **The Truth about Columbia Generating Station's Cost of Power and Debt** *Unpublished Op-Ed submitted to the Tri-City Herald (July 2011)*

The article "Columbia Generating Station has \$3.6 billion in outstanding debt" (July 14) doesn't tell the whole story regarding that debt, and is misleading about Columbia's cost of power.

The original version that appeared in the Seattle Times (July 3) reported an inaccurate cost of power for Columbia, requiring the reporter to go back to her source, economist Jim Lazar, for clarification.

We contacted Lazar and found out he provided the reporter with information from a spreadsheet he created to figure Columbia's lifetime cost of power. The problem was he did not enter data for years after 2001. Since the number was used without context, readers were left with the false impression Columbia's power costs are unreasonably high.

When Lazar added the remaining years of plant life to his calculations, the cost of power figure dropped significantly (the figure reported in the Herald). So the number was lower – but still inaccurate.

Here's why.

In his method of calculating Columbia's cost of power, Lazar doesn't count credits we receive when the Bonneville Power Administration asks us to reduce power for economic dispatch (generally when there's high water flowing through the dams); and he doesn't exclude capital when he factors in our debt service – essentially double-dipping – which grossly inflates the cost-of-power number.

We don't "slice and dice" numbers. We use a standard, electricity industry formula to calculate cost of power. Columbia's average cost of power during the last 10 years (2001-2010) was 3 cents/kWh. Even with debt service included, that average cost of power is about 4 cents/kWh - still significantly lower than reported.

Furthermore, Columbia's projected cost of power for the next four years will average 3.8 cents/kWh. Besides hydropower, there is not another clean, baseload source of energy that touches that.

Prior to publication, the reporter did not ask Energy Northwest about power costs. Had that happened, we would have gladly shared this information.

Now about "our" debt.

Columbia's construction debt would have been paid off next year had we not partnered with BPA to enable them to pay down their higher-interest federal debt. Energy

Northwest uses its standing as a state joint operating agency to issue bonds with a lower interest rate than BPA can obtain through the federal Treasury. This refinancing partnership saves ratepayers hundreds of millions of dollars.

In fact, the idea to move forward with Energy Northwest's most recent bond sales (March and June 2011) grew out of concern last year for potential BPA power rate increases in the neighborhood of 12 to 20 percent for the 2012-2013 rate case. Energy Northwest and BPA's debt management actions translated into approximately \$220 million in reductions for the region's ratepayers in the 2012-2013 rate period, according to a BPA estimate, helping to limit the actual proposed increase to just over 8 percent. Through this plan, debt on Columbia is extended into the future, but it is no longer simply "our" debt.

Through its projects, a diverse mix of clean energy resources – solar, hydro, wind and nuclear – and through its actions, such as partnering with BPA, Energy Northwest is committed to providing cost-effective energy to meet the region's needs now, and into the future. With renewal of its license, Columbia will be a key part of that future, providing safe, clean, cost-effective baseload energy for the next 30 years.

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