

Fiscal Year 2009 Columbia Generating Station Annual Operating Budget



Prepared 4/24/08

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Summary

Energy Northwest's Columbia Generating Station (Columbia) is a 1,150 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 2009 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 2009. In addition this document includes all funding requirements.

Comparison of the Fiscal Year 2009 budget to the Fiscal Year 2008 Long Range Plan for Fiscal Year 2008 is included (Table 1).

The total cost budget for Fiscal Year 2009 for Expense and Capital related costs are estimated at \$603,381,000 (Table 3), with associated total funding requirements of \$565,253,000 (Table 9). Using the Memorandum of Agreement basis for measuring Columbia's costs, budget requirements for Fiscal Year 2009 have been established at \$397,468,000 (Table 1) including escalation. In Fiscal Year 2009, 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. Total direct pay requirements of \$475,655,000 (Table 10) will be the basis for billing directly to Bonneville Power Administration.

Comparison of the Fiscal Year 2009 budget is made to the original budget for Fiscal Year 2008 dated April 26, 2007.

This budget is presented on a cost basis and includes a cost to cash reconciliation (Table 9) converting cost data to a cash basis. Cost and cash data are presented on white and green pages, respectively. The Columbia Generating Station's Annual Budget (Table 10) is required by the various project agreements.

Key Assumptions/Qualifications

This budget is based upon the following key assumptions and qualifications:

- Fiscal Year 2009 cost of power is based on net generation of 8,239 GWh.
- There is a 38 day refueling outage planned for Fiscal Year 2009.
- Risk reserves consist of a total of \$22.6 million.
- Energy Northwest will finance some long-lived capital projects in the Fiscal Year 2009 budget, which will be funded by the issuance of bonds. The current estimate is for \$81,751,000 for Fiscal Year 2009.
- Known Security Projects are included.
- There are no dollars included to cover potential Washington taxes on GE settlement items.
- Interest on Debt includes interest on \$120,185,000 of principal maturing in July 2008 that will be refunded in the spring of 2008.
- Interest on Debt includes interest on \$50,000,000 of new money to finance Fiscal Year 2009 capital projects for bonds sold in Fiscal Year 2008.
- Refunding bonds totaling \$236,700,000 will be issued in the spring of 2007.
- All assumptions associated with Nuclear Fuel are referenced in the Columbia Fuel Plan Section.
- Other Specific Inclusions:
 - Sales tax calculated at 8.3 percent for appropriate items
 - Employee benefits at 34.5% for Fiscal Year 2009
 - Escalation of approximately \$1.9 million as follows:
 - Energy Northwest labor at 3.8% for 75% of the year (based on salary increases effective in October).

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

<u>Description</u>	<u>FY 2009</u> <u>Budget</u>	<u>FY 2008</u> <u>LRP for</u> <u>FY 2009 (2)</u>	<u>Variance</u>
Baseline	\$ 110,817	\$ 101,425	\$ 9,392
A & G	59,352	51,690	7,662
Incremental Outage	37,247	28,980	8,267
Expense Projects	58,347	51,547	6,800
Capital Projects	68,551	95,215	(26,664)
Risk Reserve	22,571	10,300	12,271
Nuclear Fuel Related Costs	40,583	41,146	(563)
Total	\$ 397,468	\$ 380,303	\$ 17,165
Net Generation (GWh)	8,239	8,452	(213)
Cost of Power (\$/MWh)	\$ 48.24	\$ 45.00	\$ 3.25

- (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).
- (2) Fiscal Year 2008 Long Range Plan for Fiscal Year 2009.

Table 2
Columbia Station Costs - Memorandum of Agreement Comparison (1)
(Dollars in Thousands)

<u>Description</u>	<u>FY 2009</u> <u>Budget</u>	<u>Original</u> <u>FY 2008</u> <u>Budget</u>	<u>Variance</u>
<u>Controllable Costs</u>			
Energy Northwest Labor	\$ 68,860	\$ 62,680	\$ 6,180
Baseline Non-Labor	49,610	44,425	5,185
Incremental Outage	33,911	974	32,937
Expense Projects Non-Labor	53,537	12,338	41,199
Capital Projects Non-Labor	60,139	33,966	26,173
Indirect Allocations	68,257	57,429	10,828
Risk Reserve	22,571	8,249	14,322
Subtotal Controllable	\$ 356,885	\$ 220,061	\$ 111,674
<u>Nuclear Fuel Related Costs</u>			
Nuclear Fuel Amortization	\$ 32,723	\$ 33,522	\$ (799)
Spent Fuel Fee	7,860	8,056	(196)
Subtotal Nuclear Fuel Related	\$ 40,583	\$ 41,578	\$ (995)
Total	\$ 397,468	\$ 261,639	\$ 110,679
Net Generation (GWh)	8,239	9,480	(1,241)
Cost of Power (\$/MWh)	\$ 48.24	\$ 27.60	\$ 20.64

(1) Columbia Costs as defined by the Memorandum of Agreement between Energy Northwest and BPA. This cost measure includes operations and maintenance and capital additions, fuel related costs as well as an appropriate allocation of indirect costs (such as employee benefits, and corporate programs).

Note: Fiscal Year 2008 budget numbers have been adjusted for comparison purposes.

Table 3
Summary of Costs
(Dollars in Thousands)

<u>Description</u>	<u>FY 2009 Budget</u>	<u>Original FY 2008 Budget</u>	<u>Variance</u>
<u>Controllable Expense :</u>			
Energy Northwest Labor (1)	\$ 68,860	\$ 62,680	\$ 6,180
Base Non-Labor	49,610	44,425	5,185
Expense Projects Non-Labor	53,537	12,338	41,199
Incremental Outage	33,911	974	32,937
Indirect Allocations (1)	68,257	57,429	10,828
Risk Reserve	9,371	3,869	5,502
Subtotal Controllable	<u>\$ 283,546</u>	<u>\$ 181,715</u>	<u>\$ 101,831</u>
<u>Incremental :</u>			
Nuclear Fuel Amortization	\$ 32,723	\$ 33,522	\$ (799)
Spent Fuel Disposal Fee	7,860	8,056	(196)
Generation Taxes	3,322	3,248	74
Subtotal Incremental	<u>\$ 43,905</u>	<u>\$ 44,826</u>	<u>\$ (921)</u>
<u>Fixed :</u>			
Treasury Related Expenses (2)	\$ 120,526	\$ 121,286	\$ (760)
Decommissioning (3)	6,457	6,337	120
Depreciation	75,608	74,794	814
Subtotal Fixed	<u>\$ 202,591</u>	<u>\$ 202,417</u>	<u>\$ 174</u>
Total Operating Expense	<u>\$ 530,042</u>	<u>\$ 428,958</u>	<u>\$ 101,084</u>
<u>Capital :</u>			
Downtown Buildings	180	312	(132)
Capital Projects Non-Labor	59,959	33,654	26,305
Capital Risk Reserve	13,200	4,380	8,820
Total Capital (4)	<u>\$ 73,339</u>	<u>\$ 38,346</u>	<u>\$ 34,993</u>
Total Expense and Capital	<u>\$ 603,381</u>	<u>\$ 467,304</u>	<u>\$ 136,077</u>

(1) Includes capital

(2) See Table 7 (page 12).

(3) Includes ISFSI Decommissioning.

(4) See Table 5A (page 9).

Table 4
Summary of Full Time Equivalent Regular Positions*(1)

<u>Description</u>	<u>FY 2009 Budget</u>	<u>Original FY 2008 Budget</u>	<u>Variance (2)</u>
VP Technical Services	404	393	11
CEO	1	1	-
VP Org. Performance/Staffing	52	50	2
VP Nuclear Generation	432	420	12
VP Energy Business Services (3)	24	24	-
VP Corporate Services/CFO	69	69	-
Total	982	957	25

* Does not include allocation of Corporate Full Time Equivalent Positions.

(1) Reflects average staffing for regular (non-temporary) employees.

(2) Excludes "Project" positions with job durations of up to five years. It also excludes FTEs for transition of new employees taking positions of retiring employees.

(3) Includes Environmental & Cal Lab support (20 Full Time Equivalent Postions).

Table 5
Projects Non-Labor
(Dollars in Thousands)

<u>Description</u>	FY 2009 Budget	Original FY 2008 Budget	Variance
<u>Capital Projects</u>			
Plant Modifications	\$ 47,196	\$ 33,568	\$ 13,629
Facilities Modifications	2,563	1,544	1,019
Information Technology	10,200	2,922	7,278
Downtown Buildings	180	312	(132)
Subtotal Capital Projects	\$ 60,139	\$ 38,346	\$ 21,793
<u>Expense Projects</u>			
Plant Modifications	\$ 51,715	\$ 14,697	37,018
Facilities Modifications	1,334	479	855
Information Technology	488	331	157
Subtotal Expense Projects	\$ 53,537	\$ 15,507	\$ 38,030
 Total	 \$ 113,676	 \$ 53,853	 \$ 59,823

Table 5A
Capital Projects Non-Labor Over \$1 Million
(Dollars in Thousands)

<u>Plant Modifications</u>	FY 2009 Budget
Condenser Replacement	\$ 16,250
Reactor Recirculation Pump 1B Motor Replacement	5,082
Intrusion Detection System	3,465
Portable Radio Obsolescence	3,268
Plant License Extension	3,107
Replace Condenser Flexible Seal	1,579
Replace Feedwater Drive Turbine 1B	1,279
Plant Access Road Upgrade	1,050
All Other Projects < \$1m	25,059
Total Capital Projects Non-Labor	\$ 60,139

Table 5B
Expense Projects Non-Labor Over \$1 Million
(Dollars in Thousands)

<u>Plant Modifications & Major Maintenance(MM)</u>	FY 2009 Budget
Major Valve Inspections	\$ 8,141
Vessel Services	5,522
ISI/NDE	5,429
Chemical Decontamination	4,746
Main Turbine Inspection	4,098
Disassemble & Inspect Main Steam Isolation Valves	1,518
Cooling Tower & Circulating Water Preventive Maintenance	1,416
Probabilistic Risk Assessment Scope	1,265
In-Processing	1,071
Flow Accelerated Corrosion Pipe Min Wall Inspection	1,052
Control Rod Drive Repair/Refurbishment	1,000
Alternate Decay Heat Removal	1,000
All Other Projects < \$1m	17,279
Total Expense Projects Non-Labor	\$ 53,537

Table 6
Incremental Outage Non-Labor
(Dollars in Thousands)

<u>Incremental Outage</u>	<u>FY 2009 Budget</u>
Site Support Contractor	\$11,170
Energy Northwest Overtime & Temps	7,475
Materials & Supplies	3,735
Health Physics Contract Support (Bartlett)	2,647
Construction & Maint.Services Contractor Support	2,646
Construction & Maint.Services Planners	1,138
Equipment, Vehicle & Trailer Rentals	1,092
USA Support	984
Unitech	865
Radwaste Disposal	823
Contractor Schedulers	504
Quality Assurance Contractors	460
Other Costs	372
Total Incremental Outage Non-Labor Costs	<u>\$ 33,911</u>

Table 7
Treasury Related Expenses
(Dollars in Thousands)

<u>Description</u>	FY 2009	Original	<u>Variance</u>
	<u>Budget</u>	FY 2008 <u>Budget</u>	
Interest Expense/Note (1)	\$ 126,335	\$ 123,851	\$ 2,484
Amortized Financing Cost	(4,175)	(168)	(4,007)
Investment Income (2)	(2,607)	(3,386)	779
Treasury Svcs/Paying Agent Fees (3)	973	989	(16)
Total	\$ 120,526	\$ 121,286	\$ (760)

Assumptions

- (1) Interest on the Note was decreased from 5.80% to 3.50%.
Interest expense includes interest on \$50,000,000 of new money to finance Fiscal Year 2009 capital projects. Interest expense includes interest on \$120,185,000 maturing in July 2008 that will be refunded.
- (2) Includes income on investment of monies held in the Interest and Principal Accounts and the Reserve and Contingency Fund which are transferred periodically to the Revenue Fund. Projected investment income earning rates are 2.50%.
- (3) Includes all non-interest costs of fixed rate debt and internal labor and overheads of \$191,000.

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Table 8
Cost-to-Cash Reconciliation
(Dollars in Thousands)

Description	FY 2009 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2009 Total Cash
<u>Operating</u>						
Controllable - Expense	\$ 275,134	\$ -	\$ -	\$ -	\$ -	\$ 275,134
Controllable - Capital	81,751	-	-	-	-	81,751
Nuclear Fuel	32,723	(32,723)	31,993	-	-	31,993
Spent Fuel Disposal Fee	7,860	(7,860)	8,671	-	-	8,671
Loaned Fuel Revenues	-	-	-	-	-	-
Spares	-	-	2,972	-	-	2,972
Generation Taxes	3,322	-	-	-	151	3,473
Subtotal Operating	\$ 400,790	\$ (40,583)	\$ 43,636	\$ -	\$ 151	\$ 403,994
<u>Fixed Expenses</u>						
Treasury Related Expense						
Interest on Bonds	\$ 125,882	\$ -	\$ -	\$ (581)	\$ -	125,301
Bond Retirement			28,000			28,000
Interest on Note	453	-	-	-	-	453
Amortized Cost	(4,175)	4,175	-	-	-	-
Investment Income-Revenue Fund	(2,607)	-	-	1,537	(862)	(1,932)
Treasury Services	973	-	-	-	-	973
Reserve & Contingency Fund (R&C)	-	-	5,532	-	-	5,532
Prior Year's R&C Fund Surplus	-	-	(5,010)	-	-	(5,010)
Decommissioning(1)	6,339	(6,339)	7,847	-	-	7,847
ISFSI Decommissioning	118	(118)	95	-	-	95
Depreciation	75,608	(75,608)	-	-	-	-
Subtotal Fixed Expenses	\$ 202,591	\$ (77,890)	\$ 36,464	\$ 956	\$ (862)	\$ 161,259
Total	\$ 603,381	\$ (118,473)	\$ 80,100	\$ 956	\$ (711)	\$ 565,253

(1) Decommissioning 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 9
Annual Budget
Statement of Funding Requirements (Revenue Fund)
(Dollars in Thousands)

<u>Description</u>	Original		Variance
	FY 2009 Budget	FY 2008 Budget	
<u>Operating</u>			
Controllable Expense	\$ 275,134	\$ 177,943	\$ 97,191
Controllable Capital	81,751	44,464	37,287
Nuclear Fuel	31,993	7,962	24,031
Spent Fuel Disposal	8,671	8,098	573
Loaned Fuel Revenues	-	-	0
Spares	2,972	5,797	(2,825)
Generation Taxes	3,473	2,872	601
Subtotal Operating Requirements	\$ 403,994	\$ 247,136	\$ 156,858
<u>Fixed</u>			
Treasury Related Expenses			
Interest on Bonds	\$ 125,301	\$ 122,199	\$ 3,102
Bond Retirement	28,000	-	28,000
Interest on Note	453	1,102	(649)
Investment Income-Revenue Fund	(1,932)	(3,388)	1,456
Treasury Services/Paying Agent Fees	973	989	(16)
Reserve & Contingency Fund (R&C)	5,532	6,041	(509)
Prior Year's R&C Surplus	(5,010)	(10,812)	5,802
Decommissioning Costs (1)	7,847	7,118	729
ISFSI Decommissioning Costs	95	91	4
Subtotal Fixed	\$ 161,259	\$ 123,340	\$ 37,919
Total Funding Requirements	\$ 565,253	\$ 370,476	\$ 194,777
<u>Funding Sources</u>			
Direct Pay from BPA / Net Billing(2)	\$ 475,655	\$ 318,894	\$ 156,761
Bond Financing of Capital Programs/Fuel	81,751	44,464	37,287
Bonneville Direct Funding Decommissioning	7,847	7,118	729
Total Funding Sources	\$ 565,253	\$ 370,476	\$ 194,777

- (1) BPA directly funds the requirements for the Decommissioning Fund on behalf of Energy Northwest.
- (2) Bonneville will direct pay the monthly funding requirements under the provisions of the Direct Pay Agreement.

Table 10
Monthly Statement of Funding Requirements
(Dollars in Thousands)

Description	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2009 Total
Beginning Balance	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
<u>Disbursements</u>													
<u>Operating</u>													
Controllable Expense	\$ 19,315	\$ 20,700	\$ 19,317	\$ 19,620	\$ 19,719	\$ 16,846	\$ 20,545	\$ 18,942	\$ 22,817	\$ 26,042	\$ 34,616	\$ 36,655	\$ 275,134
Controllable Capital	4,406	1,878	2,755	3,184	3,368	3,821	3,950	5,337	6,465	10,185	15,639	20,763	81,751
Nuclear Fuel In Process	2,666	2,666	2,666	2,666	2,666	2,666	2,666	2,666	2,666	2,666	2,666	2,667	31,993
Spent Fuel Disposal	-	2,168	-	-	2,168	-	-	2,168	-	-	2,167	-	8,671
Loaned Fuel Revenues	-	-	-	-	-	-	-	-	-	-	-	-	0
Spares	-	-	-	-	-	1,200	-	1,200	572	-	-	-	2,972
Generation Taxes	-	-	-	-	-	-	-	-	-	-	-	3,473	3,473
Subtotal Operating	\$ 26,387	\$ 27,412	\$ 24,738	\$ 25,470	\$ 27,921	\$ 24,533	\$ 27,161	\$ 30,313	\$ 32,520	\$ 38,893	\$ 55,088	\$ 63,558	\$ 403,994
<u>Fixed</u>													
Treasury Related Expenses													
Interest on Bonds	\$ 1,039	\$ 1,039	\$ 1,039	\$ 1,039	\$ 1,040	\$ 58,903	\$ 1,039	\$ 1,039	\$ 1,040	\$ 1,040	\$ 1,040	\$ 56,004	\$ 125,301
Bond Retirement (1)	-	-	-	-	-	-	-	-	-	-	-	28,000	28,000
Interest on Note	-	6	12	19	25	31	37	46	55	65	74	83	453
Investment Income	(928)	(54)	(54)	(54)	(54)	(159)	(57)	(57)	(57)	(57)	(57)	(344)	(1,932)
Treasury Services	455	6	11	6	13	18	46	13	17	7	114	76	782
Treasury Services (Labor)	16	16	16	16	16	16	16	15	16	16	16	16	191
R&C Fund (2)	461	461	461	461	461	461	461	461	461	461	461	461	5,532
Prior Year R&C Surplus	(5,010)	-	-	-	-	-	-	-	-	-	-	-	(5,010)
Decommissioning	654	654	654	654	654	654	654	654	654	654	654	653	7,847
ISFSI Decommissioning	8	8	8	8	8	8	8	8	8	8	8	7	95
Subtotal Fixed	\$ (3,305)	\$ 2,136	\$ 2,147	\$ 2,149	\$ 2,163	\$ 59,932	\$ 2,204	\$ 2,179	\$ 2,194	\$ 2,194	\$ 2,310	\$ 84,956	\$ 161,259
Total Disbursements	\$ 23,082	\$ 29,548	\$ 26,885	\$ 27,619	\$ 30,084	\$ 84,465	\$ 29,365	\$ 32,492	\$ 34,714	\$ 41,087	\$ 57,398	\$ 148,514	\$ 565,253
<u>Funding Sources</u>													
BPA Direct Pay (3)	\$ 18,022	\$ 27,016	\$ 23,476	\$ 23,781	\$ 26,062	\$ 79,990	\$ 24,761	\$ 26,501	\$ 27,595	\$ 30,248	\$ 41,105	\$ 127,098	\$ 475,655
Bond Proceeds	4,406	1,878	2,755	3,184	3,368	3,821	3,950	5,337	6,465	10,185	15,639	20,763	81,751
BPA - Decommissioning	654	654	654	654	654	654	654	654	654	654	654	653	7,847
Total Funding Sources	\$ 23,082	\$ 29,548	\$ 26,885	\$ 27,619	\$ 30,084	\$ 84,465	\$ 29,365	\$ 32,492	\$ 34,714	\$ 41,087	\$ 57,398	\$ 148,514	\$ 565,253
Ending Balance	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000

(1) It is assumed that \$28,000,000 of the bond retirement requirements will be paid off and \$96,295,000 will be funded from bond proceeds and extended.
(2) Newer bond resolutions eliminated R&C Requirements. Budgets reflect R&C for prior lien bonds only.
(3) BPA is billed, through the Direct Pay Agreements, one month in advance for the following month's expenses.

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