

Fiscal Year 2010 Columbia Generating Station Annual Operating Budget



Prepared 4/23/09

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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 2010 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 2010. In addition this document includes all funding requirements.

Comparison of the Fiscal Year 2010 budget to the Fiscal Year 2009 Long Range Plan for Fiscal Year 2009 is included (Table 1).

The total cost budget for Fiscal Year 2010 for Expense and Capital related costs are estimated at \$522,141,000 (Table 3), with associated total funding requirements of \$557,991,000 (Table 9). Using the Memorandum of Agreement basis for measuring Columbia's costs, budget requirements for Fiscal Year 2010 have been established at \$317,710,000 (Table 1) including escalation. In Fiscal Year 2010, 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 \$466,854,000 (Table 10) 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 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.

Comparison of the Fiscal Year 2010 budget is made to the original budget for Fiscal Year 2009, dated April 24, 2008.

Key Assumptions/Qualifications

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

- Fiscal Year 2010 cost of power is based on net generation of 9,258 GWh.
- There is no refueling outage planned for Fiscal Year 2010.
- Risk reserves consist of a total of \$4.8 million.
- Energy Northwest will finance capital projects in the Fiscal Year 2010 budget, which will be funded by the issuance of bonds. The current estimate is for \$82,462,000 for Fiscal Year 2010. These bonds will fund \$73,732,000 of plant projects and \$8,730,000 of fuel related projects.
- Known Security Projects are included.
- Interest on Debt includes interest on \$77,305,000 of principal maturing in July 2009 that will be refunded in the spring of 2009.
- Interest on Debt includes interest on \$70,000,000 of new money to finance Fiscal Year 2010 capital projects for bonds sold in Fiscal Year 2009.
- 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 2010
 - Escalation of approximately \$2.1 million as follows:
 - Energy Northwest labor at 4.1% 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 2010</u> <u>Budget</u>	<u>FY 2009</u>	
		<u>LRP for</u> <u>FY 2010 (2)</u>	<u>Variance</u>
Baseline	\$ 117,361	\$ 117,499	\$ (138)
A & G	62,800	66,855	(4,055)
Incremental Outage Expense Projects	954	1,552	(598)
Capital Projects	16,666	15,853	813
Risk Reserve	69,732	63,920	5,812
Nuclear Fuel Related Costs	4,793	7,777	(2,984)
Total	<u>\$ 317,710</u>	<u>\$ 317,713</u>	<u>\$ (3)</u>
Net Generation (GWh)	<u>9,258</u>	<u>9,258</u>	<u>-</u>
Cost of Power (\$/MWh)	<u>\$ 34.32</u>	<u>\$ 34.32</u>	<u>\$ (0.00)</u>

- (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 2009 Long Range Plan for Fiscal Year 2010.

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

<u>Description</u>	<u>FY 2010 Budget</u>	<u>Original FY 2009 Budget</u>	<u>Variance</u>
<u>Controllable Costs</u>			
Energy Northwest Labor	\$ 70,127	\$ 68,860	\$ 1,267
Baseline Non-Labor	51,814	49,610	2,204
Incremental Outage	880	33,911	(33,031)
Expense Projects Non-Labor	13,167	59,937	(46,770)
Capital Projects Non-Labor	60,478	68,139	(7,661)
Indirect Allocations	71,047	68,257	2,790
Risk Reserve	4,793	8,171	(3,378)
Subtotal Controllable	<u>\$ 272,306</u>	<u>\$ 356,885</u>	<u>\$ (83,991)</u>
<u>Nuclear Fuel Related Costs</u>			
Nuclear Fuel Amortization	\$ 36,415	\$ 32,723	\$ 3,692
Spent Fuel Fee	8,989	7,860	1,129
Subtotal Nuclear Fuel Related	<u>\$ 45,404</u>	<u>\$ 40,583</u>	<u>\$ 4,821</u>
Total	<u>\$ 317,710</u>	<u>\$ 397,468</u>	<u>\$ (79,170)</u>
Net Generation (GWh)	<u>9,258</u>	<u>8,239</u>	<u>1,019</u>
Cost of Power (\$/MWh)	<u>\$ 34.32</u>	<u>\$ 48.24</u>	<u>\$ (13.92)</u>

(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 2009 budget numbers have been adjusted for comparison purposes.

Table 3
Summary of Costs
(Dollars in Thousands)

<u>Description</u>	<u>FY 2010 Budget</u>	<u>Original FY 2009 Budget</u>	<u>Variance</u>
<u>Controllable Expense</u>			
Energy Northwest Labor (1)	\$ 70,127	\$ 68,860	\$ 1,267
Base Non-Labor	51,814	49,610	2,204
Expense Projects Non-Labor	13,167	59,937	(46,770)
Incremental Outage	880	33,911	(33,031)
Indirect Allocations (1)	71,047	67,965	3,082
Risk Reserve	793	2,971	(2,178)
Subtotal Controllable	<u>\$ 207,828</u>	<u>\$ 283,254</u>	<u>\$ (75,426)</u>
<u>Incremental</u>			
Nuclear Fuel Amortization	\$ 36,415	\$ 32,723	\$ 3,692
Spent Fuel Disposal Fee	8,989	7,860	1,129
Generation Taxes	3,807	3,322	485
Subtotal Incremental	<u>\$ 49,211</u>	<u>\$ 43,905</u>	<u>\$ 5,306</u>
<u>Fixed</u>			
Treasury Related Expenses (2)	\$ 118,364	\$ 120,526	\$ (2,162)
Decommissioning (3)	6,216	6,457	(241)
Depreciation	76,044	75,608	436
Subtotal Fixed	<u>\$ 200,624</u>	<u>\$ 202,591</u>	<u>\$ (1,967)</u>
Total Operating Expense	<u>\$ 457,663</u>	<u>\$ 529,750</u>	<u>\$ (72,087)</u>
<u>Capital</u>			
Downtown Buildings	\$ 3.00	\$ 180.00	\$ (177.00)
Capital Projects Non-Labor	60,475	67,959	(7,484)
Capital Risk Reserve	4,000	5,200	(1,200)
Total Capital (4)	<u>\$ 64,478</u>	<u>\$ 73,339</u>	<u>\$ (8,861)</u>
Total Expense and Capital	<u>\$ 522,141</u>	<u>\$ 603,089</u>	<u>\$ (80,948)</u>

(1) Includes capital

(2) See Table 7 (page 12).

(3) Includes ISFSI Decommissioning.

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

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

<u>Description</u>	<u>FY 2010 Budget</u>	<u>Original FY 2009 Budget</u>	<u>Variance</u>
VP Technical Services	281	275	6
CEO	1	1	-
VP Operational Support	276	254	22
VP Nuclear Generation	457	454	3
VP Energy Business Services (2)	23	24	(1)
VP Corporate Services/CFO	38	38	-
Total	1,076	1,046	30

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

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

Includes "Project" positions with job durations of up to five years. It also includes FTE's for transition of new employees taking positions of retiring employees.

(2) Includes Environmental & Cal Lab support (19 Full Time Equivalent Postions).

Table 5
Projects Non-Labor
(Dollars in Thousands)

<u>Description</u>	<u>FY 2010</u> <u>Budget</u>	<u>Original</u> <u>FY 2009</u> <u>Budget</u>	<u>Variance</u>
<u>Capital Projects</u>			
Plant Modifications	\$ 47,254	\$ 47,196	\$ 59
Facilities Modifications	1,475	2,563	(1,088)
Information Technology	11,746	10,200	1,546
Downtown Buildings	3	180	(177)
Subtotal Capital Projects	<u>\$ 60,478</u>	<u>\$ 60,139</u>	<u>\$ 339</u>
<u>Expense Projects</u>			
Plant Modifications	\$ 12,297	\$ 51,715	\$ (39,418)
Facilities Modifications	522	1,334	(812)
Information Technology	348	488	(140)
Subtotal Expense Projects	<u>\$ 13,167</u>	<u>\$ 53,537</u>	<u>\$ (40,370)</u>
Total	<u>\$ 73,645</u>	<u>\$ 113,676</u>	<u>\$ (40,031)</u>

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

<u>Plant Modifications</u>	<u>FY 2010 Budget</u>
Condenser Replacement	\$ 32,408
Plant License Extension	3,002
Passport Upgrade	2,820
Cooling Tower Fill Replacement	2,400
Plant Fire Detection System Upgrade	2,271
Radio Obsolescence	2,110
Simulator Input/Output Hardware Upgrade	1,256
Cyber Security	1,125
All Other Projects < \$1m	13,086
Total Capital Projects Non-Labor	\$ 60,478

Table 5B
Expense Projects Non-Labor Over \$300 Thousand
(Dollars in Thousands)

<u>Plant Modifications & Major Maintenance(MM)</u>	<u>FY 2010 Budget</u>
Spent Fuel Pool Cleanup	\$ 4,000
Electrical Wiring Diagram Drawings	936
Major Valve Inspections	893
Alternate Decay Heat Removal	700
PSA Upgrade - Scope & Capability	567
Turbine Building Outage Facility	553
Upgrade QC1 Cat 3 Drawings	406
Overhaul Transformer	390
Emergency Diesel Generator Maintenance	385
Minor Modifications	350
All Other Projects < \$300k	3,987
Total Expense Projects Non-Labor	\$ 13,167

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

<u>Incremental Outage</u>	<u>FY 2010 Budget</u>
Construction & Maint.Services Planners	\$350
Site Support Contractor	328
Energy Northwest Overtime & Temps	125
Trailer Lease & Demobilization	77
Total Incremental Outage Non-Labor Costs	<u>\$ 880</u>

Table 7
Treasury Related Expenses
(Dollars in Thousands)

<u>Description</u>	Original		<u>Variance</u>
	<u>FY 2010</u>	<u>FY 2009</u>	
	<u>Budget</u>	<u>Budget</u>	
Interest Expense (1)	\$ 124,657	\$ 126,335	\$ (1,678)
Amortized Financing Cost (2)	(7,393)	(4,175)	(3,218)
Investment Income (3)	(362)	(2,607)	2,245
Treasury Svcs/Paying Agent Fees (4)	1,462	973	489
Total	<u>\$ 118,364</u>	<u>\$ 120,526</u>	<u>\$ (2,162)</u>

Assumptions

- (1) Interest expense includes interest on \$70,000,000 of new money to finance Fiscal Year 2010 capital. Interest expense includes interest on \$77,305,000 maturing in July 2009 that will be refunded.
- (2) The amortized financing costs are driven by the amortization of the premiums on bond issues more than offsetting debt expense and loss on bonds.
- (3) 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 0.375%.
- (4) Includes all non-interest costs of fixed rate debt and internal labor and overheads of \$207,000.

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

Description	FY 2010 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2010 Total Cash
<u>Operating</u>						
Controllable - Expense	\$ 198,574	\$ -	\$ -	\$ -	\$ -	\$ 198,574
Controllable - Capital	73,732	-	8,730	-	-	82,462
Nuclear Fuel	36,415	(36,415)	3,446	-	-	3,446
Spent Fuel Disposal Fee	8,989	(8,989)	8,104	-	-	8,104
Loaned Fuel Revenues	-	-	-	-	-	-
Spares	-	-	5,773	-	-	5,773
Generation Taxes	3,807	-	-	(573)	-	3,234
Subtotal Operating	\$ 321,517	\$ (45,404)	\$ 26,053	\$ (573)	\$ -	\$ 301,593
<u>Fixed Expenses</u>						
Treasury Related Expense						
Interest on Bonds	\$ 124,657	\$ -	\$ -	\$ -	\$ -	124,657
Bond Retirement	-	-	125,005	-	-	125,005
Amortized Cost	(7,393)	7,393	-	-	-	-
Investment Income-Revenue Fund	(362)	-	-	173	(223)	(412)
Treasury Services	1,462	-	-	-	(781)	681
Reserve & Contingency Fund (R&C)	-	-	856	-	-	856
Prior Year's R&C Fund Surplus	-	-	(3,162)	-	-	(3,162)
Decommissioning(1)	6,124	(6,124)	8,675	-	-	8,675
ISFSI Decommissioning	92	(92)	98	-	-	98
Depreciation	76,044	(76,044)	-	-	-	-
Subtotal Fixed Expenses	\$ 200,624	\$ (74,867)	\$ 131,472	\$ 173	\$ (1,004)	\$ 256,398
Total	\$ 522,141	\$ (120,271)	\$ 157,525	\$ (400)	\$ (1,004)	\$ 557,991

(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		<u>Variance</u>
	FY 2010 <u>Budget</u>	FY 2009 <u>Budget</u>	
<u>Operating</u>			
Controllable Expense	\$ 198,574	\$ 275,134	\$ (76,560)
Controllable Capital	82,462	81,751	711
Nuclear Fuel	3,446	31,993	(28,547)
Spent Fuel Disposal	8,104	8,671	(567)
Spares	5,773	2,972	2,801
Generation Taxes	3,234	3,473	(239)
Subtotal Operating Requirements	<u>\$ 301,593</u>	<u>\$ 403,994</u>	<u>\$ (102,401)</u>
<u>Fixed</u>			
Treasury Related Expenses			
Interest on Bonds	\$ 124,657	\$ 125,301	\$ (644)
Bond Retirement	125,005	28,000	97,005
Interest on Note	-	453	(453)
Investment Income-Revenue Fund	(412)	(1,932)	1,520
Treasury Services/Paying Agent Fees	681	973	(292)
Reserve & Contingency Fund (R&C)	856	5,532	(4,676)
Prior Year's R&C Surplus	(3,162)	(5,010)	1,848
Decommissioning Costs (1)	8,675	7,847	828
ISFSI Decommissioning Costs	98	95	3
Subtotal Fixed	<u>\$ 256,398</u>	<u>\$ 161,259</u>	<u>\$ 95,139</u>
Total Funding Requirements	<u>\$ 557,991</u>	<u>\$ 565,253</u>	<u>\$ (7,262)</u>
<u>Funding Sources</u>			
Direct Pay from BPA / Net Billing(2)	\$ 466,854	\$ 475,655	\$ (8,801)
Bond Financing of Capital Programs/Fuel	82,462	81,751	711
Bonneville Direct Funding Decommissioning	8,675	7,847	828
Total Funding Sources	<u>\$ 557,991</u>	<u>\$ 565,253</u>	<u>\$ (7,262)</u>

(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 2010 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	\$ 16,000	\$ 16,250	\$ 16,004	\$ 16,100	\$ 16,110	\$ 16,400	\$ 16,800	\$ 17,250	\$ 16,875	\$ 16,520	\$ 17,100	\$ 17,165	\$ 198,574
Controllable Capital	10,475	6,500	6,100	7,440	5,900	6,150	7,047	7,450	6,890	6,360	6,200	5,950	82,462
Nuclear Fuel In Process	288	287	287	287	287	287	287	287	287	287	287	288	3,446
Spent Fuel Disposal	-	1,381	-	-	2,266	-	-	2,266	-	-	2,191	-	8,104
Spares	-	-	1,000	-	-	-	1,675	-	-	1,598	1,500	-	5,773
Generation Taxes	-	-	-	-	-	-	-	-	-	-	-	3,234	3,234
Subtotal Operating	\$ 26,763	\$ 24,418	\$ 23,391	\$ 23,827	\$ 24,563	\$ 22,837	\$ 25,809	\$ 27,253	\$ 24,052	\$ 24,765	\$ 27,278	\$ 26,637	\$ 301,593
<u>Fixed</u>													
Treasury Related Expenses													
Interest on Bonds	\$ 713	\$ 714	\$ 713	\$ 714	\$ 713	\$ 58,762	\$ 713	\$ 713	\$ 714	\$ 713	\$ 713	\$ 58,762	\$ 124,657
Bond Retirement (1)	-	-	-	-	-	-	-	-	-	-	-	125,005	125,005
Investment Income	(237)	(10)	(10)	(8)	(7)	(24)	(7)	(10)	(7)	(8)	(9)	(75)	(412)
Treasury Services	96	(685)	96	96	96	96	96	96	96	96	202	300	681
R&C Fund (2)	71	71	72	71	71	72	71	71	72	71	71	72	856
Prior Year R&C Surplus	(3,162)	-	-	-	-	-	-	-	-	-	-	-	(3,162)
Decommissioning	723	723	723	723	723	723	723	723	723	723	723	722	8,675
ISFSI Decommissioning	9	8	8	8	8	8	8	8	8	8	8	9	98
Subtotal Fixed	\$ (1,787)	\$ 821	\$ 1,602	\$ 1,604	\$ 1,604	\$ 59,637	\$ 1,604	\$ 1,601	\$ 1,606	\$ 1,603	\$ 1,708	\$ 184,795	\$ 256,398
Total Disbursements	\$ 24,976	\$ 25,239	\$ 24,993	\$ 25,431	\$ 26,167	\$ 82,474	\$ 27,413	\$ 28,854	\$ 25,658	\$ 26,368	\$ 28,986	\$ 211,432	\$ 557,991
<u>Funding Sources</u>													
BPA Direct Pay (3)	\$ 13,778	\$ 18,016	\$ 18,170	\$ 17,268	\$ 19,544	\$ 75,601	\$ 19,643	\$ 20,681	\$ 18,045	\$ 19,285	\$ 22,063	\$ 204,760	\$ 466,854
Bond Proceeds	10,475	6,500	6,100	7,440	5,900	6,150	7,047	7,450	6,890	6,360	6,200	5,950	82,462
BPA - Decommissioning	723	723	723	723	723	723	723	723	723	723	723	722	8,675
Total Funding Sources	\$ 24,976	\$ 25,239	\$ 24,993	\$ 25,431	\$ 26,167	\$ 82,474	\$ 27,413	\$ 28,854	\$ 25,658	\$ 26,368	\$ 28,986	\$ 211,432	\$ 557,991
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 \$125,005,000 of the bond retirement requirements will be paid off and \$34,000,000 will be funded from bond proceeds and extended.

(2) Budgets reflect R&C for prior lien bonds only. Newer bond resolutions eliminated R&C Requirements.

(3) BPA is billed, through the Direct Pay Agreements, one month in advance for the following month's expenses.

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