

Fiscal Year 2012 Columbia Generating Station Annual Operating Budget



Table of Contents

	<u>Table</u>	<u>Page</u>
Summary		3
Key Assumptions/Qualifications		4
Memorandum of Agreement (MOA)	Table 1	5
Columbia Station Costs - Memorandum of Agreement Comparison	Table 2	6
Summary of Costs	Table 3	7
Summary of Full Time Equivalent Positions	Table 4	8
Projects Non-Labor	Table 5	9
Capital Projects Non-Labor Over \$900 Thousand	Table 5A	10
Expense Projects Non-Labor Over \$200 Thousand	Table 5B	10
Incremental Outage Non-Labor	Table 6	11
Treasury Related Expenses	Table 7	12
Cost-to-Cash Reconciliation	Table 8	14
Statement of Funding Requirements	Table 9	15
Monthly Statement of Funding Requirements	Table 10	16

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 2012 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 2012. In addition this document includes all funding requirements.

Comparison of the Fiscal Year 2012 Budget to the Fiscal Year 2011 Long Range Plan for Fiscal Year 2012 is included (Table 1).

The total cost budget for Fiscal Year 2012 for Expense and Capital related costs are estimated at \$526,670,000 (Table 3), with associated total funding requirements of \$482,830,000 (Table 9). Using the Memorandum of Agreement basis for measuring Columbia's costs, budget requirements for Fiscal Year 2012 have been established at \$308,401,000 (Table 1) including escalation. In Fiscal Year 2012, 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 \$417,510,000 (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 8) 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 9) is required by the various project agreements.

Comparison of the Fiscal Year 2012 Budget is made to the original budget for Fiscal Year 2011, dated April 22, 2010.

Key Assumptions/Qualifications

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

- Fiscal Year 2012 cost of power is based on net generation of 9,373 GWh.
- There is no refueling outage planned for Fiscal Year 2012.
- Risk reserves consist of a total of \$3.3 million.
- Unknown NRC mandates are excluded.
- 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
 - Escalation of approximately \$1.81 million as follows:
 - Energy Northwest labor at 2.25% annualized.

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

<u>Description</u>	FY 2011		Variance
	FY 2012 Budget	LRP for FY 2012 (2)	
Baseline	\$ 125,383	\$ 125,909	\$ (526)
Indirect Allocations O&M	69,856	69,062	794
Incremental Outage	140	965	(825)
Expense Projects	11,132	10,475	657
Risk Reserve	1,325	1,425	(100)
Operations & Maintenance Total	\$ 207,836	\$ 207,836	\$ -
Capital Projects	\$ 44,463	\$ 39,470	\$ 4,993
Indirect Allocations Capital	5,001	8,000	(2,999)
Risk Reserve	2,019	4,013	(1,994)
Capital Total	\$ 51,483	\$ 51,483	\$ -
Nuclear Fuel Related Costs	\$ 49,082	\$ 52,473	\$ (3,391)
Fuel Total	\$ 49,082	\$ 52,473	\$ (3,391)
Total	\$ 308,401	\$ 311,792	\$ (3,391)
Net Generation (GWh)	9,373	9,370	3
Cost of Power (\$/MWh)	\$ 32.90	\$ 33.28	\$ (0.37)

- (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 2011 Long Range Plan for Fiscal Year 2012.

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

<u>Description</u>	<u>FY 2012</u> <u>Budget</u>	<u>Original</u> <u>FY 2011</u> <u>Budget</u>	<u>Variance</u>
Controllable Costs			
Energy Northwest Labor	\$ 76,329	\$ 76,481	\$ (152)
Baseline Non-Labor	54,051	53,683	368
Incremental Outage	140	35,018	(34,878)
Expense Projects Non-Labor	9,265	46,779	(37,514)
Capital Projects Non-Labor	41,333	81,881	(40,548)
Indirect Allocations	74,857	71,332	3,525
Risk Reserve	3,344	5,237	(1,893)
Subtotal Controllable	<u>\$ 259,319</u>	<u>\$ 370,411</u>	<u>\$ (112,724)</u>
Nuclear Fuel Related Costs			
Nuclear Fuel Amortization	\$ 40,277	\$ 30,583	\$ 9,694
Spent Fuel Fee	8,805	7,085	1,720
Subtotal Nuclear Fuel Related	<u>\$ 49,082</u>	<u>\$ 37,668</u>	<u>\$ 11,414</u>
Total	<u>\$ 308,401</u>	<u>\$ 408,079</u>	<u>\$ (101,310)</u>
Net Generation (GWh)	<u>9,373</u>	<u>7,298</u>	<u>2,075</u>
Cost of Power (\$/MWh)	<u>\$ 32.90</u>	<u>\$ 55.92</u>	<u>\$ (23.02)</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).

Table 3
Summary of Costs
(Dollars in Thousands)

<u>Description</u>	<u>FY 2012</u> <u>Budget</u>	<u>Original</u> <u>FY 2011</u> <u>Budget</u>	<u>Variance</u>
<u>Controllable Expense</u>			
Energy Northwest Labor	\$ 73,199	\$ 71,318	\$ 1,881
Base Non-Labor	54,051	53,683	368
Expense Projects Non-Labor	9,265	46,779	(37,514)
Incremental Outage	140	35,018	(34,878)
Indirect Allocations	69,856	64,018	5,838
Risk Reserve	1,325	3,000	(1,675)
Subtotal Controllable	\$ 207,836	\$ 273,816	\$ (65,980)
<u>Incremental</u>			
Nuclear Fuel Amortization	\$ 40,277	\$ 30,583	\$ 9,694
Spent Fuel Disposal Fee	8,805	7,085	1,720
Generation Taxes	4,394	3,375	1,019
Subtotal Incremental	\$ 53,476	\$ 41,043	\$ 12,433
<u>Fixed</u>			
Treasury Related Expenses (1)	\$ 126,026	\$ 113,596	\$ 12,430
Decommissioning (2)	7,433	6,540	893
Depreciation	80,416	78,053	2,363
Subtotal Fixed	\$ 213,875	\$ 198,189	\$ 15,686
Total Operating Expense	\$ 475,187	\$ 513,048	\$ (37,861)
<u>Capital</u>			
Energy Northwest Labor	\$ 3,130	\$ 5,163	\$ (2,033)
Capital Projects Non-Labor	41,302	81,648	(40,346)
Indirect Allocations	5,001	7,314	(2,313)
Downtown Buildings	31	249	(218)
Capital Risk Reserve	2,019	2,237	(218)
Total Capital (3)	\$ 51,483	\$ 96,611	\$ (45,128)
Total Expense and Capital	\$ 526,670	\$ 609,659	\$ (82,989)

(1) See Table 7 (page 12).

(2) Includes ISFSI Decommissioning.

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

Table 4
Summary of Full Time Equivalent Positions*

<u>Description</u>	<u>FY 2012 Budget</u>	<u>Original FY 2011 Budget</u>	<u>Variance</u>
VP General Counsel	1	1	-
CEO	2	2	-
VP Employee Development & Corporate Services	136	145	(9)
VP Nuclear Generation	900	932	(32)
VP Energy Business Services (1)	23	23	-
VP Corporate Services/CFO	<u>15</u>	<u>16</u>	<u>(1)</u>
Total	<u>1,077</u>	<u>1,119</u>	<u>(42)</u>

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

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

Table 5
Projects Non-Labor
(Dollars in Thousands)

<u>Description</u>	<u>FY 2012</u> <u>Budget</u>	<u>Original</u> <u>FY 2011</u> <u>Budget</u>	<u>Variance</u>
<u>Capital Projects</u>			
Plant Modifications	\$ 35,635	\$ 75,667	\$ (40,031)
Facilities Modifications	500	280	220
Information Technology	5,167	5,701	(534)
Downtown Buildings	31	233	(202)
Subtotal Capital Projects	<u>\$ 41,333</u>	<u>\$ 81,881</u>	<u>\$ (40,548)</u>
<u>Expense Projects</u>			
Plant Modifications	\$ 8,696	\$ 45,380	\$ (36,684)
Facilities Modifications	569	725	(156)
Information Technology	-	674	(674)
Subtotal Expense Projects	<u>\$ 9,265</u>	<u>\$ 46,779</u>	<u>\$ (37,514)</u>
 Total	 <u>\$ 50,598</u>	 <u>\$ 128,660</u>	 <u>\$ (78,062)</u>

Table 5A
Capital Projects Non-Labor Over \$900 Thousand
(Dollars in Thousands)

<u>Plant Modifications</u>	<u>FY 2012 Budget</u>
Replace/Retube Main Condenser	\$ 10,214
Cooling Tower Fill Replacement	5,018
Pump & Motor Refurbishments	3,131
618-11 Site Remediation	2,797
Resolve Multiple Fire-Induced Circuit Faults	2,498
Stack Monitor Performance	2,042
Independent Spent Fuel Storage Implementation Cask Purchase	1,543
License Renewal	1,464
Radio Obsolescence	1,106
On-Line Noble Chemical Application	908
All Other Projects < \$900k	10,611
Total Capital Projects Non-Labor	\$ 41,333

Table 5B
Expense Projects Non-Labor Over \$200 Thousand
(Dollars in Thousands)

<u>Plant Modifications & Major Maintenance(MM)</u>	<u>FY 2012 Budget</u>
Inspect Throttle Valves/Governor Valves/Reheat Stop and Interceptor Valves	\$ 1,392
Emergency Diesel Generator Maintenance	543
Plant Valve Project	400
Valve Program Project	367
Plant Heating, Ventilating & Air Conditioning Program	266
Outage Temporary Power	236
In-Service Inspection Programs	223
Buried Piping Integrity Program	221
Vessel Services	215
Cooling Tower & Circulation Water Preventative Maintenance	213
All Other Projects < \$200k	5,189
Total Expense Projects Non-Labor	\$ 9,265

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

<u>Incremental Outage</u>	<u>FY 2012</u> <u>Budget</u>
Operations Prep R21 Outage Overtime	\$ 100
Radiation Protection Post Outage Support (Bartlett)	40
Total Incremental Outage Non-Labor Costs	<u>\$ 140</u>

Table 7
Treasury Related Expenses
(Dollars in Thousands)

Description	Original		Variance
	FY 2012	FY 2011	
	Budget	Budget	
Interest Expense (1)	\$ 134,939	\$ 120,543	\$ 14,396
Build America Bond Subsidy (2)	(4,387)	(1,033)	(3,354)
Interest on Note (3)	2,597	-	2,597
Amortized Financing Cost (4)	(7,784)	(7,806)	22
Investment Income (5)	(478)	(664)	186
Treasury Svcs/Paying Agent Fees (6)	1,139	1,523	(384)
Total	\$ 126,026	\$ 112,563	\$ 13,463

Assumptions

- (1) Budget assumes both spring of 2011 and spring of 2012 bond transactions for rate case restructuring.
- (2) Build America Bonds receive a subsidy from the Treasury for 35% of the interest payments.
- (3) Assumes 3.0% interest rate on note for senior lien principal.
- (4) The amortized financing costs are driven by the amortization of the premiums on bond issues more than offsetting debt expense and loss on bonds.
- (5) 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 were lowered from 0.625% to 0.440%.
- (6) Includes all non-interest costs of fixed rate debt and internal labor and overheads of \$221,000.

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

Description	FY 2012 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2012 Total Cash
<u>Operating</u>						
Controllable - Expense	\$ 207,836	\$ -	\$ -	\$ -	\$ -	\$ 207,836
Controllable - Capital	51,483	-	-	-	-	51,483
Nuclear Fuel	40,277	(40,277)	45,498	-	-	45,498
Spent Fuel Disposal Fee	8,805	(8,805)	7,550	-	-	7,550
Fuel Revenues	-	-	-	-	-	-
Fuel Litigation	-	-	500	-	-	500
Spares/Inventory Growth	-	-	6,751	-	-	6,751
Generation Taxes	4,394	-	-	(812)	-	3,582
Subtotal Operating	\$ 312,795	\$ (49,082)	\$ 60,299	\$ (812)	\$ -	\$ 323,200
<u>Fixed Expenses</u>						
Treasury Related Expense						
Interest on Bonds	\$ 134,939	\$ -	\$ -	\$ -	\$ -	\$ 134,939
Build America Bond Subsidy	(4,387)	-	-	-	-	(4,387)
Interest on Note	2,597	-	-	-	-	2,597
Bond Retirement	-	-	230	-	-	230
Amortized Cost	(7,784)	7,784	-	-	-	-
Investment Income-Revenue Fund	(478)	-	-	306	(5)	(177)
Treasury Services	1,139	-	-	-	(519)	620
Reserve & Contingency Fund (R&C)	-	-	15,876	-	-	15,876
Prior Year's R&C Fund Surplus	-	-	(856)	-	-	(856)
Decommissioning(1)	7,300	(7,300)	10,682	-	-	10,682
ISFSI Decommissioning	133	(133)	106	-	-	106
Depreciation	80,416	(80,416)	-	-	-	-
Subtotal Fixed Expenses	\$ 213,875	\$ (80,065)	\$ 26,038	\$ 306	\$ (524)	\$ 159,630
Total	\$ 526,670	\$ (129,147)	\$ 86,337	\$ (506)	\$ (524)	\$ 482,830

(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 2012 <u>Budget</u>	FY 2011 <u>Budget</u>	
<u>Operating</u>			
Controllable Expense	\$ 207,836	\$ 273,816	\$ (65,980)
Controllable Capital	51,483	96,595	(45,112)
Nuclear Fuel	45,498	42,586	2,912
Spent Fuel Disposal	7,550	8,327	(777)
Fuel Revenue	-	(12,000)	12,000
Fuel Litigation	500	500	-
Spares/Inventory Growth	6,751	4,830	1,921
Generation Taxes	3,582	4,328	(746)
Subtotal Operating Requirements	<u>\$ 323,200</u>	<u>\$ 418,982</u>	<u>\$ (95,782)</u>
<u>Fixed</u>			
Treasury Related Expenses			
Interest on Bonds	\$ 134,939	\$ 120,543	\$ 14,396
Build America Bond Subsidy	(4,387)	(1,033)	(3,354)
Interest on Note	2,597	-	2,597
Bond Retirement	230	94,395	(94,165)
Investment Income-Revenue Fund	(177)	(482)	305
Treasury Services/Paying Agent Fees	620	1,523	(903)
Reserve & Contingency Fund (R&C)	15,876	856	15,020
Prior Year's R&C Surplus	(856)	(856)	-
Decommissioning Costs (1)	10,682	9,616	1,066
ISFSI Decommissioning Costs	106	102	4
Subtotal Fixed	<u>\$ 159,630</u>	<u>\$ 224,664</u>	<u>\$ (65,034)</u>
Total Funding Requirements	<u>\$ 482,830</u>	<u>\$ 643,646</u>	<u>\$ (160,816)</u>
<u>Funding Sources</u>			
Direct Pay from BPA / Net Billing(2)	\$ 417,510	\$ 558,930	\$ (141,420)
Bond Funding of Operations	1,461	-	1,461
Bond Financing of Capital Programs	53,177	75,100	(21,923)
Bonneville Direct Funding Decommissioning	10,682	9,616	1,066
Total Funding Sources	<u>\$ 482,830</u>	<u>\$ 643,646</u>	<u>\$ (160,816)</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 2012 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
Disbursements													
Operating													
Controllable Expense	\$ 22,012	\$ 15,307	\$ 14,640	\$ 18,530	\$ 14,502	\$ 15,284	\$ 19,310	\$ 16,036	\$ 14,442	\$ 17,250	\$ 15,405	\$ 25,118	\$ 207,836
Controllable Capital	6,490	7,238	4,632	4,133	2,714	3,728	2,314	2,264	2,604	3,123	3,286	8,957	51,483
Nuclear Fuel In Process	13,238	290	290	290	290	27,006	290	290	1,157	290	290	1,777	45,498
Spent Fuel Disposal	-	959	-	-	2,213	-	-	2,213	-	-	2,165	-	7,550
Fuel Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Fuel Litigation	42	42	42	42	42	42	42	42	42	41	41	41	500
Spares/Inventory Growth	-	1,350	-	-	1,350	-	-	2,025	-	-	2,026	-	6,751
Generation Taxes	-	-	-	-	-	-	-	-	-	-	-	3,582	3,582
Subtotal Operating	\$ 41,782	\$ 25,186	\$ 19,604	\$ 22,995	\$ 21,111	\$ 46,060	\$ 21,956	\$ 22,870	\$ 18,245	\$ 20,704	\$ 23,213	\$ 39,475	\$ 323,200
Fixed													
Treasury Related Expenses													
Interest on Bonds	\$ 713	\$ 714	\$ 713	\$ 714	\$ 713	\$ 60,625	\$ 713	\$ 713	\$ 714	\$ 713	\$ 714	\$ 67,180	\$ 134,939
BABs Subsidy	-	-	-	-	-	(2,194)	-	-	-	-	-	(2,193)	(4,387)
Interest on Note	-	31	63	94	125	156	250	292	334	376	417	459	2,597
Bond Retirement (1)	-	-	-	-	-	-	-	-	-	-	-	230	230
Investment Income	(11)	(5)	(6)	(6)	(6)	(18)	(12)	(10)	(12)	(17)	(17)	(57)	(177)
Treasury Services	27	38	(481)	38	46	43	40	42	150	134	339	204	620
R&C Fund (2)	1,323	1,323	1,323	1,323	1,323	1,323	1,323	1,323	1,323	1,323	1,323	1,323	15,876
Prior Year R&C Surplus	(856)	-	-	-	-	-	-	-	-	-	-	-	(856)
Decommissioning	-	-	10,682	-	-	-	-	-	-	-	-	-	10,682
ISFSI Decommissioning	-	-	106	-	-	-	-	-	-	-	-	-	106
Subtotal Fixed	\$ 1,196	\$ 2,101	\$ 12,400	\$ 2,163	\$ 2,201	\$ 59,935	\$ 2,314	\$ 2,360	\$ 2,509	\$ 2,529	\$ 2,776	\$ 67,146	\$ 159,630
Total Disbursements	\$ 42,978	\$ 27,287	\$ 32,004	\$ 25,158	\$ 23,312	\$ 105,995	\$ 24,270	\$ 25,230	\$ 20,754	\$ 23,233	\$ 25,989	\$ 106,621	\$ 482,830
Funding Sources													
BPA Direct Pay (3)	\$ 36,488	\$ 20,049	\$ 16,690	\$ 21,025	\$ 20,598	\$ 102,267	\$ 21,956	\$ 22,966	\$ 18,150	\$ 16,955	\$ 22,703	\$ 97,664	\$ 417,510
Bond Funding of Operations	-	-	-	-	-	-	-	-	-	1,461	-	-	1,461
Bond Proceeds	6,490	7,238	4,632	4,133	2,714	3,728	2,314	2,264	2,604	4,817	3,286	8,957	53,177
BPA - Decommissioning	-	-	10,682	-	-	-	-	-	-	-	-	-	10,682
Total Funding Sources	\$ 42,978	\$ 27,287	\$ 32,004	\$ 25,158	\$ 23,312	\$ 105,995	\$ 24,270	\$ 25,230	\$ 20,754	\$ 23,233	\$ 25,989	\$ 106,621	\$ 482,830
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 all but \$230,000 of the maturing bond principal will be refunded.
- (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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