



**ENERGY
NORTHWEST**

Fiscal Year 2013 Budget and Long Range Plan Columbia Generating Station

**Brad Sawatzke
VP, Nuclear Generation/CNO
March 20, 2012**

Introduction

- ✦ Our goal is to provide safe, reliable, cost effective power to the region.
- ✦ The FY 2013 budget for O&M and capital is within the constraints of the long range plan.
- ✦ Energy Northwest headcount is down by 16 in FY 2013, with additional reductions in the long range plan.
- ✦ Capital investment is a priority.
- ✦ Fukushima estimates are preliminary.



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Fiscal Year 2013 Budget Columbia Generating Station

Mark Reed
Asset Manager/Controller
March 20, 2012

Overview

- ✦ The FY 2013 budget meets the O&M and Capital constraints of the FY 2012 long range plan.
- ✦ The Amortized Fuel Costs exceed the FY 2012 long range plan because of the extended R20 outage.
- ✦ Total budget is \$368.3 million
- ✦ Industry Cost of Power is \$43.47/MWh

Objectives

- ✦ Continue to Invest in Long-term Plant Reliability While Continuing to Ensure Affordable, Reliable Power for the Region
- ✦ Improved Long Range Plan that Meets the Needs of the Plant and the Region
- ✦ Continue to Improve Cost Predictability
- ✦ Continue to Improve the Efficiency of Work Execution
- ✦ Continue to Improve the Performance and Accountability of Plant Management

Key Assumptions

- ✦ Cost of Power is Based on Net Generation of 8,473 GWh
- ✦ Fuel Costs are Based on Fiscal Year 2013 10-Year Plan
- ✦ Issued bonds to finance capital
- ✦ Excludes unknown Nuclear Regulatory Commission (NRC) mandates
- ✦ No Forced Outage Budget
- ✦ Includes preliminary estimates for Fukushima impacts

Escalation

- ✦ Weighted average escalation is 3.7%
- ✦ Regulatory fees are up an average of 10.6%
- ✦ Contractor rates are up an average of 3.5%

Risk Reserve

- ✦ \$1.0 million O&M risk reserve is 0.4% of the total O&M budget
 - No additional budget for forced outage
 - No additional budget for unknown regulatory mandates
- ✦ \$4.4 million capital risk reserve is 8.8% of the total capital budget
- ✦ Total risk reserve is 1.7% of the total O&M and capital budget

Budget Versus Prior Year Long Range Plan (LRP)

(Dollars in Thousands)

<u>Description</u>	<u>FY 2013 Budget</u>	<u>FY 2012 LRP for FY 2013</u>	<u>Variance</u>
Baseline	\$ 126,308	\$ 124,559	\$ 1,749
O&M A&G	73,479	73,622	(143)
Incremental Outage	25,028	23,377	1,651
Expense Projects	44,613	46,652	(2,039)
Risk Reserve	1,000	2,218	(1,218)
Operations & Maintenance Total	270,428	270,428	-
Capital Projects	40,520	41,326	(806)
Capital A&G	5,507	4,800	707
Risk Reserve	4,414	4,315	99
Capital Total	50,441	50,441	-
Nuclear Fuel Related Costs	47,455	43,297	4,158
Fuel Total	47,455	43,297	4,158
Total	\$ 368,324	\$ 364,166	\$ 4,158
Net Generation (GWh)	8,473	8,473	-
Cost of Power (\$/MWh)	\$ 43.47	\$ 42.98	\$ 0.49

Fiscal Year 2013 Risks

- ✦ Emergent Equipment Reliability Issues
- ✦ Refueling Outage Duration
- ✦ Regulatory Fees
- ✦ Forced Outage
- ✦ Benefits Increase
- ✦ Unknown Regulatory Mandates

Columbia FY 2013 Budget Comparison to Escalated FY 2011 Actual

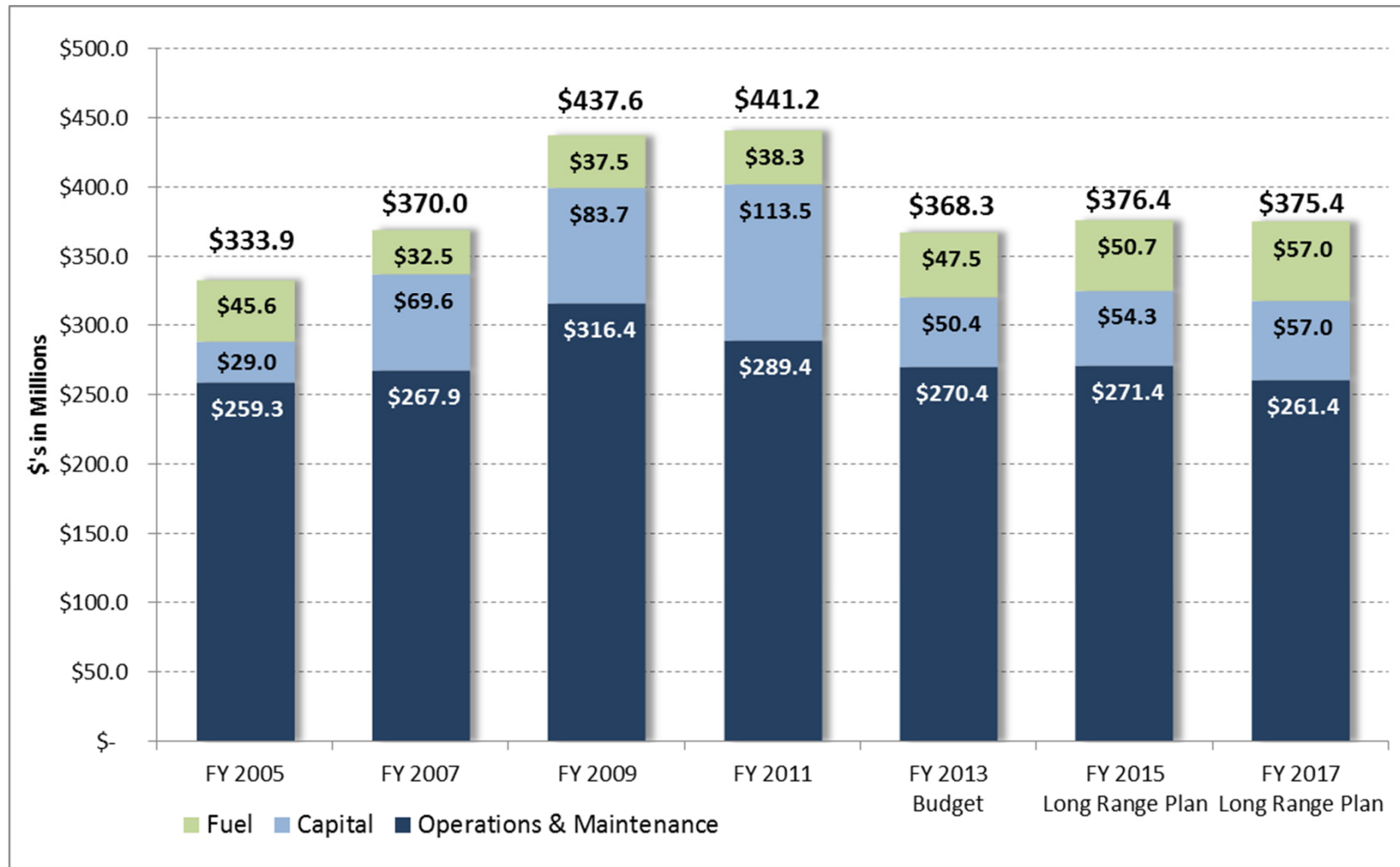
(Dollars in Thousands)

<u>Budget Line Item</u>	<u>FY 2013 Budget</u>	<u>FY 2011 Actual*</u>	<u>Variance</u>
Controllable Costs			
Energy NW Labor	\$78,776	\$79,168	(\$392)
Baseline Non-Labor	54,609	58,380	(3,771)
Incremental Outage Non-Labor	25,028	36,661	(11,633)
Projects - Expense Non-Labor	41,641	59,514	(17,873)
Projects - Capital Non-Labor**	36,415	49,843	(13,428)
Corporate Allocations	78,986	71,210	7,776
Risk Reserve	5,414	0	5,414
Subtotal Controllable	\$320,869	\$354,776	(\$33,907)
Fuel Related Costs			
Fuel Amortization	\$39,532	\$30,979	\$8,553
Spent Fuel Fee	7,923	7,333	590
Subtotal Fuel Related Costs	\$47,455	\$38,312	\$9,143
Total CGS Costs	\$368,324	\$393,088	(\$24,764)
Net Generation (GWh)	8,473	7,247	1,226
Cost of Power (\$/MWh)	\$43.47	\$54.24	(\$10.77)

*Escalated to FY 2013 \$'s and excludes reactor building siding claim payment

**Excludes Condenser project non-labor

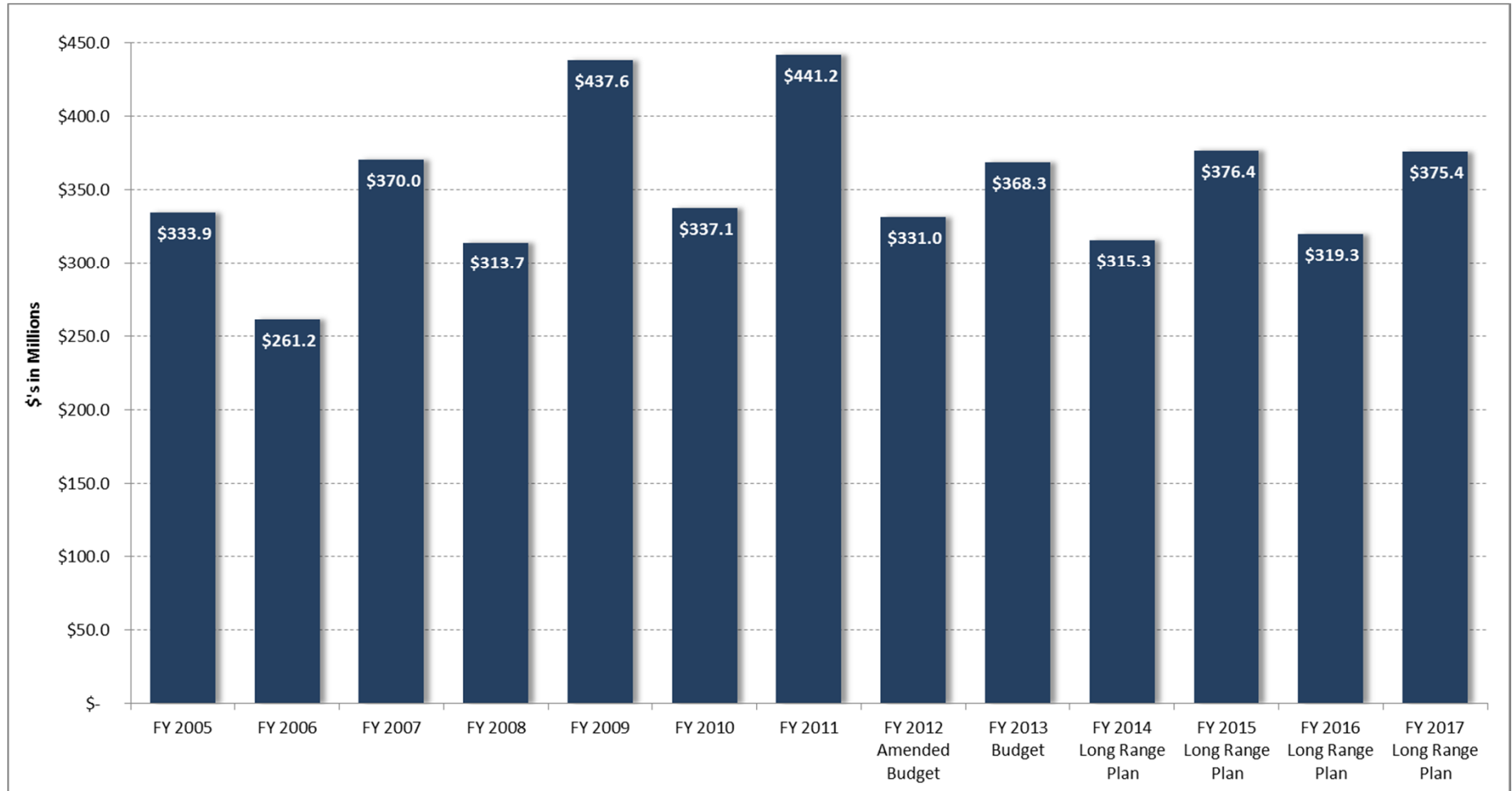
Columbia Outage Year Costs



*Amounts are in FY 2013 dollars and include Condenser Replacement project costs.

Columbia Total Costs

(Operations & Maintenance, Capital, and Fuel)



*Amounts are in FY 2013 dollars and include Condenser Replacement project costs.

Columbia Budgeted Positions

(Full Time Equivalents*)

Organization	FY 2013 Budget	FY 2012 Budget	Full Time Equivalent Change
CEO	18	18	-
VP Employee Development & Corporate Services	184	186	(2)
VP Nuclear Generation	890	902	(12)
VP Energy Business Services**	24	24	-
VP Chief Financial Officer/Chief Risk Officer	<u>32</u>	<u>34</u>	<u>(2)</u>
Total CGS	1,148	1,164	(16)

* Includes allocation of Corporate Full Time Equivalent Positions (94%)

* Includes project positions

* Excludes temporary positions

**Includes Environmental & Cal Lab support (19 Full Time Equivalent Positions)

Baseline Non-Labor

FY 2013 Non-Labor	\$54,609
FY 2012 Non-Labor (escalated)	\$55,943
Variance	(\$1,334)

Major Changes:

Nuclear Regulatory Commission Fees	\$830
Chemicals/Gases	210
Software Maintenance Fees	113
Equipment	107
Radwaste Disposal	(131)
Temporary Labor	(167)
Overtime	(382)
Travel/Training	(457)
Materials	(1,143)
All Other	(314)

Incremental Outage

(Dollars in Thousands)

Site Support Contractor	\$7,600
Energy Northwest Overtime	5,490
Contract Support	4,776
Energy Northwest Temporary Labor	3,729
Materials & Supplies	2,926
Equipment & Leases	507
	<hr/>
	\$25,028

Operations & Maintenance Projects Non-Labor Over \$850 Thousand

(Dollars in Thousands)

Plant Valve Project	\$9,441
Vessel Services	5,809
In-Service Inspection Programs	4,814
Main Turbine Inspection	4,137
Main Generator Maintenance	1,641
Flow Accelerated Corrosion Inspection	1,513
Annual Transformer Yard Maintenance	1,330
Outage Temporary Power	1,112
Cooling Tower & Circulation Water Preventative Maintenance	891

Capital Projects Non-Labor Over \$1.0 Million

(Dollars in Thousands)

Fukushima Project*	\$4,477
Transformer M2 Replacement	3,608
Radio Obsolescence	3,394
Marathon Control Rod Blades	3,240
Control Rod Drive Repair / Refurbishment	2,862
Storm Water Runoff Pond	1,930
Keep Fill Pump Replacement	1,460
Local Power Range Monitoring Replacement	1,212
Plant Telephone Obsolescence	1,058
Main Transformer Online Gas	1,003

*Preliminary estimate for FY 2013 Fukushima impacts



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Long Range Plan Columbia Generating Station

**Jim Gaston
Business Planning Manager
March 20, 2012**

Long Range Plan - Objective

The CGS Long Range Plan (LRP) will identify and levelize resource requirements to maintain Columbia safety and reliability over a ten year planning horizon.

Long Range Plan - Methodology

- ✦ Updated Annually - Rolling 10-Year Forecast
- ✦ Potential Needs are Evaluated:
 - Action Request Evaluation (AR-EVAL), Technical Evaluation, Priority Ranking Matrix
 - Design Sub-Committee (DSC) screens for need, technical justification, rank, and timing. Approves, Cancels, or Returns for additional information
 - DSC assigns to Project Owner; Project Owner develops Project Proposal Form (PPF); Rough Order of Magnitude (ROM) estimate developed
 - Project Review Committee (PRC), reviews PPF presentations; approves for entry to LRP; defines timing; may cancel
- ✦ PRC Approved Projects are entered into the LRP
- ✦ Projects are “levelized” to available budgets by rank and or Management Discretion
- ✦ LRP process is proceduralized (SWP-PJM-01, 02)

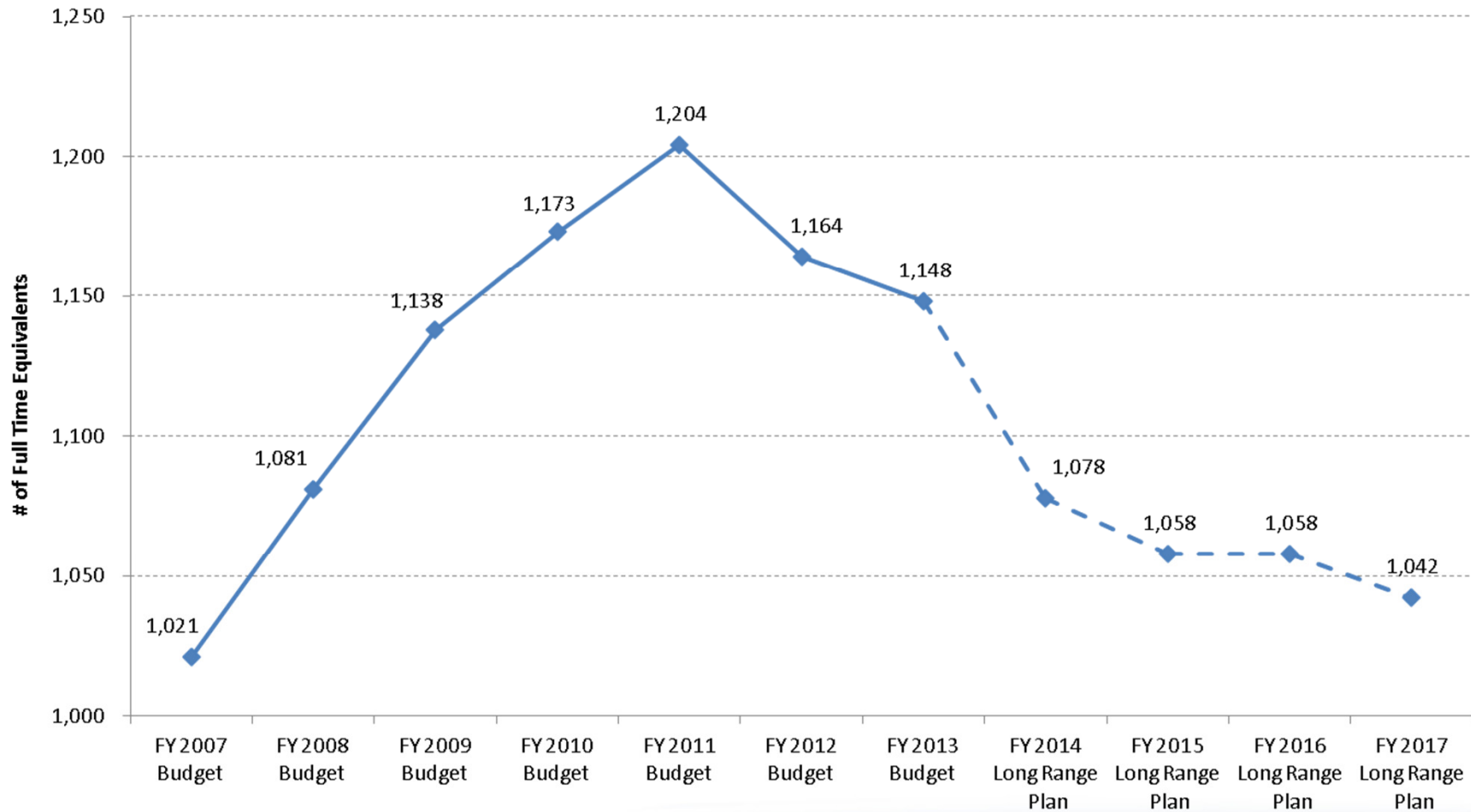
Long Range Plan - Assumptions

- ✦ Reduction of 70 positions in FY 2014, 20 positions in FY 2015, and 16 positions in FY 2017
- ✦ Baseline non-labor based on FY 2013 costs
- ✦ Approved long range plans from the Project Review Committee, Information Technology Project Review Committee, and Facilities Project Review Committee
- ✦ Includes estimated Fukushima impacts
- ✦ Excludes extraordinary facility projects
- ✦ 4.0% average escalation

Long Range Plan - Escalation

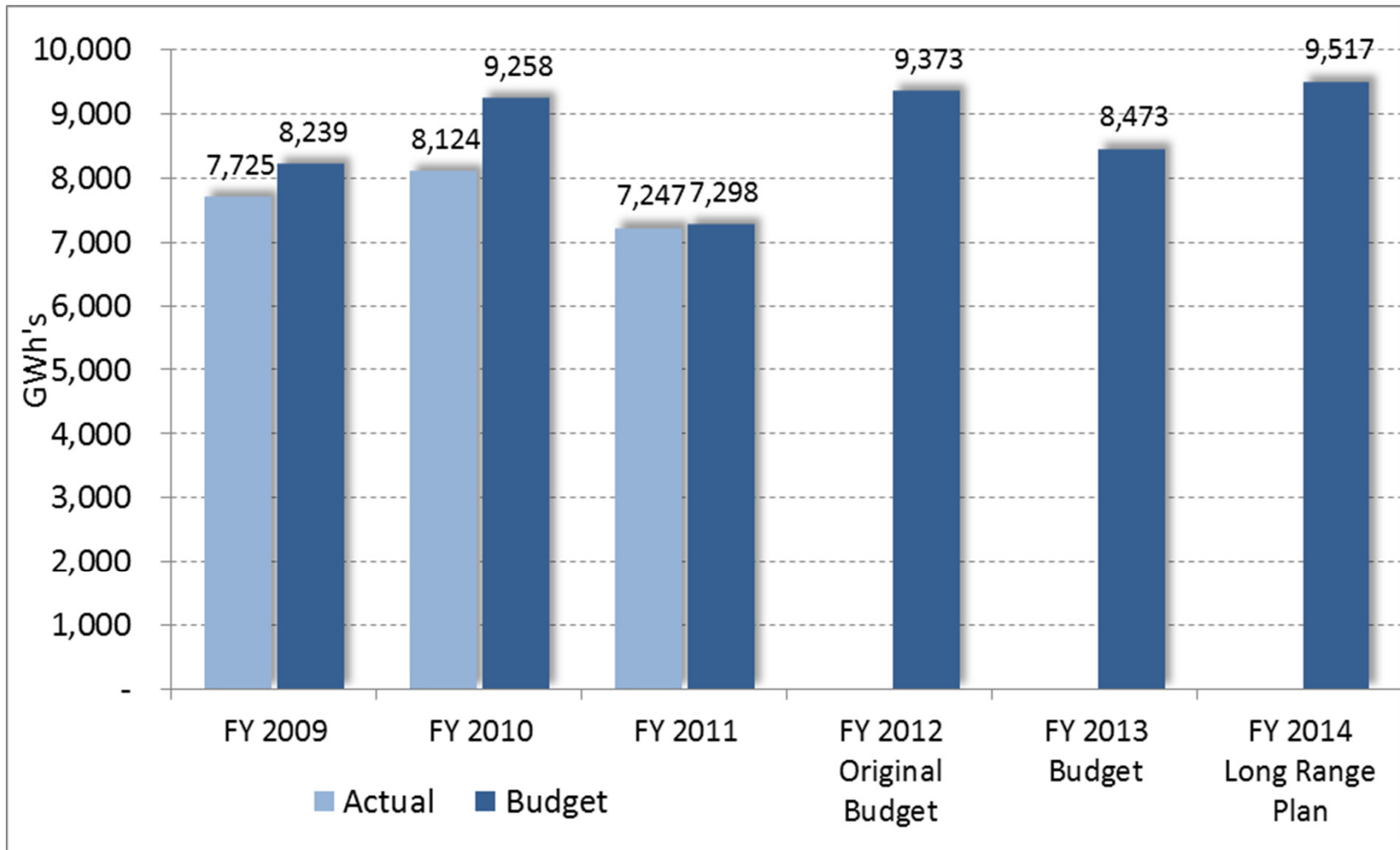
- ✦ Operations and Maintenance / Capital average escalation is 4.0%
 - Regulatory fees – 5.5%
 - Flex benefits in corporate allocations – 9.0%
 - Software maintenance fees – 7.0%
 - Utilities – 5.5%
 - All other categories – 3.5%

Columbia Full Time Equivalent Staffing



* Includes allocation of Corporate Full Time Equivalent Positions.

Columbia Generation



Columbia Long Range Plan

Item Description	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
	BPA Rate Period	BPA Rate Period	BPA Rate Period	BPA Rate Period	BPA Rate Period	BPA Rate Period	BPA Rate Period	BPA Rate Period	BPA Rate Period	BPA Rate Period	BPA Rate Period
Direct and Indirect O&M Costs											
Baseline Costs	\$ 126,308	\$ 124,333	\$ 120,138	\$ 122,926	\$ 119,588	\$ 121,786	\$ 119,988	\$ 123,186	\$ 119,988	\$ 122,786	\$ 119,988
Outage Costs (Incremental)	25,028	150	29,750	150	25,200	150	25,200	150	25,200	150	25,200
Admin / General (A&G)	73,479	69,903	70,349	69,444	69,560	68,700	69,634	69,070	69,819	68,752	69,317
O&M Projects	44,024	10,965	46,889	13,052	42,993	11,148	44,054	13,514	42,788	11,082	46,273
Facilities O&M Projects	589	780	890	890	890	890	890	890	890	890	890
O&M Risk Reserve	1,000	1,532	3,336	1,532	3,186	1,294	2,694	1,242	2,694	1,123	2,694
Subtotal Direct & Indirect O&M Costs	\$ 270,428	\$ 207,663	\$ 271,352	\$ 207,994	\$ 261,417	\$ 203,968	\$ 262,460	\$ 208,052	\$ 261,379	\$ 204,783	\$ 264,362
Escalation on Direct & Indirect	-	8,447	21,785	26,491	43,952	45,476	69,213	67,908	96,337	89,041	127,465
Subtotal Direct & Indirect O&M Costs	\$ 270,428	\$ 216,110	\$ 293,137	\$ 234,485	\$ 305,369	\$ 249,444	\$ 331,673	\$ 275,960	\$ 357,716	\$ 293,824	\$ 391,827
Capital Costs											
PRC Capital Projects	\$ 29,818	\$ 22,222	\$ 29,347	\$ 25,142	\$ 34,690	\$ 25,980	\$ 40,769	\$ 25,746	\$ 28,271	\$ 21,037	\$ 42,526
Moveable Capital & Downtown Capital Projects	1,644	1,507	1,507	1,507	1,507	1,507	1,507	1,507	1,507	1,507	1,507
Facilities Capital Projects	537	500	530	535	565	565	565	565	565	565	565
Information Technology Capital Projects	3,001	7,772	6,230	5,789	5,706	9,141	6,115	6,168	5,808	7,555	6,465
Admin / General (A&G)	5,507	3,954	3,846	3,514	4,805	3,214	4,147	3,005	3,724	3,757	3,916
Capital Risk Reserve	4,414	2,412	3,508	2,052	3,641	1,989	4,002	2,142	3,848	2,142	3,848
Fukushima Impacts	5,520	11,600	9,300	6,300	6,100	-	-	-	-	-	-
Subtotal Capital Costs	\$ 50,441	\$ 49,967	\$ 54,268	\$ 44,839	\$ 57,014	\$ 42,396	\$ 57,105	\$ 39,133	\$ 43,723	\$ 36,563	\$ 58,827
Escalation on Capital Costs	-	1,775	3,917	4,945	8,567	8,069	13,311	10,821	14,145	13,649	24,627
Subtotal Capital Costs	\$ 50,441	\$ 51,742	\$ 58,185	\$ 49,784	\$ 65,582	\$ 50,465	\$ 70,416	\$ 49,954	\$ 57,868	\$ 50,212	\$ 83,454
Fuel Related Costs											
Nuclear Fuel Amortization	\$ 39,532	50,732	46,252	64,739	57,477	63,684	56,560	69,672	61,856	74,419	67,090
Spent Fuel Fee	7,923	8,847	8,047	8,956	7,901	8,932	7,899	8,918	7,867	8,894	7,989
Subtotal Fuel Related Costs	\$ 47,455	\$ 59,579	\$ 54,299	\$ 73,695	\$ 65,378	\$ 72,616	\$ 64,459	\$ 78,590	\$ 69,723	\$ 83,313	\$ 75,079
Total Unescalated Budget											
	\$ 368,324	\$ 317,209	\$ 379,919	\$ 326,528	\$ 383,809	\$ 318,980	\$ 384,024	\$ 325,775	\$ 374,825	\$ 324,659	\$ 398,268
Total Escalation											
	-	10,222	25,702	31,436	52,519	53,545	82,524	78,729	110,482	102,690	152,092
Total Costs - Industry basis											
	\$ 368,324	\$ 327,431	\$ 405,621	\$ 357,964	\$ 436,329	\$ 372,525	\$ 466,548	\$ 404,504	\$ 485,307	\$ 427,349	\$ 550,360
Total Net Generation (Gwh)											
	8,473	9,517	8,291	9,517	8,473	9,517	8,473	9,517	8,473	9,517	8,473
Outage Days											
	40	-	47	-	40	-	40	-	40	-	40
Cost of Power (Cents per kWh, constant FY13\$)											
	4.347	3.333	4.582	3.431	4.530	3.352	4.532	3.423	4.424	3.411	4.700
Cost of Power (Cents per kWh, escalated)											
	4.347	3.440	4.892	3.761	5.150	3.914	5.506	4.250	5.728	4.490	6.495

Long Range Plan Challenges

- ✦ Fukushima
- ✦ Turbine Replacement
- ✦ Plant Aging / Obsolescence
- ✦ Increased investment in equipment reliability projects
- ✦ License Extension Implementation
- ✦ Regulatory Oversight of Columbia
- ✦ Benefits expected to escalate dramatically
- ✦ A managed attrition plan will be required to meet commitments
- ✦ Fuel Costs

Detailed Long Range Plan

✦ See handout



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Bonneville Rate Case Impacts Columbia Generating Station

**Mark Reed
Asset Manager/Controller
March 20, 2012**

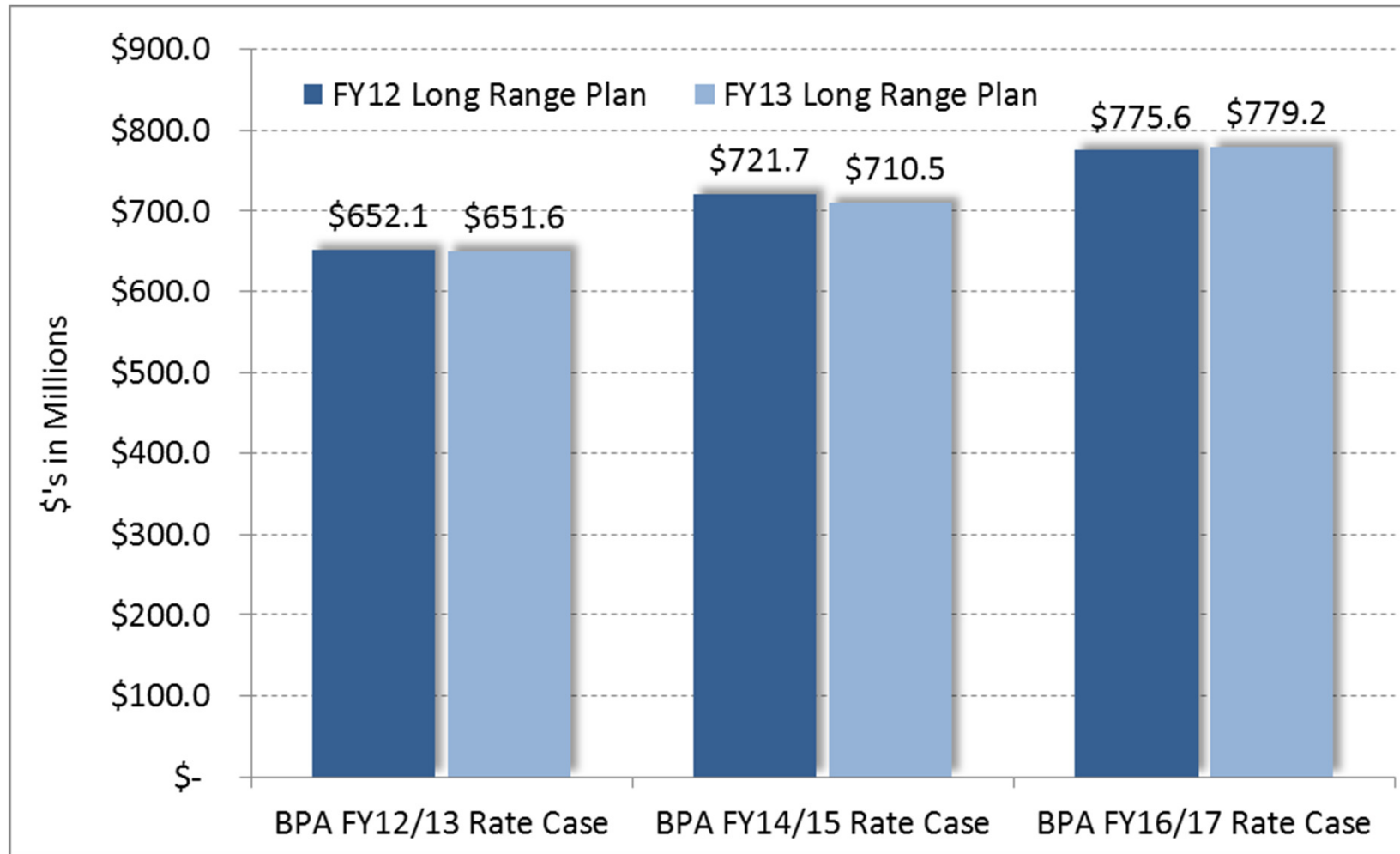
Columbia Impact on Bonneville Rates

- ✦ The budget discussion on all previous slides has been about Columbia cost. However, Bonneville's rate case is based on cash requirements.
- ✦ The key differences between Columbia cost and cash requirements is 1) fuel related expenditures vs. amortized cost of fuel, and 2) all capital costs are financed and are included in Bonneville's total debt service numbers.

Overview

- ✦ Columbia's impact to Bonneville's next rate case period (BPA FY 2014 and FY 2015) is estimated to be \$11 million less than was anticipated last year.
- ✦ The driver for the reduction is the cost of nuclear fuel procurement.
- ✦ Decommissioning costs will be reduced (\$20 million in BPA FY 2014-FY 2015 & \$40 million in BPA FY 2016-FY 2017) after license extension.

Columbia Impact on Rate Cases



Questions?