

Fiscal Year 2015 Columbia Generating Station Annual Operating Budget



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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 2015 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 2015. In addition this document includes all funding requirements.

The total cost budget for Fiscal Year 2015 for Expense and Capital related costs are estimated at \$657,836,000 (Table 3), with associated total funding requirements of \$724,912,000 (Table 8). Using the Memorandum of Agreement basis for measuring Columbia's costs, budget requirements for Fiscal Year 2015 have been established at \$430,205,000 (Table 1) including escalation. In Fiscal Year 2015, 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. Fiscal Year 2015 Capital costs will be funded by bond proceeds and are not included in the Fiscal Year 2015 direct pay requirements. Total direct pay requirements of \$540,398,000 (Table 8) 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 7) 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 8) is required by the various project agreements.

Comparison of the Fiscal Year 2015 Budget to the Fiscal Year 2014 Long Range Plan for Fiscal Year 2015 is included (Table 1). Comparison of the Fiscal Year 2015 Budget is made to the original budget for Fiscal Year 2014, dated May 16, 2013.

Key Assumptions/Qualifications

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

- Fiscal Year 2015 cost of power is based on net generation of 8,422 GWh.
- There is a refueling outage planned for Fiscal Year 2015.
- Risk reserves consist of a total of \$1.4 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
- All Fiscal Year 2015 Capital expenses are expected to be financed through a long-term bond issuance in May 2014.

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

<u>Description</u>	<u>FY 2015 Budget</u>	<u>FY 2014</u>	
		<u>LRP for FY 2015 (2)</u>	<u>Variance</u>
Baseline	\$ 154,325	\$ 153,278	\$ 1,047
Indirect Allocations O&M	67,185	68,331	(1,146)
Expense Projects	46,881	52,636	(5,755)
Risk Reserve	2,500	3,453	(953)
Operations & Maintenance Total	\$ 270,891	\$ 277,698	\$ (6,807)
Capital Projects	\$ 93,097	\$ 83,671	\$ 9,426
Indirect Allocations Capital	13,855	15,443	(1,588)
Risk Reserve	442	8,280	(7,838)
Capital Total	\$ 107,394	\$ 107,394	\$ -
Nuclear Fuel Related Costs	\$ 51,920	\$ 52,040	\$ (120)
Fuel Total	\$ 51,920	\$ 52,040	\$ (120)
Total	\$ 430,205	\$ 437,132	\$ (6,927)
Net Generation (GWh)	8,422	8,291	131
Cost of Power (\$/MWh)	\$ 51.08	\$ 52.72	\$ (1.64)

- (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 2014 Long Range Plan for Fiscal Year 2015.

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

<u>Description</u>	<u>FY 2015 Budget</u>	<u>Original FY 2014 Budget</u>	<u>Variance</u>
Controllable Costs			
Energy Northwest Labor	\$ 82,017	\$ 79,509	\$ 2,508
Baseline Non-Labor	58,598	59,123	(525)
Incremental Outage	27,722	-	27,722
Expense Projects Non-Labor	46,881	7,985	38,896
Capital Projects Non-Labor	79,085	72,057	7,028
Indirect Allocations	81,040	80,608	432
Risk Reserve	2,942	5,588	(2,646)
Subtotal Controllable	<u>\$ 378,285</u>	<u>\$ 304,870</u>	<u>\$ 75,629</u>
Nuclear Fuel Related Costs			
Nuclear Fuel Amortization	\$ 44,326	\$ 50,811	\$ (6,485)
Spent Fuel Fee	7,594	8,768	(1,174)
Subtotal Nuclear Fuel Related	<u>\$ 51,920</u>	<u>\$ 59,579</u>	<u>\$ (7,659)</u>
Total	<u>\$ 430,205</u>	<u>\$ 364,449</u>	<u>\$ 67,970</u>
Net Generation (GWh)	<u>8,422</u>	<u>9,468</u>	<u>(1,046)</u>
Cost of Power (\$/MWh)	<u>\$ 51.08</u>	<u>\$ 38.49</u>	<u>\$ 12.59</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 2015 Budget</u>	<u>Original FY 2014 Budget</u>	<u>Variance</u>
<u>Controllable Expense</u>			
Energy Northwest Labor	\$ 68,005	\$ 68,183	\$ (178)
Base Non-Labor	58,598	59,123	(525)
Expense Projects Non-Labor (1)	46,881	7,985	38,896
Incremental Outage	27,722	-	27,722
Indirect Allocations	67,185	67,138	47
Risk Reserve	2,500	1,588	912
Subtotal Controllable	<u>\$ 270,891</u>	<u>\$ 204,017</u>	<u>\$ 66,874</u>
<u>Incremental</u>			
Nuclear Fuel Amortization	\$ 44,326	\$ 50,811	\$ (6,485)
Spent Fuel Disposal Fee	7,594	8,768	(1,174)
Generation Taxes	4,669	5,038	(369)
Subtotal Incremental	<u>\$ 56,589</u>	<u>\$ 64,617</u>	<u>\$ (8,028)</u>
<u>Fixed</u>			
Treasury Related Expenses (2)	\$ 129,949	\$ 124,843	\$ 5,106
Decommissioning (3)	7,010	7,792	(782)
Depreciation	86,003	85,199	804
Subtotal Fixed	<u>\$ 222,962</u>	<u>\$ 217,834</u>	<u>\$ 5,128</u>
Total Operating Expense	<u>\$ 550,442</u>	<u>\$ 486,468</u>	<u>\$ 63,974</u>
<u>Capital</u>			
Energy Northwest Labor	\$ 14,012	\$ 11,326	\$ 2,686
Capital Projects Non-Labor (4)	79,085	72,057	7,028
Indirect Allocations	13,855	13,470	385
Capital Risk Reserve	442	4,000	(3,558)
Total Capital	<u>\$ 107,394</u>	<u>\$ 100,853</u>	<u>\$ 6,541</u>
Total Expense and Capital	<u>\$ 657,836</u>	<u>\$ 587,321</u>	<u>\$ 70,515</u>

(1) See Table 5B (page 10).

(2) See Table 6 (page 11).

(3) Includes ISFSI Decommissioning.

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

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

<u>Description</u>	<u>FY 2015 Budget</u>	<u>FY 2014 Budget</u>	<u>Variance</u>
FTE Positions Supporting Operations and Maintenance (1)	955	984	(29)
FTE Positions Supporting Capital Projects	192	164	28
Total	<u>1,147</u>	<u>1,148</u>	<u>(1)</u>

* Includes allocation of Corporate Full Time Equivalent Positions.

(1) Includes Environmental & Cal Lab support (20 Full Time Equivalent Positions in FY 2015 and 20 Full Time Equivalent Positions in FY 2014).

Table 5
Projects Non-Labor
(Dollars in Thousands)

<u>Description</u>	FY 2015	Original	
	<u>Budget</u>	<u>FY 2014</u>	<u>Variance</u>
<u>Capital Projects</u>			
Plant Modifications	\$ 70,914	\$ 62,991	\$ 7,923
Facilities Modifications	1,133	500	633
Information Technology	7,038	8,566	(1,528)
Subtotal Capital Projects	\$ 79,085	\$ 72,057	\$ 7,028
<u>Expense Projects</u>			
Plant Modifications	\$ 46,771	\$ 7,205	\$ 39,566
Facilities Modifications	110	780	(670)
Subtotal Expense Projects	\$ 46,881	\$ 7,985	\$ 38,896
Total	\$ 125,966	\$ 80,042	\$ 45,924

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

<u>Plant Modifications</u>	<u>FY 2015 Budget</u>
Main Transformer Replacement	\$ 7,959
Fukushima Project*	7,626
Cyber Security Program	7,026
Low Pressure Turbine Seed Rotor	3,357
Measurement Uncertainty Recapture	3,328
Residual Heat Removal Valve 8 Maintenance Isolation	3,155
Scram Discharge Instrument Modification	2,532
In-line Flow Meters	2,518
Replace Spectrum Buckets	1,755
Control Rod Drive Repair/Refurbishment	1,609
Owner Controlled Area Security Cameras	1,581
Low Power Range Monitor Replacement	1,543
Generator Lead Box Seal Repair	1,500
Standby Service Water Room Cooler Recovery	1,310
Dose Reduction Program	1,278
Stack Monitor Performance	1,205
Replace/Refurbish Condensate Booster Pump 2C	1,201
Independent Spent Fuel Storage Installation Pad Expansion	1,138
High Pressure Core Spray Voltage Regulator Replacement	1,125
All Other Projects < \$1 million	26,339
Total Capital Projects Non-Labor	\$ 79,085

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

<u>Plant Modifications & Major Maintenance(MM)</u>	<u>FY 2015 Budget</u>
In-Service Inspection Programs	\$ 8,510
Plant Valve Project	7,517
Vessel Services	6,468
Chemical Decontamination	6,126
Main Turbine Inspection	5,047
Pipe Minimum Wall Inspection	1,524
Outage Temporary Power	1,206
Transformer Yard Maintenance	1,084
Disassemble/Inspect Main Steam Isolation Valves	1,083
All Other Projects < \$1 million	8,316
Total Expense Projects Non-Labor	\$ 46,881

*Preliminary estimate for FY 2015 Fukushima impacts¹⁰

Prepared 4/23/14

Table 6
Treasury Related Expenses
(Dollars in Thousands)

<u>Description</u>	Original		<u>Variance</u>
	FY 2015	FY 2014	
	<u>Budget</u>	<u>Budget</u>	
Interest Expense (1)	\$ 146,689	\$ 141,717	\$ 4,972
Build America Bond Subsidy (2)	(4,072)	(4,387)	315
Interest on Note (3)	-	500	(500)
Amortized Financing Cost (4)	(13,060)	(13,602)	542
Investment Income (5)	(203)	(131)	(72)
Treasury Svcs/Paying Agent Fees (6)	595	746	(151)
Total	<u>\$ 129,949</u>	<u>\$ 124,843</u>	<u>\$ 5,106</u>

Assumptions

- (1) Budget assumes approximately \$130.4 million in principal will be refunded in FY 2015 and funding for capital will be obtained.
- (2) Build America Bonds were expected to receive a subsidy from the Treasury for 35% of the interest payments. A reduction of approximately \$315K (7%) was implemented as part of the Congressional budget cuts surrounding the Sequestration events.
- (3) A line of credit was used in FY 2014 to initially fund the capital program. Long-term financing is expected to pay off the line of credit in May 2014.
- (4) The amortized financing costs are driven by the amortization of the premiums on bond issues.
- (5) Includes income on investment of monies held in the Interest and Principal Accounts and the Capital Fund which can be transferred periodically to the Revenue Fund. Projected investment income earning rates are forecasted to average 0.20%.
- (6) Includes all non-interest costs of fixed rate debt and internal labor and overheads.

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Table 7
Cost-to-Cash Reconciliation
(Dollars in Thousands)

Description	FY 2015 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2015 Total Cash
<u>Operating</u>						
Controllable - Expense	\$ 270,891	\$ -	\$ -	\$ -	\$ -	\$ 270,891
Controllable - Capital	107,394	-	3,632	-	-	111,026
Nuclear Fuel	44,326	(43,840)	60,256	-	-	60,742
Spent Fuel Disposal Fee	7,594	(7,594)	8,722	-	-	8,722
Fuel Litigation	-	-	1,225	-	-	1,225
Spares/Inventory Growth	-	-	7,000	-	-	7,000
Generation Taxes	4,669	-	290	-	-	4,959
Subtotal Operating	\$ 434,874	\$ (51,434)	\$ 81,125	\$ -	\$ -	\$ 464,565
<u>Fixed Expenses</u>						
Treasury Related Expense						
Interest on Bonds	\$ 146,689	\$ -	\$ -	\$ -	\$ -	\$ 146,689
Build America Bond Subsidy	(4,072)	-	-	-	-	(4,072)
Bond Retirement	-	-	113,895	-	-	113,895
Amortized Cost	(13,060)	13,060	-	-	-	-
Investment Income-Revenue Fund	(203)	-	-	110	-	(93)
Treasury Services	595	-	-	-	-	595
Decommissioning(1)	6,874	(6,874)	3,198	-	-	3,198
ISFSI Decommissioning	136	(136)	135	-	-	135
Depreciation	86,003	(86,003)	-	-	-	-
Subtotal Fixed Expenses	\$ 222,962	\$ (79,953)	\$ 117,228	\$ 110	\$ -	\$ 260,347
Total	\$ 657,836	\$ (131,387)	\$ 198,353	\$ 110	\$ -	\$ 724,912

(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 8
Annual Budget
Statement of Funding Requirements (Revenue Fund)
(Dollars in Thousands)

<u>Description</u>	Original		Variance
	FY 2015 Budget	FY 2014 Budget	
<u>Operating</u>			
Controllable Expense	\$ 270,891	\$ 204,017	\$ 66,874
Controllable Capital	111,026	111,361	(335)
Nuclear Fuel	60,742	50,587	10,155
Spent Fuel Disposal	8,722	7,693	1,029
Fuel Litigation	1,225	1,243	(18)
Spares/Inventory Growth	7,000	4,000	3,000
Generation Taxes	4,959	4,318	641
Subtotal Operating Requirements	\$ 464,565	\$ 383,219	\$ 81,346
<u>Fixed</u>			
Treasury Related Expenses			
Interest on Bonds	\$ 146,689	\$ 126,399	\$ 20,290
Build America Bond Subsidy	(4,072)	(4,387)	315
Interest on Note	-	500	(500)
Payoff of Note Principal	-	93,209	(93,209)
Bond Retirement (1)	113,895	35,850	78,045
Investment Income-Revenue Fund	(93)	(91)	(2)
Treasury Services/Paying Agent Fees	595	746	(151)
Decommissioning Costs (2)	3,198	3,075	123
ISFSI Decommissioning Costs	135	115	20
Subtotal Fixed	\$ 260,347	\$ 255,416	\$ 4,931
Total Funding Requirements	\$ 724,912	\$ 638,635	\$ 86,277
<u>Funding Sources</u>			
Direct Pay from BPA / Net Billing (3)	\$ 540,398	\$ 430,990	\$ 109,408
Note Funding Capital Program	-	93,209	(93,209)
Bond Proceeds	111,026	110,006	1,020
Fuel Revenue	69,960	-	69,960
Transfer From Capital Fund (4)	330	1,355	(1,025)
Bonneville Direct Funding Decommissioning	3,198	3,075	123
Total Funding Sources	\$ 724,912	\$ 638,635	\$ 86,277

(1) \$130,405,000 of maturing July 2015 bonds are expected to be extended. The remaining \$113,895,000 is expected to be paid off as scheduled.

(2) BPA directly funds the requirements for the Decommissioning Fund on behalf of Energy Northwest.

(3) Bonneville will direct pay the monthly funding requirements under the provisions of the Direct Pay Agreement.

(4) Includes \$330k transferred to pay expected tax assessment in the 2015 Fuel Management Plan.

(Dollars in Thousands)

Description	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2015 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													
<u>Operating</u>													
Controllable Expense	\$ 19,710	\$ 23,620	\$ 16,081	\$ 17,558	\$ 16,098	\$ 16,581	\$ 20,397	\$ 18,546	\$ 18,621	\$ 21,938	\$ 41,567	\$ 40,174	\$ 270,891
Controllable Capital	11,500	7,700	7,100	7,500	7,400	9,100	9,400	7,700	8,900	8,100	11,600	15,026	111,026
Nuclear Fuel In Process	25,916	522	549	537	532	538	910	519	540	524	29,451	204	60,742
Spent Fuel Disposal	-	2,205	-	-	2,196	-	-	2,196	-	-	2,125	-	8,722
Fuel Litigation	205	250	470	105	90	15	15	15	15	15	15	15	1,225
Spares/Inventory Growth	-	1,750	-	-	1,750	-	-	1,750	-	-	1,750	-	7,000
Generation Taxes	-	-	-	-	-	-	-	-	-	-	-	4,959	4,959
Subtotal Operating	\$ 57,331	\$ 36,047	\$ 24,200	\$ 25,700	\$ 28,066	\$ 26,234	\$ 30,722	\$ 30,726	\$ 28,076	\$ 30,577	\$ 86,508	\$ 60,378	\$ 464,565
<u>Fixed</u>													
Treasury Related Expenses													
Interest on Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,344	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,345	\$ 146,689
BABs Subsidy	-	-	-	-	-	(2,036)	-	-	-	-	-	(2,036)	(4,072)
Bond Retirement (1)	-	-	-	-	-	-	-	-	-	-	-	113,895	113,895
Investment Income	(5)	(5)	(5)	(5)	(5)	(15)	(5)	(5)	(5)	(5)	(5)	(28)	(93)
Treasury Services	50	50	50	50	50	50	50	50	50	50	50	50	595
Decommissioning	-	-	3,198	-	-	-	-	-	-	-	-	-	3,198
ISFSI Decommissioning	135	-	-	-	-	-	-	-	-	-	-	-	135
Subtotal Fixed	\$ 180	\$ 45	\$ 3,243	\$ 45	\$ 45	\$ 71,343	\$ 45	\$ 45	\$ 45	\$ 45	\$ 45	\$ 185,226	\$ 260,347
Total Disbursements	\$ 57,511	\$ 36,092	\$ 27,443	\$ 25,745	\$ 28,111	\$ 97,577	\$ 30,767	\$ 30,771	\$ 28,121	\$ 30,622	\$ 86,553	\$ 245,604	\$ 724,912
<u>Funding Sources</u>													
BPA Direct Pay (2)	\$ 46,011	\$ 28,392	\$ 17,145	\$ 18,245	\$ 20,711	\$ 88,477	\$ 21,367	\$ 23,071	\$ 19,221	\$ 22,522	\$ 74,953	\$ 160,288	\$ 540,398
Bond Proceeds	11,500	7,700	7,100	7,500	7,400	9,100	9,400	7,700	8,900	8,100	11,600	15,026	111,026
Transfer from Capital Fund	-	-	-	-	-	-	-	-	-	-	-	330	330
Fuel Revenue	-	-	-	-	-	-	-	-	-	-	-	69,960	69,960
BPA - Decommissioning	-	-	3,198	-	-	-	-	-	-	-	-	-	3,198
Total Funding Sources	\$ 57,511	\$ 36,092	\$ 27,443	\$ 25,745	\$ 28,111	\$ 97,577	\$ 30,767	\$ 30,771	\$ 28,121	\$ 30,622	\$ 86,553	\$ 245,604	\$ 724,912
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) \$130,405,000 of 7/1/2015 maturing bonds are expected to be refunded. The remaining \$113,895,000 are expected to be paid off.

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

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