

Fiscal Year 2011 Columbia Generating Station Annual Operating Budget



Prepared 4/22/10

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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 2011 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 2011. In addition this document includes all funding requirements.

Comparison of the Fiscal Year 2011 Budget to the Fiscal Year 2010 Long Range Plan for Fiscal Year 2010 is included (Table 1).

The total cost budget for Fiscal Year 2011 for Expense and Capital related costs are estimated at \$609,643,000 (Table 3), with associated total funding requirements of \$644,679,000 (Table 9). Using the Memorandum of Agreement basis for measuring Columbia's costs, budget requirements for Fiscal Year 2011 have been established at \$408,079,000 (Table 1) including escalation. In Fiscal Year 2011, 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 \$558,930,000 (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 2011 Budget is made to the original budget for Fiscal Year 2010, dated April 23, 2009.

Key Assumptions/Qualifications

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

- Fiscal Year 2011 cost of power is based on net generation of 7,395 GWh.
- There is a refueling outage planned for Fiscal Year 2011.
- Risk reserves consist of a total of \$5.2 million.
- Energy Northwest issued bonds to finance \$75.1 million of Fiscal Year 2011 capital projects. An additional \$21.5 million for Fiscal Year 2011 capital projects will be obtained from Bonneville through the Direct Pay Process.
- 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 \$1.74 million as follows:
 - Energy Northwest labor at 2.25% annualized.

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

Description	FY 2010		Variance
	FY 2011 Budget	LRP for FY 2011 (2)	
Baseline	\$ 119,917	\$ 120,445	\$ (528)
A & G	60,648	66,266	(5,618)
Incremental Outage Expense Projects	38,704	40,365	(1,661)
Capital Projects	51,547	49,099	2,448
Risk Reserve	94,358	84,864	9,494
Nuclear Fuel Related Costs	5,237	9,372	(4,135)
Total	<u><u>\$ 408,079</u></u>	<u><u>\$ 405,839</u></u>	<u><u>\$ 2,240</u></u>
Net Generation (GWh)	<u><u>7,395</u></u>	<u><u>7,182</u></u>	<u><u>213</u></u>
Cost of Power (\$/MWh)	<u><u>\$ 55.18</u></u>	<u><u>\$ 56.51</u></u>	<u><u>\$ (1.32)</u></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 2010 Long Range Plan for Fiscal Year 2011.

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

<u>Description</u>	<u>FY 2011 Budget</u>	<u>Original FY 2010 Budget</u>	<u>Variance</u>
<u>Controllable Costs</u>			
Energy Northwest Labor	\$ 76,481	\$ 70,133	\$ 6,348
Baseline Non-Labor	53,683	51,776	1,907
Incremental Outage	35,018	880	34,138
Expense Projects Non-Labor	46,779	13,167	33,612
Capital Projects Non-Labor	81,881	60,478	21,403
Indirect Allocations	71,332	71,082	250
Risk Reserve	5,237	4,793	444
Subtotal Controllable	<u>\$ 370,411</u>	<u>\$ 272,309</u>	<u>\$ 97,408</u>
<u>Nuclear Fuel Related Costs</u>			
Nuclear Fuel Amortization	\$ 30,583	\$ 36,415	\$ (5,832)
Spent Fuel Fee	7,085	8,989	(1,904)
Subtotal Nuclear Fuel Related	<u>\$ 37,668</u>	<u>\$ 45,404</u>	<u>\$ (7,736)</u>
Total	<u>\$ 408,079</u>	<u>\$ 317,713</u>	<u>\$ 89,672</u>
Net Generation (GWh)	<u>7,395</u>	<u>9,258</u>	<u>(1,863)</u>
Cost of Power (\$/MWh)	<u>\$ 55.18</u>	<u>\$ 34.32</u>	<u>\$ 20.87</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 2011</u> <u>Budget</u>	<u>Original</u> <u>FY 2010</u> <u>Budget</u>	<u>Variance</u>
<u>Controllable Expense</u>			
Energy Northwest Labor (1)	\$ 76,481	\$ 70,133	\$ 6,348
Base Non-Labor	53,683	51,776	1,907
Expense Projects Non-Labor	46,779	13,167	33,612
Incremental Outage	35,018	880	34,138
Indirect Allocations (1)	71,332	71,082	250
Risk Reserve	3,000	793	2,207
Subtotal Controllable	\$ 286,293	\$ 207,831	\$ 78,462
<u>Incremental</u>			
Nuclear Fuel Amortization	\$ 30,583	\$ 36,415	\$ (5,832)
Spent Fuel Disposal Fee	7,085	8,989	(1,904)
Generation Taxes	3,375	3,807	(432)
Subtotal Incremental	\$ 41,043	\$ 49,211	\$ (8,168)
<u>Fixed</u>			
Treasury Related Expenses (2)	\$ 113,596	\$ 118,364	\$ (4,768)
Decommissioning (3)	6,540	6,216	324
Depreciation	78,053	76,044	2,009
Subtotal Fixed	\$ 198,189	\$ 200,624	\$ (2,435)
Total Operating Expense	\$ 525,525	\$ 457,666	\$ 67,859
<u>Capital</u>			
Downtown Buildings	249	300	(51)
Capital Projects Non-Labor	81,632	60,475	21,157
Capital Risk Reserve	2,237	4,000	(1,763)
Total Capital (4)	\$ 84,118	\$ 64,775	\$ 19,343
Total Expense and Capital	\$ 609,643	\$ 522,441	\$ 87,202

(1) Includes capital labor costs.

(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 2011 Budget</u>	<u>Original FY 2010 Budget</u>	<u>Variance</u>
VP Technical Services	136	134	2
CEO	2	2	-
VP Operational Support	276	275	1
VP Nuclear Generation	592	586	6
VP Energy Business Services (2)	23	23	-
VP Corporate Services/CFO	<u>35</u>	<u>36</u>	<u>(1)</u>
Total	1,064	1,056	8

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

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

Excludes "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 2011</u> <u>Budget</u>	<u>Original</u> <u>FY 2010</u> <u>Budget</u>	<u>Variance</u>
<u>Capital Projects</u>			
Plant Modifications	\$ 75,667	\$ 47,254	\$ 28,414
Facilities Modifications	280	1,475	(1,195)
Information Technology	5,701	11,746	(6,045)
Downtown Buildings	233	3	230
Subtotal Capital Projects	<u>\$ 81,881</u>	<u>\$ 60,478</u>	<u>\$ 21,403</u>
<u>Expense Projects</u>			
Plant Modifications	\$ 45,380	\$ 12,297	\$ 33,083
Facilities Modifications	725	522	203
Information Technology	674	348	326
Subtotal Expense Projects	<u>\$ 46,779</u>	<u>\$ 13,167</u>	<u>\$ 33,612</u>
Total	<u>\$ 128,660</u>	<u>\$ 73,645</u>	<u>\$ 55,015</u>

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

<u>Plant Modifications</u>	FY 2011 Budget
Condenser Replacement	\$ 39,695
Replace Main Generator Rotor	6,000
Cooling Tower Fill Replacement	4,200
Plant License Extension	2,950
Rebuild Main Transformer M2	2,840
Plant Fire Detection System Upgrade	2,019
Modify Logic to Close at Level 1	1,900
On-Line Noble Chem Application	1,761
Vibration Instrumentation	1,373
Local Power Range Monitor Procurement	1,304
All Other Projects < \$1m	17,839
Total Capital Projects Non-Labor	\$ 81,881

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

<u>Plant Modifications & Major Maintenance(MM)</u>	FY 2011 Budget
Vessel Services	\$ 5,844
Chemical Decontamination	5,050
Plant Valve Inspections	5,018
In Service Inspection/Non-Destructive Evaluation	3,884
Main Turbine Inspection	3,475
Main Generator Maintenance	3,000
Control Rod Drive Repair/Refurbishment	2,100
Disassemble & Inspect Main Steam Isolation Valves	1,581
Flow Accelerated Corrosion Pipe Min Wall Inspection	1,500
Annual Transformer Yard	1,265
Hydraulic Control Unit Maintenance	1,198
All Other Projects < \$1 Million	12,864
Total Expense Projects Non-Labor	\$ 46,779

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

<u>Incremental Outage</u>	<u>FY 2011 Budget</u>
Energy Northwest Overtime & Temps	\$10,601
Site Support Contractor	8,278
Materials & Supplies	3,911
In-Processing Costs	3,656
Health Physics Support (Bartlett)	2,111
Maintenance Contract Support	1,059
USA Support	927
Equipment & Leases	775
Unitech	719
All Other Costs	2,981
Total Incremental Outage Non-Labor Costs	<u><u>\$ 35,018</u></u>

Table 7
Treasury Related Expenses
(Dollars in Thousands)

<u>Description</u>	FY 2011	Original	
	<u>Budget</u>	<u>FY 2010</u>	<u>Variance</u>
Interest Expense (1)	\$ 120,543	\$ 124,657	\$ (4,114)
Amortized Financing Cost (2)	(7,806)	(7,393)	(413)
Investment Income (3)	(664)	(362)	(302)
Treasury Svcs/Paying Agent Fees (4)	1,523	1,462	61
Total	\$ 113,596	\$ 118,364	\$ (4,768)

Assumptions

- (1) Interest expense includes interest on \$75,100,000 of new money to finance Fiscal Year 2011 capital.
- (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 were raised from 0.375% to 0.625%.
- (4) 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 2011 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2011 Total Cash
<u>Operating</u>						
Controllable - Expense	\$ 273,816	\$ -	\$ -	\$ -	\$ -	\$ 273,816
Controllable - Capital	96,595	-	-	-	-	96,595
Nuclear Fuel	30,583	(30,583)	43,086	-	-	43,086
Spent Fuel Disposal Fee	7,085	(7,085)	8,327	-	-	8,327
Fuel Revenues	-	-	(12,000)	-	-	(12,000)
Spares/Inventory Growth	-	-	4,830	-	-	4,830
Generation Taxes	3,375	-	-	953	-	4,328
Subtotal Operating	\$ 411,454	\$ (37,668)	\$ 44,243	\$ 953	\$ -	\$ 418,982
<u>Fixed Expenses</u>						
Treasury Related Expense						
Interest on Bonds	\$ 120,543	\$ -	\$ -	\$ -	\$ -	120,543
Bond Retirement	-	-	94,395	-	-	94,395
Amortized Cost	(7,806)	7,806	-	-	-	-
Investment Income-Revenue Fund	(664)	-	-	234	(52)	(482)
Treasury Services	1,523	-	-	-	-	1,523
Reserve & Contingency Fund (R&C)	-	-	856	-	-	856
Prior Year's R&C Fund Surplus	-	-	(856)	-	-	(856)
Decommissioning(1)	6,444	(6,444)	9,616	-	-	9,616
ISFSI Decommissioning	96	(96)	102	-	-	102
Depreciation	78,053	(78,053)	-	-	-	-
Subtotal Fixed Expenses	\$ 198,189	\$ (76,787)	\$ 104,113	\$ 234	\$ (52)	\$ 225,697
Total	\$ 609,643	\$ (114,455)	\$ 148,356	\$ 1,187	\$ (52)	\$ 644,679

(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>	<u>FY 2011</u> <u>Budget</u>	<u>Original</u> <u>FY 2010</u> <u>Budget</u>	<u>Variance</u>
<u>Operating</u>			
Controllable Expense	\$ 273,816	\$ 198,574	\$ 75,242
Controllable Capital	96,595	82,462	14,133
Nuclear Fuel	43,086	3,446	39,640
Spent Fuel Disposal	8,327	8,104	223
Fuel Revenue	(12,000)	-	(12,000)
Spares/Inventory Growth	4,830	5,773	(943)
Generation Taxes	4,328	3,234	1,094
Subtotal Operating Requirements	\$ 418,982	\$ 301,593	\$ 117,389
<u>Fixed</u>			
Treasury Related Expenses			
Interest on Bonds	\$ 120,543	\$ 124,657	\$ (4,114)
Bond Retirement	94,395	125,005	(30,610)
Investment Income-Revenue Fund	(482)	(412)	(70)
Treasury Services/Paying Agent Fees	1,523	681	842
Reserve & Contingency Fund (R&C)	856	856	-
Prior Year's R&C Surplus	(856)	(3,162)	2,306
Decommissioning Costs (1)	9,616	8,675	941
ISFSI Decommissioning Costs	102	98	4
Subtotal Fixed	\$ 225,697	\$ 256,398	\$ (30,701)
Total Funding Requirements	\$ 644,679	\$ 557,991	\$ 86,688
<u>Funding Sources</u>			
Direct Pay from BPA / Net Billing(2)	\$ 558,930	\$ 466,854	\$ 92,076
Bond Financing of Capital Programs	75,100	82,462	(7,362)
Build America Bond Subsidy	1,033	-	1,033
Bonneville Direct Funding Decommissioning	9,616	8,675	941
Total Funding Sources	\$ 644,679	\$ 557,991	\$ 86,688

(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 2011 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	\$ 29,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 21,000	\$ 22,000	\$ 22,000	\$ 23,400	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,416	\$ 273,816
Controllable Capital	2,500	3,000	3,000	3,000	5,500	5,500	7,000	8,000	10,000	12,000	16,000	21,095	96,595
Nuclear Fuel In Process	401	401	401	401	401	971	12,085	439	401	401	24,935	1,849	43,086
Spent Fuel Disposal	-	2,262	-	-	2,250	-	-	2,250	-	-	1,565	-	8,327
Fuel Revenue	-	-	-	-	-	-	-	(12,000)	-	-	-	-	(12,000)
Spares/Inventory Growth	-	1,000	-	-	1,000	-	-	1,415	-	-	1,415	-	4,830
Generation Taxes	-	-	-	-	-	-	-	-	-	-	-	4,328	4,328
Subtotal Operating	\$ 31,901	\$ 26,663	\$ 23,401	\$ 23,401	\$ 30,151	\$ 28,471	\$ 41,085	\$ 23,504	\$ 34,401	\$ 36,401	\$ 67,915	\$ 51,688	\$ 418,982
Fixed													
Treasury Related Expenses													
Interest on Bonds	\$ 713	\$ 714	\$ 713	\$ 714	\$ 713	\$ 56,705	\$ 713	\$ 713	\$ 714	\$ 713	\$ 713	\$ 56,705	\$ 120,543
Bond Retirement (1)	-	-	-	-	-	-	-	-	-	-	-	94,395	94,395
Investment Income	(58)	(6)	(6)	(13)	(13)	(39)	(23)	(24)	(26)	(46)	(51)	(177)	(482)
Treasury Services	27	38	38	38	46	43	40	42	150	134	639	288	1,523
R&C Fund (2)	71	71	72	71	71	72	71	71	72	71	71	72	856
Prior Year R&C Surplus	(856)	-	-	-	-	-	-	-	-	-	-	-	(856)
Decommissioning	-	-	9,616	-	-	-	-	-	-	-	-	-	9,616
ISFSI Decommissioning	-	-	102	-	-	-	-	-	-	-	-	-	102
Subtotal Fixed	\$ (103)	\$ 817	\$ 10,535	\$ 810	\$ 817	\$ 56,781	\$ 801	\$ 802	\$ 910	\$ 872	\$ 1,372	\$ 151,283	\$ 225,697
Total Disbursements	\$ 31,798	\$ 27,480	\$ 33,936	\$ 24,211	\$ 30,968	\$ 85,252	\$ 41,886	\$ 24,306	\$ 35,311	\$ 37,273	\$ 69,287	\$ 202,971	\$ 644,679
Funding Sources													
BPA Direct Pay (3)	\$ 28,906	\$ 24,480	\$ 21,320	\$ 21,211	\$ 25,468	\$ 79,752	\$ 34,245	\$ 16,306	\$ 25,311	\$ 25,273	\$ 53,287	\$ 181,876	\$ 537,435
BPA Direct Pay - Capital (3)	-	-	-	-	-	-	-	-	-	-	400	21,095	21,495
Bond Proceeds	2,500	3,000	3,000	3,000	5,500	5,500	7,000	8,000	10,000	12,000	15,600	-	75,100
Build America Bonds	392	-	-	-	-	-	641	-	-	-	-	-	1,033
BPA - Decommissioning	-	-	9,616	-	-	-	-	-	-	-	-	-	9,616
Total Funding Sources	\$ 31,798	\$ 27,480	\$ 33,936	\$ 24,211	\$ 30,968	\$ 85,252	\$ 41,886	\$ 24,306	\$ 35,311	\$ 37,273	\$ 69,287	\$ 202,971	\$ 644,679
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 \$94,395,000 of the maturing bond principal will be paid off.
- (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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