



**ENERGY
NORTHWEST**

Fiscal Year 2012 Budget and Long-range Plan Columbia Generating Station

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Columbia Generating Station Pride In Performance

- ✦ **R radiological safety**
- ✦ **O outage & forced outage readiness**
- ✦ **L leadership effectiveness**
- ✦ **E equipment reliability**
- ✦ **S safety & human performance**

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 9,373 GWh**
- ✦ **Fuel Costs are Based on Fiscal Year 2012 10-Year Plan**
- ✦ **Issued bonds to finance capital**
- ✦ **Excludes unknown Nuclear Regulatory Commission (NRC) mandates**
- ✦ **No Forced Outage Budget**
- ✦ **Labor Escalation of \$1.81 Million**

Escalation

- ✦ **Energy Northwest bargaining unit contracts were negotiated in 2008. Fiscal Year impact = 2.25%**
- ✦ **Energy Northwest non-bargaining unit employees increase based on Human Resources benchmarking. Fiscal Year impact = 2.25%**
- ✦ **Contractor rates are up an average of 4%**
- ✦ **Regulatory fees are up an average of 8%**

Budget Overview

- ✦ **Budget is \$308.4 Million**
- ✦ **Industry Cost of Power is \$32.90/MWh**
 - This is lower than the LRP of \$33.28/MWh
 - Fuel cost \$3.4 million less than Long Range Plan
- ✦ **Risk Reserves Total \$3.3 Million**
- ✦ **Projects Total \$55.6 Million**
 - Includes condenser disposal & demobilization cost of \$10.2m

Risk Reserve

- ✦ **\$3.3 million risk reserve is 1.3% of the total O&M and capital budget.**
- ✦ **No budget for forced outage**
- ✦ **No budget for regulatory mandates**
- ✦ **No contingency in project estimates**

Budget Versus Prior Year Long-range Plan (LRP) (Dollars in Thousands)

<u>Description</u>	<u>FY 2012 Budget</u>	<u>FY 2011 LRP for FY 2012</u>	<u>Variance</u>
Baseline	\$ 125,383	\$ 125,909	\$ (526)
O&M A&G	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
Capital A&G	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)

Budget Book Reference: Columbia tab, table 1, page 5

FY12 Risks

- ✦ **Emergent Equipment Reliability Projects**
- ✦ **Regulatory Fees**
- ✦ **Forced Outage**
- ✦ **Benefits Increase**
- ✦ **Unknown Regulatory Mandates**

Columbia FY12 – FY11 Comparison (Dollars in Thousands)

<u>Budget Line Item</u>	<u>FY 2012 Budget</u>	<u>Original FY 2011 Budget</u>	<u>Variance</u>
Controllable Costs			
Energy NW Labor*	\$76,329	\$76,481	(\$152)
Baseline Non-Labor	54,051	53,683	368
Incremental Outage Non-Labor	140	35,018	(34,878)
Projects - Expense Non-Labor	9,265	46,779	(37,514)
Projects - Capital Non-Labor	41,333	81,881	(40,548)
Corporate Allocations	74,857	71,332	3,525
Risk Reserve	3,344	5,237	(1,893)
Subtotal Controllable	\$259,319	\$370,411	(\$111,092)
Fuel Related Costs			
Fuel Amortization	\$40,277	\$30,583	\$9,694
Spent Fuel Fee	8,805	7,085	1,720
Subtotal Fuel Related Costs	\$49,082	\$37,668	\$11,414
Total CGS Costs	\$308,401	\$408,079	(\$99,678)
Net Generation (GWh)	9,373	7,298	2,075
Cost of Power (\$/MWh)	\$32.90	\$55.92	(\$23.02)

*Includes escalation @ 2.25%

Budget Book Reference: Columbia tab, table 2, page 6

Columbia Non-Outage Year Comparison

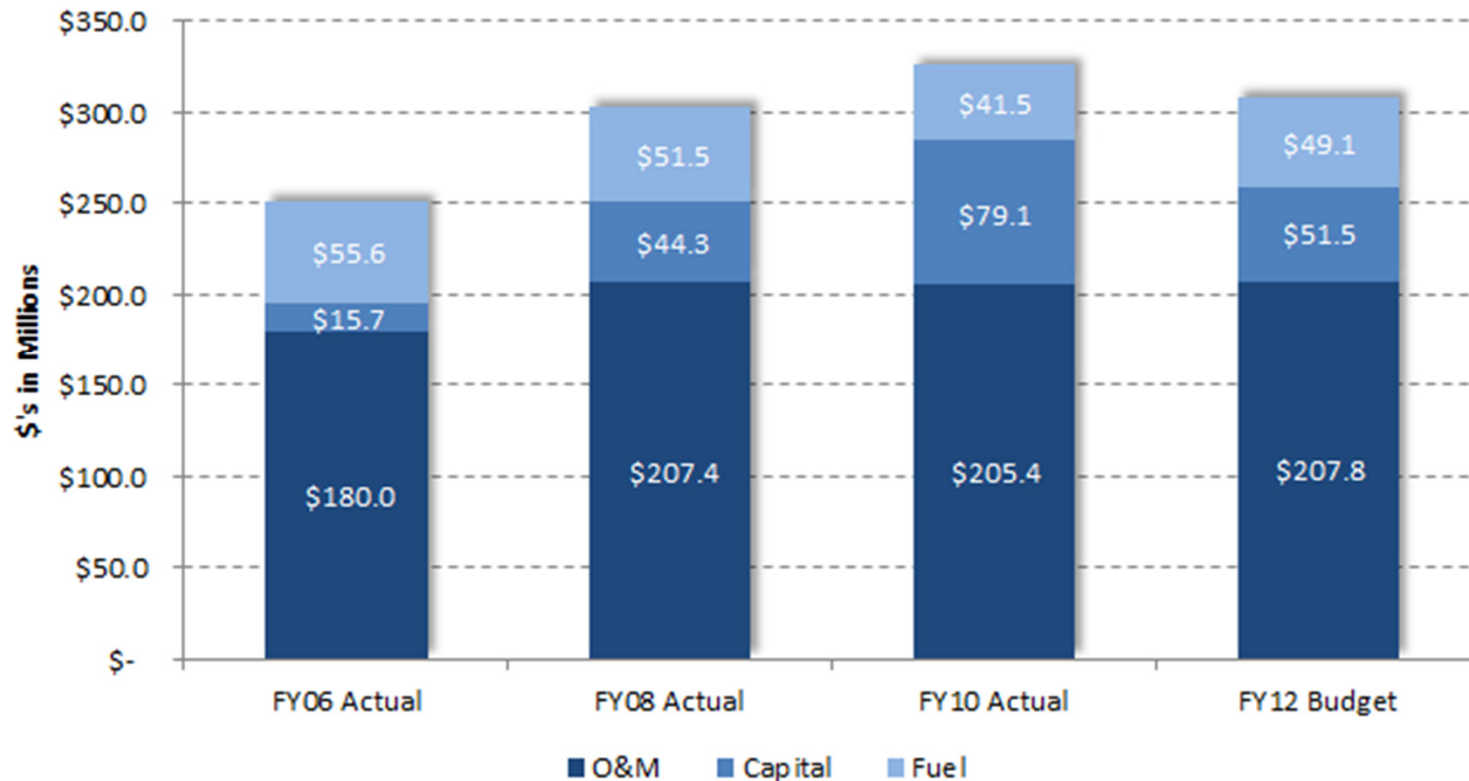
(Dollars in Thousands and Escalated to 2012 Dollars)

<u>Description</u>	<u>FY 2006 Actual</u>	<u>FY 2008 Actual</u>	<u>FY 2010 Actual</u>	<u>FY 2012 Budget</u>
Baseline	\$ 104,241	\$ 121,682	\$ 128,321	\$ 125,383
O&M A&G	59,168	63,016	62,353	69,856
Incremental Outage	584	2,470	565	140
Expense Projects	15,980	20,234	17,053	11,132
Risk Reserve	-	-	-	1,325
Reactor Building Siding Repair Claim	-	-	(2,900)	-
Operations & Maintenance Total	179,973	207,402	205,391	207,836
Capital Projects	14,300	41,733	72,117	44,463
Capital A&G	1,387	2,541	6,975	5,001
Risk Reserve	-	-	-	2,019
Capital Total	15,687	44,274	79,092	51,483
Nuclear Fuel Related Costs	55,618	51,534	41,462	49,082
Fuel Total	55,618	51,534	41,462	49,082
Total	\$ 251,277	\$ 303,210	\$ 325,945	\$ 308,401
Net Generation (GWh)	9,636	9,594	8,124	9,373
Cost of Power (\$/MWh)	\$ 26.08	\$ 31.60	\$ 40.12	\$ 32.90

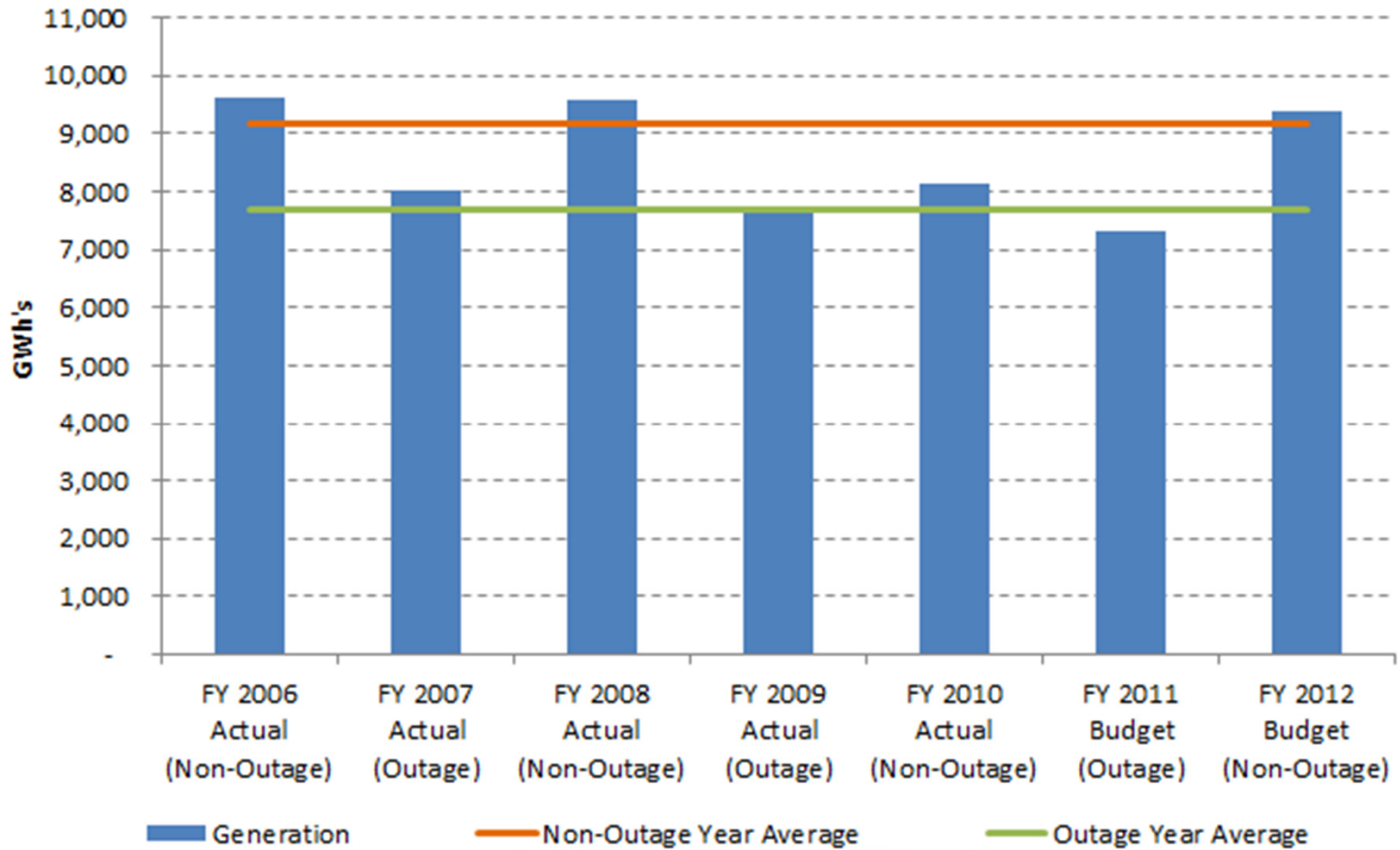
Budget Book Reference: Columbia tab, table 1, page 5 for FY 2012 budget

Columbia Non-Outage Year Comparison

CGS Non-Outage Year Cost Trend
(Escalated in 2012 \$'s)



Generation



Columbia Budgeted Positions

(Full Time Equivalents)

Organization	FY 2012 Budget	Original FY 2011 Budget	Headcount Change
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 Chief Financial Officer/Chief Risk Officer	15	16	(1)
Total CGS	1,077	1,119	(42)

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

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

Budget Book Reference: Columbia tab, table 4, page 8

Baseline Non-Labor

FY 2012 Non-Labor	\$54,051
FY 2011 Non-Labor (escalated)	\$55,562
Variance	<hr/> (\$1,511)

Major Changes:

Overtime	\$860
Nuclear Regulatory Commission Fees	393
Chemicals/Gases	(91)
Radwaste Disposal	(132)
Equipment	(171)
Resins	(233)
Software Maintenance Fees	(155)
Travel/Training	(390)
Materials	(679)
Contractor Support	(757)
All Other	(156)

Budget Book Reference: Columbia tab, table 2, page 6 for FY 2012 Baseline Non-Labor

Operations & Maintenance Plant Projects Over \$200 Thousand (Dollars in Thousands)

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

Budget Book Reference: Columbia tab, table 5B, page 10

Capital Plant Projects Over \$900 Thousand

(Dollars in Thousands)

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

Budget Book Reference: Columbia tab, table 5A, page 10

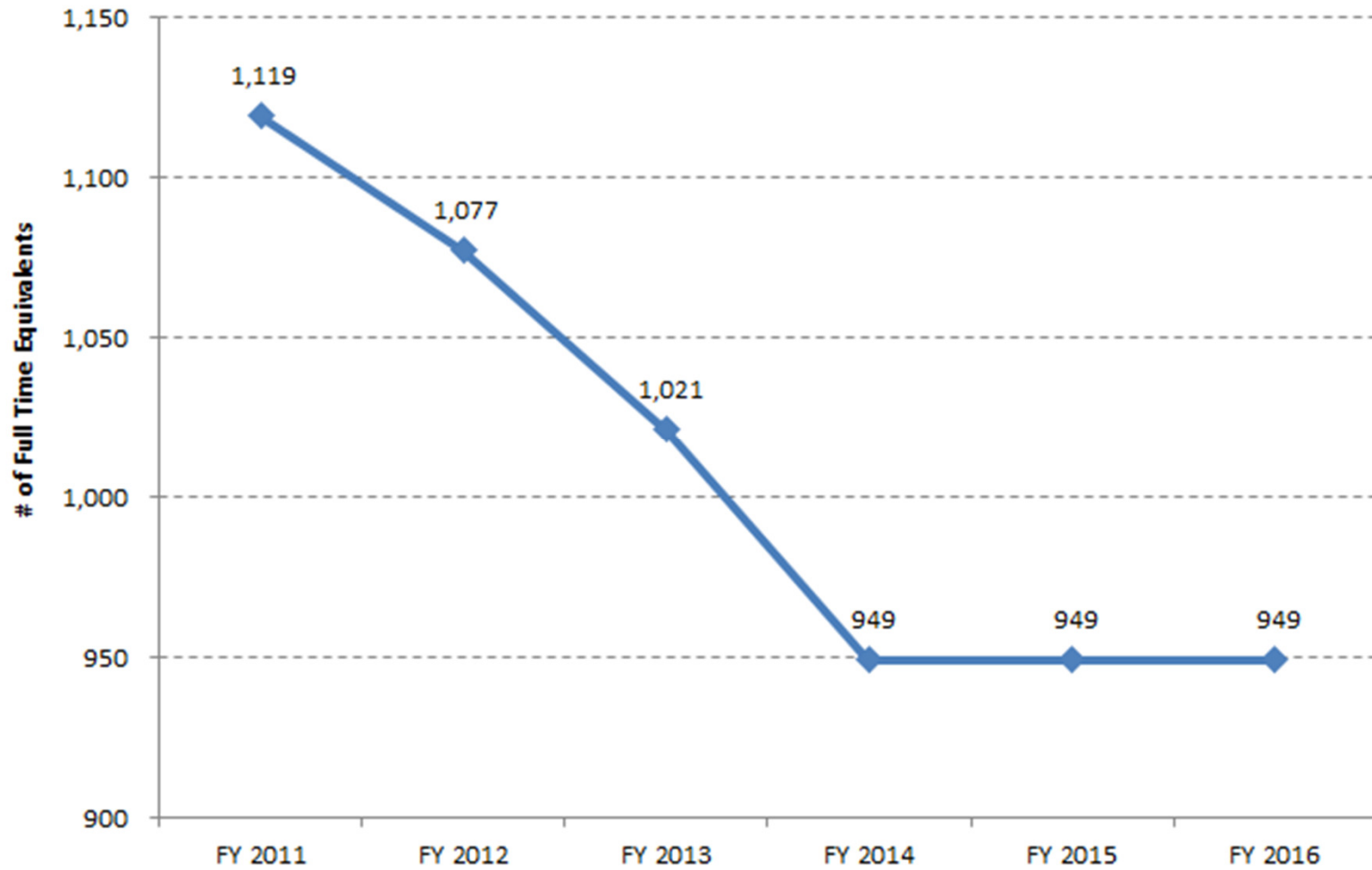
Long Range Plan

- ✦ Reduction of 56 positions in FY13 (38 regular and 18 project) and 72 positions in FY14 (70 regular and 2 project)
- ✦ Maintain the same capital investment in the out-years as was in last year's plan
- ✦ 3.5% average escalation

Long Range Plan Challenges

- ✦ Increased investment in equipment reliability projects
- ✦ Lifecycle management and prioritization
- ✦ Benefits are expected to escalate dramatically in the out years
- ✦ A managed attrition plan will be required to meet our commitments
- ✦ Fuel costs
- ✦ Funding for inventory growth

Columbia Full Time Equivalent Headcount



Columbia Long-range Plan

Item Description	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
	BPA Rate Period		BPA Rate Period		BPA Rate Period		BPA Rate Period		BPA Rate Period	
Direct and Indirect O&M Costs										
Baseline costs	\$ 125,383	\$ 120,347	\$ 116,025	\$ 116,184	\$ 116,154	\$ 116,852	\$ 116,955	\$ 116,803	\$ 116,955	\$ 116,800
Outage Costs (Incremental)	140	21,425	447	21,425	447	19,236	447	18,012	447	18,000
Admin / General (A&G) O&M includes escalation	69,856	73,622	76,446	79,678	84,280	87,793	91,882	95,404	103,009	106,168
O&M Projects	10,563	44,485	11,727	45,490	10,400	43,277	9,724	43,689	12,762	38,500
Facilities O&M Projects	569	589	649	649	643	643	515	643	643	643
O&M Risk Reserve	1,325	2,142	1,532	2,174	1,532	2,024	536	1,532	536	1,532
Outage Risk Reserve	-	1,161	-	1,162	-	1,162	-	1,162	-	1,162
Subtotal Direct & Indirect O&M Costs	\$ 207,836	\$ 263,772	\$ 206,825	\$ 266,762	\$ 213,455	\$ 270,987	\$ 220,059	\$ 277,245	\$ 234,352	\$ 282,805
Escalation on Direct & Indirect	-	6,656	9,285	20,339	19,056	34,382	29,385	49,512	41,608	64,101
Subtotal Direct & Indirect O&M Costs	\$ 207,836	\$ 270,428	\$ 216,110	\$ 287,101	\$ 232,512	\$ 305,369	\$ 249,444	\$ 326,756	\$ 275,960	\$ 346,906
Capital Costs										
PRC Capital Projects	\$ 26,306	\$ 31,048	\$ 14,883	\$ 23,187	\$ 9,151	\$ 23,261	\$ 8,299	\$ 27,258	\$ 11,799	\$ 20,707
Moveable Capital & Downtown Capital Projects	1,647	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393
Facilities Capital Projects	519	518	518	1,607	2,411	2,946	1,874	1,874	1,874	518
Information Technology Capital Projects	5,777	6,972	7,909	6,401	6,122	6,233	9,923	6,660	6,856	6,453
Admin / General (A&G) Cap includes escalation	5,001	4,800	3,100	4,250	2,575	4,725	3,065	5,560	3,365	4,760
Capital Risk Reserve	2,019	4,169	2,412	3,508	2,052	3,641	1,989	4,002	2,142	3,848
Main Condenser Replacement includes escalation	10,214	-	-	-	-	-	-	-	-	0
Subtotal Capital Costs	\$ 51,483	\$ 48,899	\$ 30,214	\$ 40,346	\$ 23,704	\$ 42,199	\$ 26,544	\$ 46,748	\$ 27,430	\$ 37,680
Escalation on Capital Costs	-	1,541	1,931	3,923	3,116	7,032	5,383	11,215	7,624	11,946
Subtotal Capital Costs	\$ 51,483	\$ 50,441	\$ 32,145	\$ 44,269	\$ 26,820	\$ 49,231	\$ 31,926	\$ 57,963	\$ 35,054	\$ 49,626
Fuel Related Costs										
Nuclear Fuel Amortization	\$ 40,277	\$ 35,530	\$ 54,305	\$ 49,820	\$ 60,028	\$ 54,759	\$ 62,312	\$ 57,335	\$ 68,180	62,003
Spent Fuel Fee	8,805	7,767	8,799	8,073	8,823	8,049	8,799	8,096	8,823	8,024
Subtotal Fuel Related Costs	\$ 49,082	\$ 43,297	\$ 63,104	\$ 57,893	\$ 68,851	\$ 62,808	\$ 71,111	\$ 65,431	\$ 77,003	\$ 70,027
Total Unescalated Budget	\$ 308,401	\$ 355,968	\$ 300,143	\$ 365,001	\$ 306,010	\$ 375,994	\$ 317,714	\$ 389,424	\$ 338,785	\$ 390,512
Total Escalation	-	8,198	11,216	24,263	22,172	41,414	34,768	60,726	49,233	76,048
Total Costs - Industry basis	\$ 308,401	\$ 364,166	\$ 311,360	\$ 389,264	\$ 328,182	\$ 417,408	\$ 352,481	\$ 450,150	\$ 388,017	\$ 466,559
Total Net Generation (Gwh)	9,373	8,473	9,434	8,558	9,434	8,610	9,434	8,649	9,435	8,650
Outage Days	-	35	-	31	-	29	-	27	-	27
Cost of Power (Cents per kWh, constant FY12\$)	3.290	4.201	3.181	4.265	3.244	4.367	3.368	4.502	3.591	4.515
Cost of Power (Cents per kWh, escalated)	3.290	4.298	3.300	4.548	3.479	4.848	3.736	5.205	4.113	5.394

Key Assumption/Qualifications
Escalation Rate = 3.5% starting FY 13

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.

Columbia FY12 Impact on Bonneville Rates

(\$ in thousands)

Line Item	Cost	Cash	Delta
O&M	\$207,836	\$207,836	\$0
Capital	\$51,483	\$0	(\$51,483)
Fuel Related	\$53,476	\$57,630	\$4,154
Spares/Inventory Adj	\$0	\$6,751	\$6,751
Debt Service	\$0	\$44,171	\$44,171
Total	\$312,795	\$316,388	\$3,593

Columbia Impact on Bonneville's Rates

(\$ in thousands)

January 2010 estimate of FY12-13	\$694,798
April 2010 estimate of FY12-13	<u>\$652,129</u>
Reduction	(\$42,669)
The April estimate was used for the Integrated Program Review	
March 2011 estimate of FY12-13	\$652,129

Questions?