



Bonneville Power Administration

Integrated Program Review

(IPR)

Columbia Generation Station O&M

Technical Workshop

May 22, 2008



Agenda

- BPA Introduction
 - Background
 - BPA and Energy Northwest accounting differences
 - CGS O&M, drivers, risk, opportunities for improvement
 - Cost history and forecast
 - Adjustments to the Energy Northwest FY 2009 Budget
 - CGS capital costs
- BPA's Financial Disclosure Information
- Workshop Schedule
- Process for Commenting
- Energy Northwest Presentation



Background of CGS O&M

- The Columbia Generating Station (CGS) costs are included in the revenue requirement of the Power Services rate structure and are tied to operations of the nuclear plant
- 1,107 MWnet boiling water reactor
- Owned by Energy Northwest
- Located on the Department of Energy Hanford Site
- Began commercial operation in December 1984
- BPA purchases 100% of CGS power and pays all operating costs per the Project, Net Billing and Direct Pay agreements
- BPA's goal is that the plant be operated in a safe, reliable, and cost-effective manner such that its performance is in the top quartile of the industry (technical performance) and top half of the industry (cost performance) relative to its peers on a sustained basis.



CGS O&M

Accounting Differences

- Energy Northwest prepares budgets and long range forecasts for CGS on a cost basis.
- Energy Northwest uses the cost basis budget for its accounting, cost control purposes and benchmarking.
- Energy Northwest also prepares a budget based on funding (cash) needs.
- BPA prepares its rate cases and budgets for CGS on a cash basis.
- Energy Northwest and BPA have different fiscal years:
 - Energy Northwest has a July-through-June fiscal year.
 - BPA has an October-through-September fiscal year.
- These differences make a cost to cash and fiscal year conversion necessary.
- Energy Northwest's CGS budget is submitted annually to BPA in April and non-disapproved by BPA in May.
- The Energy Northwest CGS Long Range Plan is updated annually and presented to BPA.



CGS O&M

Accounting Differences (Continued)

- Differences between cost basis and cash basis:
 - Nuclear fuel burn-up vs. nuclear fuel procurement
 - Timing of spent fuel waste disposal fees
 - Timing of generation tax payment
- Additional funding needs included in BPA's budget for CGS:
 - NEIL insurance
 - Decommissioning Trust Fund contributions



CGS O&M

\$ in Thousands	Actuals		SOY	Rate Case Average	Rate Case	IPR	IPR	IPR
	FY 2006	FY 2007	FY 2008	FY 2007-09	FY 2009	FY 2009	FY 2010	FY 2011
Program Level Spending	228,317	276,409	231,431	231,753	242,842	293,700	269,200	365,000
Increase/Decrease *		48,092	-44,978		11,411	50,858	-24,500	95,800

* for FY 2006-2008, Rate Case FY 2009, 2010 and 2011, change is from the prior year. For FY 2009 Forecast, change is calculated from "Rate Case".

Program Background:

- BPA pays the costs of Energy Northwest's CGS nuclear power plant.
- CGS is on a 2 year refueling cycle.

Drivers of Change:

- Energy Northwest continued focus on equipment obsolescence and reliability. Energy Northwest management believes significant additional investments are necessary to improve safety, reliability and plant performance.
- The plant's performance indicators have been low when measured against criteria set by INPO, but its capacity factors have been good.
- Energy Northwest proposed a \$65 million increase above the rate case for 2009.
- BPA proposed some reductions in the FY 2009 Energy Northwest budget. As a result, the 2009 O&M expenses for the IPR were proposed to be \$51 million above the level in the 2007-2009 rate case for 2009.
- BPA and Energy Northwest have been working together to confirm reductions to the newest proposed increases. (see page 8) As a result, the 2009 O&M expenses are now proposed to be \$54 million above the level in the FY 2007-2009 rate case.
- CGS O&M in current rates for FY 2008 and FY 2009 total \$431.6 million compared to IPR forecasts of \$634.2 million for FY's 2010-2011. A \$202.6 million increase from current rates.
- FY 2010-11 proposal does not include lost power value for 38 additional days of outage time for condenser replacement -- approximately \$50 million cost for lost generation.

Forecast Risk:

- These forecast do not include any funding for future NRC security requirements.

Opportunities for Improvement:

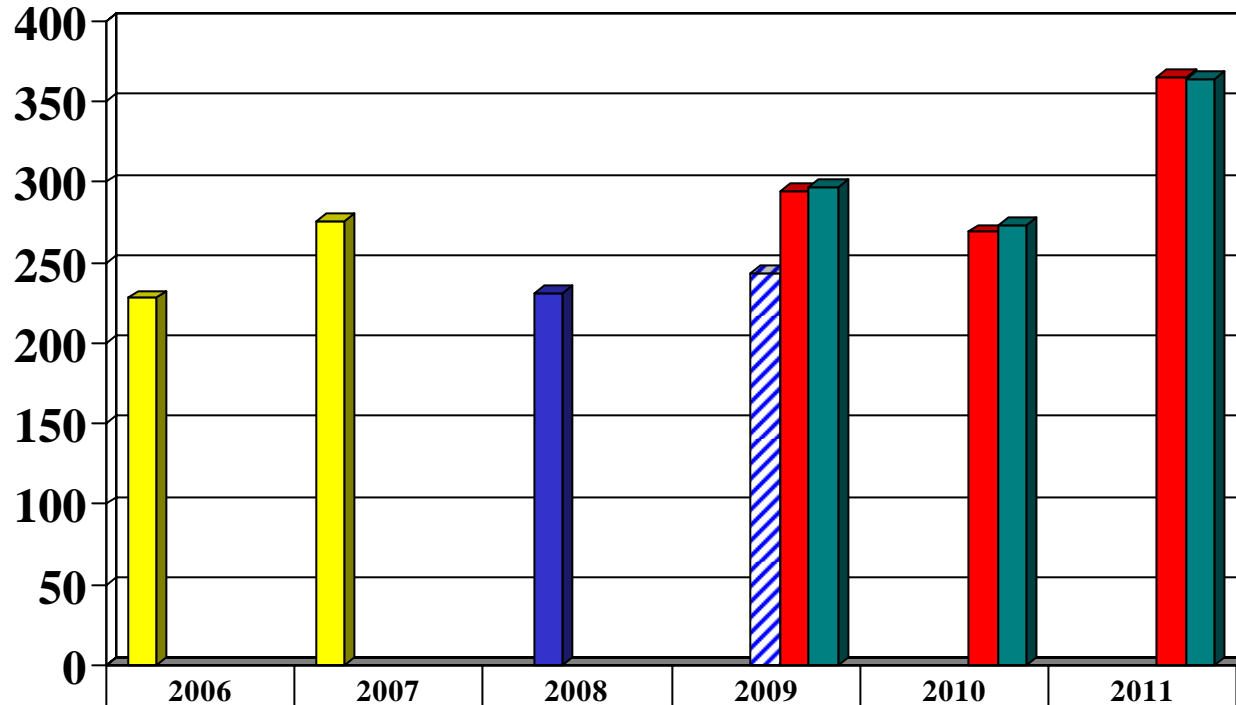
- BPA will continue to work with Energy Northwest to identify areas for improvement.



CGS O&M

Cash Basis – BPA Fiscal Years

Dollars in Millions



■ Actuals	228	276				
■ SOY FY 2008			231			
▨ Rate Case				243		
■ IPR *				294	269	365
■ Current Forecast				297	273	364

* Based on Energy Northwest FY 2009 Budget and Long Range Plan and includes adjustments made by BPA.



CGS O&M

Adjustments to the Energy Northwest Forecasts

Energy Northwest Fiscal Years
Dollars in Millions

	2009	2010	2011	2012
Uranium enrichment credit	13.9			
Contingency			6.6	0.4
Joint Advisory Committee Study of New Resources	0.3			
Total	14.2	0.0	6.6	0.4

Proposed Adjustments
BPA Fiscal Years

	2009	2010	2011
Total	10.7	1.7	5.1



Columbia Generating Station Capital

Description	Actuals		SOY	Rate Case	IPR	IPR	IPR	IPR	IPR
	FY 2006	FY 2007	FY 2008	FY 2008-2009*	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
CGS	74,501	82,926	44,464	26,900	96,700	73,600	99,900	55,200	47,700
Increase/Decrease *		8,425	(38,462)		52,236	(23,100)	26,300	(44,700)	(7,500)

*Average FY 2008-2009 Rate Case Levels

*Change is calculated from the prior year. The "Rate Case Average" column is not used in calculations of increases and decreases.

EN capital numbers are in EN fiscal years since all the associated debt service calculations are based on that view.

Program Background: The Program is the capital projects portion of Energy Northwest's O&M costs for operating Columbia Generating Station. CGS is on a 2 year refueling cycle.

Strategic Objective(s): This program supports Energy Northwest's and BPA's commitment to the long term viability and reliability of CGS and is consistent with BPA's goal that CGS be operated in a safe, reliable and cost-effective manner. The capital investments also support improvement initiatives to bring CGS into alignment with top nuclear industry performance.

Drivers of Change: FY 2009 and FY 2011 are refueling outage years for CGS. Capital costs increase during outage years. FY 2009, 2010 and 2011 include the Condenser Replacement Project. Improvement initiatives are resulting in more capital investment in the Plant.

Forecast Risk: Current project costs could increase. There may be emergent work that is identified during the refueling outages that may increase costs.

Opportunities for Improvement: Energy Northwest and BPA continue to review and evaluate projects to ensure cost effectiveness is achieved while emphasizing safety and reliability.



Upcoming Workshops

Workshop	Date	Time
Executive Welcome & Overview	Thurs. 05/15/2008	9:00am-3:00pm
FY 2009 Power Cost Overview, Misc.	Thurs. 05/15/2008	3:00pm-4:00pm
Asset Management Overview, Agency Service Costs	Tues. 05/20/2008	9:00am-9:30am 9:30am-12:30am
Power's Internal Operating Costs, Power's Transmission Acquisition & Residential Exchange	Tues. 05/20/2008	1:00pm-4:00pm
Fish & Wildlife Capital/Expense with emphasis on MOA costs overall and FY 2009 F&W Program Costs, and FY 2009 Columbia River Fish Mitigation Investment	Wed. 05/21/2008	9:00am-12:00pm
Corps/Reclamation – Capital/Expense Part 1 of 2	Wed. 05/21/2008	1:00pm-4:00pm
Conservation & Energy Efficiency – (Capital/Expense), Renewable Resources Program	Thurs. 05/22/2008	9:00am-12:00pm
Columbia Generating Station	Thurs. 05/22/2008	1:00pm-4:00pm
General Manager Meeting on 2009 Costs	Thurs. 06/11/2008	9:00am-12:00pm 1:00pm-2:00pm
Fish & Wildlife Capital/Expense with an emphasis on FY2010-2011 F&W Program Costs, Hydro Ops, Lower Snake River Comp. Program & Columbia River Fish Mitigation Investment & NWPC	Thurs. 06/12/2008	9:00am-12:00pm
Corps/Reclamation – Capital/Expense Part 2 of 2	Thurs. 06/12/2008	1:00pm-4:00pm
Transmission Capital/Expenses	Thurs. 06/19/2008	9:00am-12:00pm
Depreciation, Amortization and Interest, and Debt Management	Thurs. 06/19/2008	1:00pm-4:00pm
General Manager Meeting	Thurs. 06/26/2008	9:00am-12:00pm
IPR Concluding Workshop	Thurs. 06/26/2008	1:00pm-4:00pm



Ways to Participate

- All forums are open to the public and will be noticed on the IBR external web site at: <http://www.bpa.gov/corporate/Finance/IBR/IPR/> Staff from the Corps of Engineers, Bureau of Reclamation, and Energy Northwest will participate in presentations on costs they manage.
- All Technical and Managerial workshops will be held at BPA Headquarters.
- The comment period for the IPR opens Thursday, May 15, 2008. Close of comment for FY 2009 Power costs is June 19, 2008. Close of comment for all other costs is August 15, 2008. You have several options to provide comments to BPA:
 1. Attend one or more of the scheduled workshops and give BPA your comments.
 2. Discuss your input with your Customer Account Executive, Constituent Account Executive, or Tribal Liaison.
 3. Submit written comments to Bonneville Power Administration, P.O. Box 14428, Portland, OR 97293-4428.
 4. Submit comments via e-mail to: comment@bpa.gov or submit on line at: <http://www.bpa.gov/comment>.
 5. Comments can also be sent via fax to (503) 230-3285.



BPA's Financial Disclosure Information

1. All FY 2008-2013 information was provided in May 2008 and cannot be found in BPA-approved Agency Financial Information, but is provided for discussion or exploratory purposes only as projections of program activity levels, etc. This information is a derived estimate for presentation purposes and cannot be found in BPA-approved Agency Financial Information but is provided for discussion or exploratory purposes only as “projections of program activity levels, etc.”
2. All FY 2007 and earlier information was provided in May 2008 and is consistent with audited actuals that contain BPA-approved Agency Financial Information.