



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

SECURITY AND CONTINUITY OF OPERATIONS

September 25, 2013

In reply refer to: NN-1

Charles Johnson
Physicians for Social Responsibility
812 SW Washington St, Ste 1050
Portland, OR 97205

FOIA #BPA-2013-01693-F

Dear Mr. Johnson:

This is the final response to your request for records that you made to the Bonneville Power Administration (BPA), under the Freedom of Information Act, 5 U.S.C. 552.

You requested the following:

“Energy Northwest's letter to Steve Wright in response to the October 2009 draft BPA white paper as well as the paper submitted with that letter.”

Response:

BPA is releasing the responsive documents in their entirety.

Pursuant to 10 CFR 1004.8, if you are dissatisfied with the adequacy of the search, you may appeal this FOIA response in writing within 30 calendar days of receipt of a final response letter. The appeal should be made to the Director, Office of Hearings and Appeals, HG-1, Department of Energy, 1000 Independence Avenue, SW, Washington, DC 20585-1615. The written appeal, including the envelope, must clearly indicate that a FOIA Appeal is being made.

Please contact Kim Winn, FOIA Specialist, at 503-230-5273 with any questions about this letter.

Sincerely,

/s/Christina J. Munro
Christina J. Munro
Freedom of Information/Privacy Act Officer

Enclosure



J. V. Parrish
Chief Executive Officer
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October 16, 2009

Steve Wright
Administrator
Bonneville Power Administration
905 NE 11th Ave.
P.O. Box 3621
Portland, OR 97208-3621

Subject: COLUMBIA GENERATING STATION PERFORMANCE 2009

Dear Steve,

As a follow-up to our recent discussions on Columbia Generating Station, I'm passing along our Columbia Operational Performance 2009 whitepaper, which specifically addresses recent plant performance. The analysis provides broad historical context, rather than a recent snapshot, and presents an expert-based perspective with which to evaluate potential trends compared to industry performance norms. I hope you'll find the report a compelling evaluation of historical long-term success, recent set-backs and future plant strength.

Though the document discusses issues addressed in BPA's October 2009 "Draft—Columbia Generating Station Performance," the Energy Northwest whitepaper is not intended to endorse BPA's outside view of the operation, but simply explore and expertly address issues of shared concern. Any policy decisions regarding Columbia operations clearly reside with Energy Northwest's Executive Board and Board of Directors, and therefore are not addressed in this paper.

We are cognizant and acutely aware of how recent plant operation has impacted our performance metrics and caused them to significantly decrease in recent months. The Energy Northwest leadership team is disappointed—and ultimately accountable for current performance levels. We recognized indications of declining performance in late 2008 and took prompt action. A comprehensive strategic initiative has been developed to improve and sustain excellence in plant operation. In addition, nationally-recognized third-party industry expertise is being used to rigorously analyze our recent performance issues.

Energy Northwest is ultimately responsible for nuclear policy and the safety of Columbia's operations, and we will not falter in this obligation. This focus has ensured that Columbia is and will remain an exceptionally safe plant. Past external budget pressures, however, resulted in short-term gains rather than long-term reliability, and introduced inherent risks that brought us to the performance challenges we face today. Certainly, in the best long-term interest of the region, the reliable and safe operation of Columbia should always remain the priority.

Steve Wright
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Columbia Generating Station Performance 2009

Maintaining public, regulator and regional confidence in the operation through open communication and transparency is also paramount, especially as we prepare to submit Columbia's license renewal application to the Nuclear Regulatory Commission in early 2010. I believe caution should be exercised to not inadvertently erode this confidence in Columbia Generating Station, and by extension Energy Northwest's ability to safely operate the plant, based solely on our recent performance.

It is my genuine hope that this whitepaper will be used to support an accurate and compelling picture of regional nuclear power benefits; please feel free to use all or any of it as you see most appropriate.

The entire Energy Northwest team is committed to the public power energy needs of our region. I am very confident that the investments of the last two and a half years—and continued appropriate levels of investment—will help ensure Columbia's long-term reliability.

Respectfully,

A handwritten signature in black ink, appearing to read "J. V. Parrish". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

J. V. Parrish
Chief Executive Officer

cc: Andy Rapacz, Bonneville Power Administration
Energy Northwest Executive Board
Energy Northwest Board of Directors
Participants' Review Board
Columbia Nuclear Safety Review Board

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Columbia Operational Performance 2009

Introduction

The Energy Northwest consortium of 27 public-owned utilities is a transparent joint operating agency formed to serve the power needs of Washington State and the Pacific Northwest. Energy Northwest aggregates the power needs presented by member utilities, and develops projects to best satisfy those needs. The agency's largest and most-visible operation is the Columbia Generating Station nuclear energy facility, a valuable regional asset which on average produces enough electricity to power over a million Washington homes.

Background

Historically a very dependable source of energy for the region, Columbia recently demonstrated a decline in performance primarily as a result of funding decisions made during the last two decades. Four forced and one maintenance outage (February, May, June, August and September), plus an unplanned extension to the May-June refueling outage, have prevented Columbia from meeting generation goals. Identifying the causes behind recent performance require a review of capital investment.

Beginning in fiscal year 2001, a long period of underinvestment placed Columbia well into the lowest quartile for capital expenditures across all U.S. plants—culminating in fiscal 2006 with Columbia's distinction as the lowest-level capital-funded plant in the industry. While Columbia demonstrated a steadily improving generation trend from 1992 through 2008, equipment reliability began to falter. Beginning in 2007, a five-year major re-investment window began to address long-standing concerns.

Following the initial re-investment year, Energy Northwest leaders made calculated, yet optimistic estimates that Columbia would achieve first-quartile performance by 2009—much faster than the industry trend. These estimates failed to recognize that performance improvements are rarely immediately realized following periods of heavy investment, as demonstrated industry-wide.

Industry Trends

Poor plant performance following a period of heavy investment is disappointing, but not uncommon in the industry. After replacing its reactor head in 2003, performance at a plant in the Southeast proceeded to decline over the course of its operating cycle—the 18-month to two-year time span between refueling outages. The plant moved from the top half (second quartile) of the nation's performers to the bottom quarter (fourth quartile). In 2004, a Southern top-quartile performer invested in their turbine, turbine systems and reactor vessel. One operating cycle later it slipped into the fourth quartile, where it remained for three years.

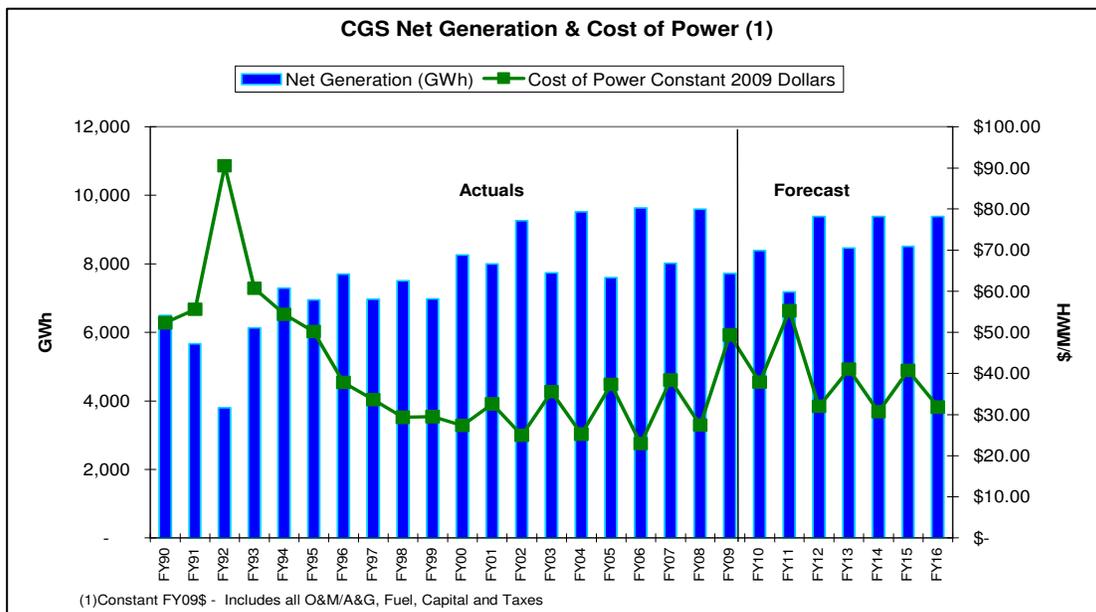
In 2005, a reactor head replacement project at another plant in the Southeast led to a drop, over the course of an operating cycle, from the top quartile to fourth, where that plant remains today. Similar performance stories can be found among more than two dozen U.S. boiling-water-reactor plants.

Like Columbia, the above plants entered periods of heavy investment in new equipment and systems. Within two years, performance exhibited a precipitous drop that can be traced, in part, to organizational stress associated with new and often first-time practices. Performance decline, in turn, resulted in a change of organizational expectations, behaviors and standards resulting in historically slow recoveries. Historically, two to five years are required to return a plant to pre-investment performance as the underlying organizational weaknesses surface and are addressed.

In addition to identifying and addressing underlying performance issues early on, the Columbia team, after an extensive look into industry trends and influencing factors, is using industry lessons learned to minimize turnaround time. Additionally, renewed emphasis on plant performance, in combination with continued investment reflected in the long-range plan, has already begun to provide the “new plant” focus and resources needed to move Columbia back up the performance spectrum.

Plant History

In the early 1990s Columbia’s performance was in decline, with generation falling well short of regional expectations. In 1992 a new CEO and a restructuring of senior leader and management positions, supported by a vital infusion of investment, put the plant back on its feet. For the last 17 years Columbia’s generation performance has been trending upward; the plant has demonstrated historically strong net generation, and cost of power dramatically declined and has since stabilized.



Cost of Power to Ratepayers

Columbia produces some of the most affordable power in the region, and the plant's cost of power compares consistently well next to other single non-fleet operations. And among the drivers of regional rate increases, Columbia ranked fourth, under the Bonneville Power Administration's fish and wildlife investment, Army Corps of Engineers and reclamation costs, and normal depreciation and net interest costs.

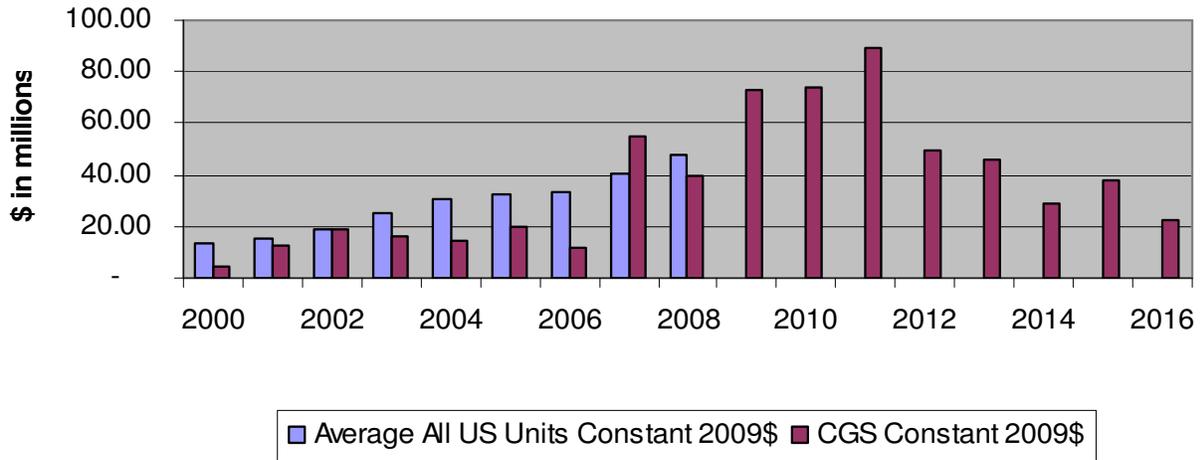
BPA FY10-FY11 RATE CASE

Drivers of Power Costs for FY 2010-2011	Increase/(Decrease) 2010-2011 Rate Proposal	Changes in 2010- 2011 Power Costs from IPR1	Net Increase/ (Decrease)	IPR1 added	Percent Change
	(1)	(2)	(1)-(2)	(3)	(2)/(3)
BPA'S Fish and Wildlife Costs net of 4(h) (10)credits	70	(15)	55	534	-3%
Corps and Reclamation O&M	40	(10)	30	577	-2%
Depreciation and Net Interest	24	0	24	0	0%
CGS O&M	74	(51)	23	634	-8%
Conservation	17	(2)	15	174	-1%
Non-Federal Debt Service	13	0	13	0	0%
Regional Energy Efficiency	10	0	10	0	0%
Internal Operations	25	(18)	7	276	-7%
Renewables includes Rate Credit	0	(1)	(1)	92	-1%
Post Retirement Contribution	0	(1)	(1)	32	-3%
Long-term Generation Program	0	(3)	(3)	64	-5%
Other - Colville Settlement, Non-Op Generation	0	(5)	(5)	54	-9%
Residential Exchange	(116)	0	(116)	0	0%

Capital Investment

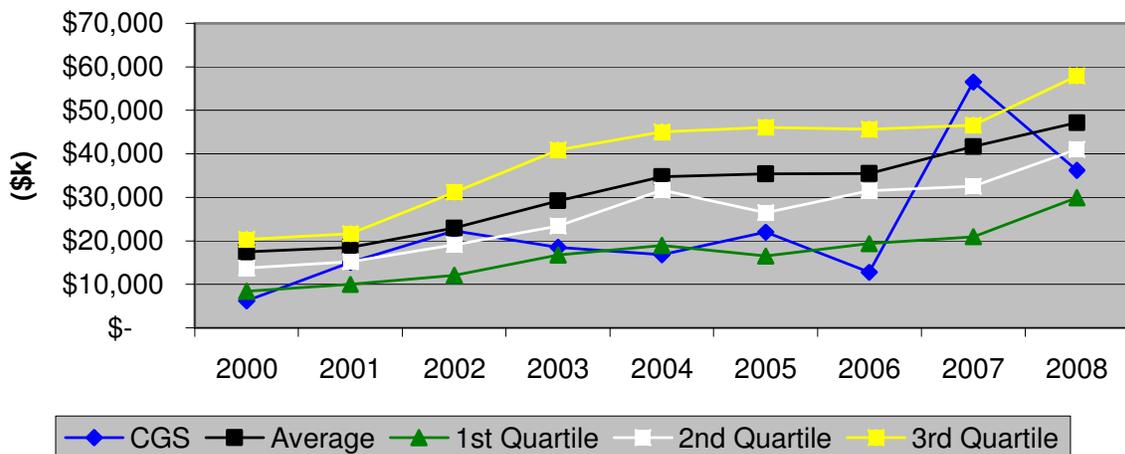
Unfortunately, years of insufficient investment in Columbia's infrastructure prior to fiscal 2007 is now delivering undesirable, yet not unanticipated consequences. There are clear causal factors from the past—supported by industry data—that offer explanations for the recent downturn in plant performance, and point the way forward to disciplined, fiscal investment focused on long-term reliability.

Total capital Costs - Constant 2009 \$



But from 2000 to 2006, capital investments at Columbia ranked consistently as the lowest or nearly the lowest in the industry nationwide. In many of those years, investments for capital improvements at Columbia also ranked as the lowest in the industry. It's worth noting that a large portion of capital investment during those years was directed toward post-9/11 security requirements mandated by the Nuclear Regulatory Commission.

Capital Costs - All US Units



In 2007, following seven years of limited investment, budgetary measures to address equipment reliability improvements brought investments in line with industry norms. This began a focused effort to address equipment issues and plant material condition.

Columbia's long-range plan was also modified in 2007 to increase spending for major equipment projects during refueling outages 17, 18, 19 and 20. This period of increased spending was projected to deliver a more reliable operation going forward.

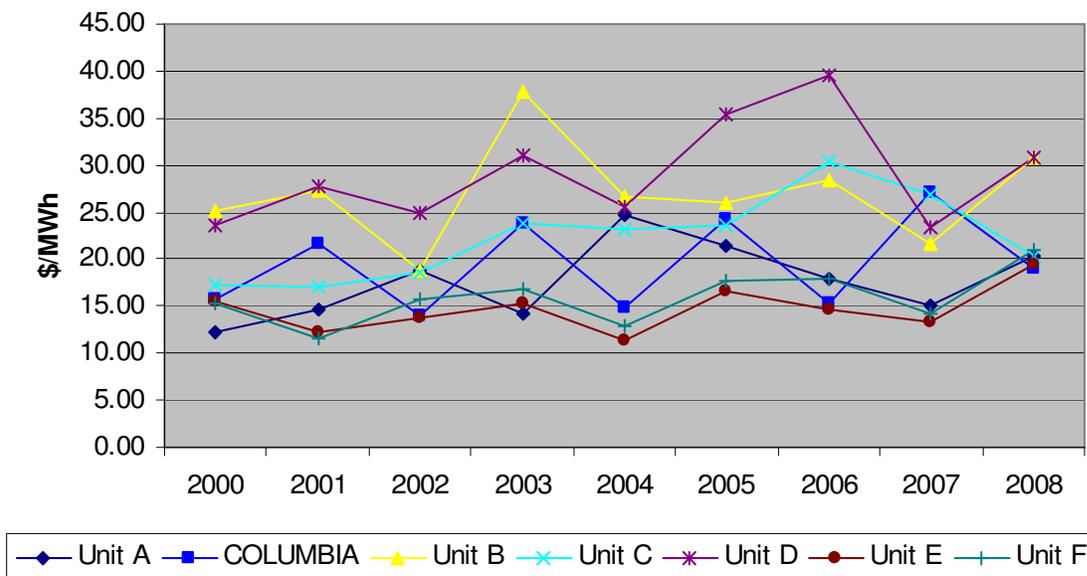
The danger of capital investment influx followed by investment drop-off is now apparent. The cycle of major investment years versus underinvestment years must end if Columbia is to avoid a future post-investment performance repeat. Fiscally-disciplined capital investment is required.

Operating Costs

Operating costs at Columbia continue to compare reasonably well to other single units of similar design, and the plant has been an average performer in terms of net generation and cost when compared to the industry overall—Columbia has shown a consistent averaged improvement in net generation and cost of power from the early 1990s through today. In the 2000 to 2002 timeframe Energy Northwest transitioned Columbia to a 24-month refueling cycle, resulting in additional decreases in operating cycle costs. In 2008, Columbia was the best performer from an operating cost perspective compared to other single non-fleet plants.

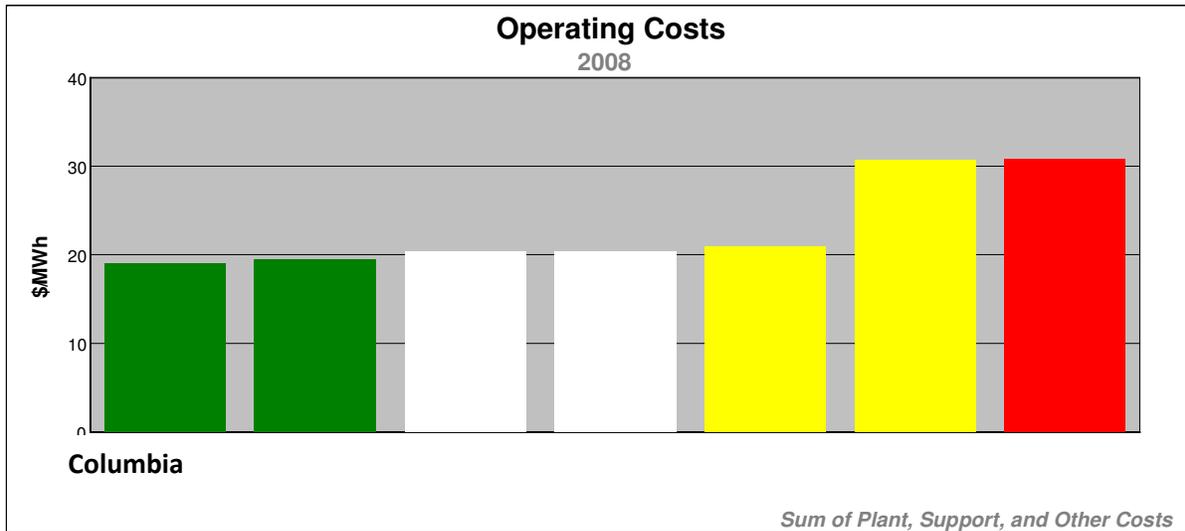
In 2009, challenges following heavy investment began to emerge, moving Columbia into the lowest operating cost quartile by August.

Total Operating Cost of Power



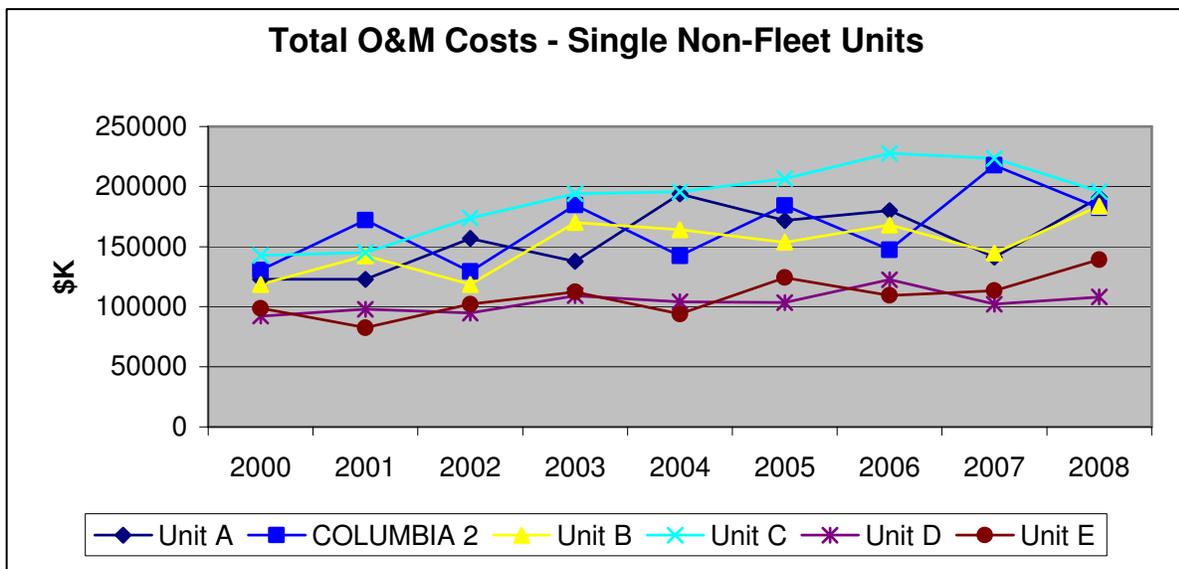
A look back to 2000, however, reveals that for eight out of nine years Columbia's operating costs were lower than those of the newer—and more cost-efficient—boiling water reactors.

U.S. Single Non-fleet Generating Stations – 2008



O&M Costs

Columbia's operations and maintenance costs have historically been center-of-mass compared to other single non-fleet plants. Beginning in approximately 2007, larger-than-expected increases in fees from regulatory agencies, membership fees from industry organizations, and higher staffing needs, resulted in considerable increases within the plant's O&M budget. The single-most influential factor in O&M costs however, is Columbia's higher staffing needs.

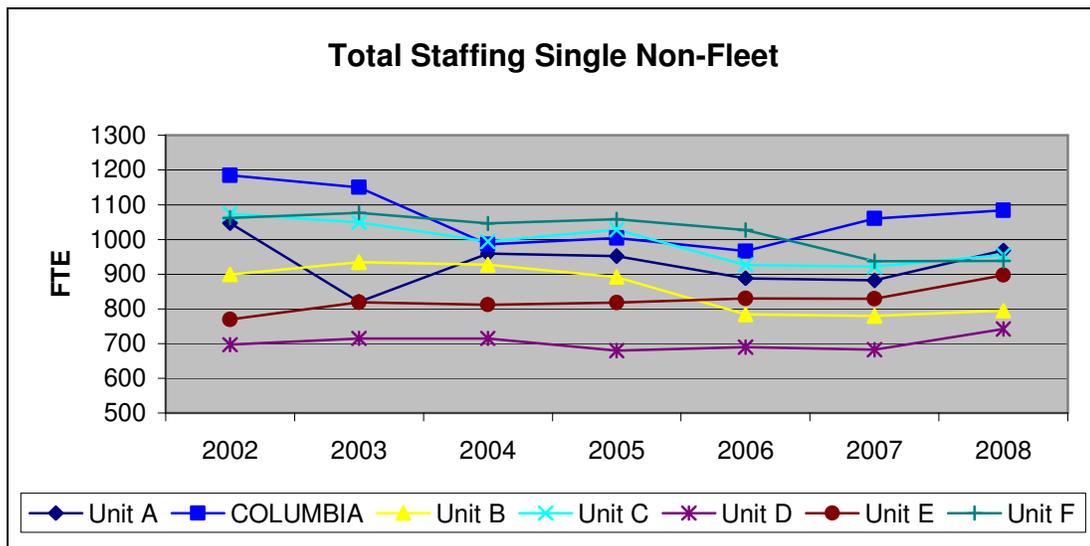


O&M Costs – Staffing

Reliable operations require investments in both equipment and the labor necessary to perform maintenance and upgrades. Significant improvements to Columbia's infrastructure require additional headcount through the 2011 outage. As the largest portion of this effort concludes, staffing levels will decrease. The long-range plan includes a reduction of 30 full-time positions in fiscal year 2012 and a reduction of 25 full-time positions in fiscal 2014. In addition, a staffing study is under way to further optimize staffing levels.

Project and temporary employees brought in to support design and installation work for new equipment will depart as workload diminishes. Employees hired in support of workforce planning will be absorbed into plant organizations as retirements occur or employees move on to other opportunities. (From fiscal year 2010 to 2012, Columbia's retirement and attrition rate is anticipated to reach 10 percent.) Plans are being developed to employ technology in several key areas to compensate for staffing losses without the need to replace departing employees.

Early in this decade, Columbia had the largest staff of any single non-fleet nuclear plant. The agency made a significant effort to reduce staffing through reduction-in-force, retirements and attrition in 2003. In 2006 plant staffing levels began to increase to support the investment in equipment project spending and workforce planning activities. A small increase was required in 2009 as part of the Nuclear Regulatory Commission-mandated Worker Fatigue Management rules.



A 2009 survey by Goodnight Consulting, Inc. of U.S. nuclear plant staffing revealed that levels in the industry have increased 3 percent on average since last year. The increase appears to be due to the combination of two principle factors currently occurring in the

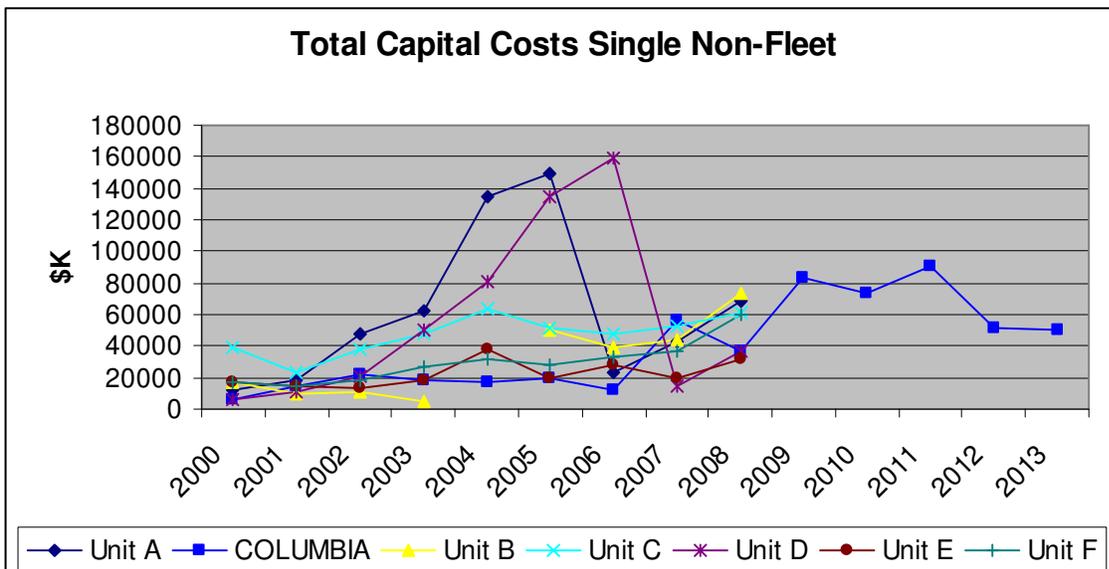
industry, 1) new hires brought in to offset impending retirees in the aging workforce, and 2) additional operations and security staffing to meet the amended NRC Worker Fatigue Management requirements of Chapter 10, Code of Federal Regulations, Part 26. According to Goodnight's October 2009 newsletter, staffing levels for single-unit plants range between 0.56 and 1.47 full-time equivalents per installed megawatt-electric. Columbia's staffing levels are 0.98.

Columbia's geographic location also effects staffing requirements. The plant requires greater than average staffing levels as an isolated, single-site unit. Columbia does not benefit from the shared resource pool available to other operations, the majority of which are in close proximity to one another.

Fostering Change

This has been a challenging year, for which the leadership team assumes ultimate accountability for current plant performance. Improved performance will require both sound leadership and a committed workforce. To achieve this objective, the "Pride in Performance" organization-wide initiative was launched in September. The initiative centers upon five focus areas: radiological safety, outage/forced-outage readiness, leadership effectiveness, equipment reliability, and safety and human performance. Using these focus areas, the Energy Northwest team will identify performance gaps and plot a clear path to meeting and exceeding industry standards.

Energy Northwest has also initiated a comprehensive strategic review by third-party industry experts which involves a rigorous analysis of recent performance issues. And looking ahead, Columbia's long-range plan projects improved reliability and reduced O&M costs, including decreases in staffing levels.



Individual and team accountability are cornerstones of the nuclear industry. Energy Northwest expects its senior leaders and managers to live by core values such as excellence, trust, teamwork and safety. An on-going leadership effectiveness assessment will help ensure Energy Northwest promotes these values through talented leaders that display high levels of operational knowledge and organizational skill. Through this assessment process, the agency has already made changes in key leadership positions in the areas of operations, maintenance and engineering.

Current Assessment

Recent plant performance, though not uncharacteristic of industry-wide performance swings, is primarily influenced by cyclical investment strategies. A steady level of investment is necessary to retain Columbia's positive long-term performance record.

Performance would certainly have been exacerbated if not for early recognition by plant management in 2008 of declining performance indicators. As a result of early evaluation, during the 2009 refueling outage Columbia management decided to address all emerging maintenance and equipment issues—such as leaks and valve repairs—unlike previous planned outages when such work was deferred to meet schedule expectations. Similar decisions during the 2009 maintenance and forced outages traded in short-term performance gains in favor long-term plant reliability.

The Columbia workforce, from the expert technicians on the plant floor to the Chief Nuclear Officer, is among the very best in the industry. This expertise is leveraged by the nuclear industry in a variety of ways. Columbia leaders participate in the Utility Service Alliance, which provides a fleet-like environment in which senior plant managers observe the performance and plans of other U.S. nuclear operations. Senior leadership expertise is also present on a number of notable industry boards, including the oversight board of the nuclear industry's only third-party-operated generating station.

The truest measure of an organization is never a snapshot in time, but rather a long-term view showing how it moves forward from adversity to embrace and embody professional excellence. The plant is currently well-resourced to move back up the performance spectrum. Future momentum will increase in direct proportion to the strength of leadership, a committed and well-trained workforce, and disciplined investment.



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October 21, 2009

Mr. Steve Wright
Administrator
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905 NE 11th Ave.
P.O. Box 3621
Portland, OR 97208-3621

Subject: COLUMBIA GENERATING STATION WHITEPAPER DISCUSSION 2009

Dear Steve,

Thank you for reaching out and opening the discussion on our "Columbia Operational Performance" whitepaper. We share vital interests, which include our mutual responsibility to the Pacific Northwest ratepayer. As such, allow me to expound on issues regarding our performance projections and our ownership of plant performance issues and related improvement plans.

Let me assure you that I and every individual at Columbia takes complete ownership and recognizes our role in addressing the issues that have impacted our recent performance. Specifically, the Energy Northwest leadership team shoulders direct accountability for any set-backs in Columbia's performance.

While there were many factors that brought us to the reality of today, we fully admit, without any reservation, that we were overly optimistic in our projections for progress following major plant maintenance.

In 2007, with insight into negative industry trends, we initiated strategies that we believed would avoid our inclusion in industry's post-investment statistics. Our optimism was grounded in expertise, industry benchmarking of best practices, pro-active planning and performance indicators. We missed the mark in those projections. In 2008, we recognized declining performance, and with industry assistance executed strategies to move Columbia up the performance ladder. Those strategies, gleaned from top performing peers and outlined in our whitepaper, are in-place and moving us forward.

We currently enjoy strong public, regional and regulator trust based on our long-term historical performance. It is the earnest intent of the Energy Northwest team to maintain, and to strengthen, that confidence through Columbia's long-term reliability.

Respectfully,

J. V. Parrish
Chief Executive Officer

cc: Andy Rapacz, Bonneville Power Administration
Energy Northwest Executive Board
Energy Northwest Board of Directors
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