



**ENERGY
NORTHWEST**

Energy Northwest Briefing 2014 BPA Integrated Program Review

Brent Ridge, VP Corporate Services &
Chief Financial/Risk Officer

Jim Gaston, Asset Manager/Controller

Ron Hogue, Business Planning Manager

Johnathan Hicks, Budget Supervisor

June 18, 2014

Agenda

1

- Introduction

2

- Long Range Plan

3

- Value Optimization Project

4

- Rate Case Overview

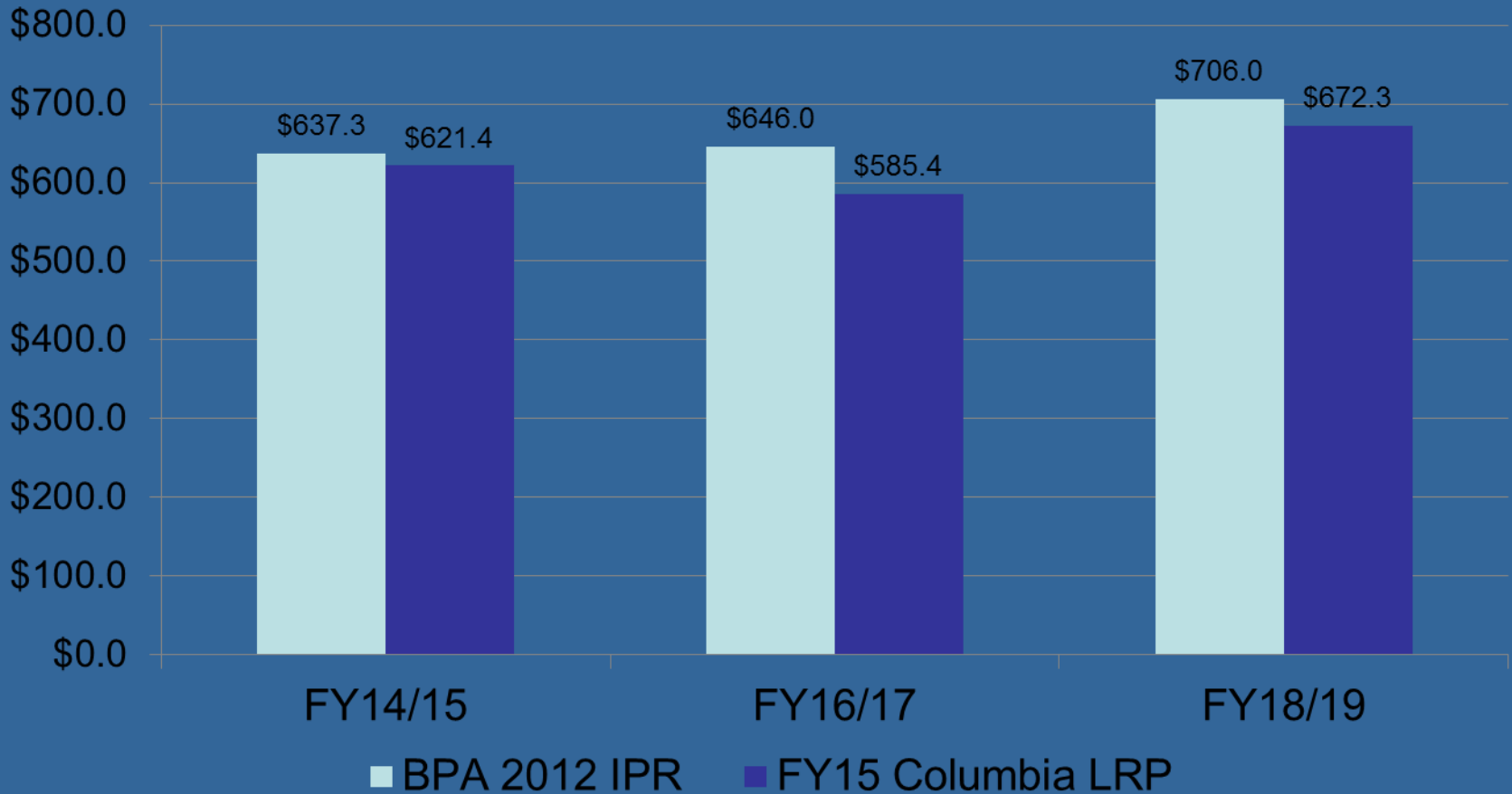
5

- Columbia Generating Station's Challenges

Introduction

- ✦ Integrated Program Review (IPR) Budget Overview
- ✦ Long Range Plan (LRP) – Commitment
- ✦ Value Optimization Project (VOP)
- ✦ Fukushima Progress Update

Columbia Changes to IPR



NOTE: Two year total dollars

IPR Overview

✦ Current Approved Plan (2012 IPR)

- FY14/15 = \$637.3 million
- FY16/17 = \$646.0 million
- FY18/19 = \$706.0 million

✦ Current Columbia LRP

- FY14/15 = \$621.4 million (\$15.9 million decrease)
- FY16/17 = 585.4 million (\$60.6 million decrease)
- FY18/19 = \$672.3 million (\$33.7 million decrease)

How do we get there?

- ✦ BPA Rate Periods 14/15, 16/17, and 18/19
 - 1) Continued Excellence in Plant Operation
 - 2) Maintain the Plant and Replace Equipment per the LRP
 - 3) Aggressively Implement the VOP
 - 4) DOE Waste Fund – Collection Ceased on May 16, 2014
 - 5) Hire and Retain Excellent Staff

Other Opportunities & Issues

- ✦ Columbia Debt restructuring could significantly reduce Columbia's future annual debt service payments.
- ✦ Other Energy Northwest regional debt restructuring could further reduce annual BPA debt service obligations.
- ✦ Fukushima Update



**ENERGY
NORTHWEST**

Long Range Plan

Ron Hogue, Business Planning Manager

Long Range Plan - Objective

The Columbia Generating Station (Columbia) Long Range Plan (LRP) will identify and levelize resource requirements to maintain Columbia safety and reliability over a ten-year planning horizon.

LRP - Methodology

- ✦ Updated Annually - Rolling 10-Year Forecast
- ✦ Potential Needs are Evaluated:
 - ▣ AR-EVAL, Technical Evaluation, Priority Ranking Matrix.
 - ▣ Design Sub-Committee (DSC) screens for need, technical justification, rank, and timing. Approves, Cancels, or Returned for Additional Information.
 - ▣ DSC assigns to Project Owner; Project Owner develops Project Proposal Form (PPF); Rough Order of Magnitude estimate developed.
 - ▣ Project Review Committee (PRC), reviews PPF presentations; approves for entry to LRP; defines timing; may cancel.
- ✦ PRC Approved Projects are entered into the LRP
- ✦ Projects are “levelized” to available budgets by rank and or Management Discretion
- ✦ The LRP process is guided by a formal procedure and is an essential part of Energy Northwest’s budgeting and planning.

LRP - Assumptions

- ✦ VOP is incorporated into the FY15 LRP
- ✦ Approved long range plans from the PRC, Information Technology PRC, and Facilities PRC
- ✦ Includes estimated Fukushima impacts
- ✦ Excludes extraordinary facility projects
- ✦ 2.75% escalation for labor
- ✦ 2.5% escalation for non-labor

Item Description (Final FY 15 Blue w/NRC fee increase)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	
	BPA Rate	BPA Rate Period		BPA Rate Period		BPA Rate Period		BPA Rate Period		BPA Rate Period		
Direct and Indirect O&M Costs												
Baseline Costs	\$ 126,603	\$ 122,162	\$ 118,043	\$ 122,025	\$ 123,924	\$ 125,479	\$ 122,159	\$ 124,985	\$ 122,076	\$ 122,034	\$ 117,085	
Outage Costs (Incremental)	27,722	-	27,500	-	27,500	-	27,500	-	27,500	-	27,500	
Admin / General (A&G)	67,185	60,020	62,499	60,788	63,274	70,370	72,230	73,828	74,560	73,573	76,031	
O&M Projects	46,771	9,079	29,119	5,913	41,699	9,955	41,544	12,706	41,908	8,831	45,329	
Facilities O&M Projects	110	912	912	912	912	912	912	912	912	912	912	
O&M Risk Reserve	2,500	3,000	5,000	3,000	26,605	19,228	15,129	16,141	17,186	23,500	5,000	
Subtotal Direct & Indirect O&M Costs	\$ 270,891	\$ 195,173	\$ 243,073	\$ 192,638	\$ 283,914	\$ 225,944	\$ 279,474	\$ 228,572	\$ 284,142	\$ 228,850	\$ 271,857	
Escalation on Direct & Indirect (2.5%)		5,215	9,803	9,688	36,622	33,791	55,142	49,053	77,142	73,987	109,790	
Total Direct & Indirect O&M Costs (includes escalation)	\$ 270,891	\$ 200,388	\$ 252,876	\$ 202,326	\$ 320,536	\$ 259,735	\$ 334,616	\$ 277,625	\$ 361,284	\$ 302,837	\$ 381,647	
Capital Costs												
PRC Capital Projects	\$ 72,384	\$ 75,412	\$ 89,139	\$ 48,067	\$ 53,271	\$ 24,807	\$ 27,625	\$ 16,450	\$ 27,318	\$ 33,889	\$ 38,100	
Moveable Capital & Downtown Capital Projects	\$ 992	\$ 1,545	\$ 1,545	\$ 1,545	\$ 1,545	\$ 1,507	\$ 1,507	\$ 1,507	\$ 1,507	\$ 1,507	\$ 1,507	
Facilities Capital Projects	\$ 1,150	\$ 548	\$ 579	\$ 579	\$ 579	\$ 565	\$ 565	\$ 565	\$ 565	\$ 565	\$ 565	
Information Technology Capital Projects	\$ 8,577	\$ 10,392	\$ 8,609	\$ 10,615	\$ 9,677	\$ 10,981	\$ 10,287	\$ 9,964	\$ 10,101	\$ 10,803	\$ 10,803	
Admin / General (A&G)	\$ 13,855	\$ 16,325	\$ 17,384	\$ 16,604	\$ 16,161	\$ 8,617	\$ 9,294	\$ 6,859	\$ 9,043	\$ 9,416	\$ 10,000	
Capital Risk Reserve	\$ 442	\$ 3,279	\$ 6,504	\$ 1,556	\$ 1,850	\$ 9,890	\$ 9,088	\$ 6,607	\$ 10,200	\$ 11,379	\$ 11,000	
Fukushima Impacts	\$ 9,994	\$ 7,480	\$ 11,670	\$ 12,110	\$ 11,700							
Management Discretion-Special Projects**	\$ -	\$ 250	\$ 1,250	\$ 1,250	\$ 1,000	\$ 1,000	\$ 2,801	\$ 4,301	\$ 2,701	\$ 5,801	\$ -	
Subtotal Capital Costs	\$ 107,394	\$ 115,231	\$ 136,680	\$ 92,326	\$ 95,783	\$ 57,367	\$ 61,167	\$ 46,253	\$ 61,435	\$ 73,360	\$ 71,975	
Escalation on Capital (2.5%)		\$ 2,881	\$ 6,919	\$ 7,099	\$ 9,944	\$ 7,538	\$ 9,768	\$ 8,727	\$ 13,418	\$ 18,257	\$ 20,159	
Total Capital Costs (includes escalation)	\$ 107,394	\$ 118,112	\$ 143,599	\$ 99,425	\$ 105,727	\$ 64,905	\$ 70,935	\$ 54,980	\$ 74,853	\$ 91,617	\$ 92,134	
Fuel Related Costs												
Nuclear Fuel Amortization	44,326	58,212	51,631	61,621	54,740	63,431	56,337	65,207	58,976	67,117	60,745	
Spent Fuel Fee	7,594	8,956	7,901	8,932	7,899	8,918	7,867	8,894	7,989	8,894	7,989	
Subtotal Fuel Related Costs	\$ 51,920	\$ 67,168	\$ 59,532	\$ 70,553	\$ 62,639	\$ 72,349	\$ 64,204	\$ 74,101	\$ 66,965	\$ 76,011	\$ 68,734	
Total Unescalated Budget												
	\$ 430,205	\$ 377,572	\$ 439,285	\$ 355,517	\$ 442,336	\$ 355,660	\$ 404,845	\$ 348,926	\$ 412,542	\$ 378,221	\$ 412,566	
Total Escalation	-	8,095	16,723	16,787	46,566	41,329	64,909	57,780	90,560	92,244	129,950	
Total Cost - Industry Basis	\$ 430,205	\$ 385,667	\$ 456,008	\$ 372,304	\$ 488,902	\$ 396,989	\$ 469,754	\$ 406,706	\$ 503,102	\$ 470,465	\$ 542,516	
Total Net Generation (Gwh)												
	8,422	9,628	8,686	9,755	8,686	9,782	8,686	9,755	8,686	9,782	8,686	
Outage Days												
	42		40		40		40		40		40	
Cost of Power (Cents per kWh, constant FY14\$)	\$ 5.11	\$ 3.92	\$ 5.06	\$ 3.64	\$ 5.09	\$ 3.64	\$ 4.66	\$ 3.58	\$ 4.75	\$ 3.87	\$ 4.75	
Cost of Power (Cents per kWh, escalated)	\$ 5.11	\$ 4.01	\$ 5.25	\$ 3.82	\$ 5.63	\$ 4.06	\$ 5.41	\$ 4.17	\$ 5.79	\$ 4.81	\$ 6.25	

Key Assumption/Qualifications (Revision - 5/19/14, includes FY 15 rev on OM contingency and NRC fee increase \$1.032M all years)
 Escalation Rate = Labor 2.75% and Non-labor 0% in FY 15, 2.5% starting FY 16 - 18. Generation assumes 1% unplanned/ 2% planned loss.
 * Recover 10 MWe from Instrument Fouling in FY 16, 18 MWe from Appendix K in FY 17 (FY 15 Net 1120, FY 16 Net 1130, FY 17 Net 1148)
 ** Includes Fukushima Filter Requirement Risk

LRP Challenges

- ✦ Fukushima
- ✦ Turbine Replacement
- ✦ Plant Aging/Obsolescence
- ✦ Increased investment in life cycle projects
- ✦ License Extension Implementation
- ✦ Regulatory Oversight of Columbia
- ✦ Benefits expected to escalate at a higher rate
- ✦ A managed attrition plan will be required to meet commitments



**ENERGY
NORTHWEST**

Value Optimization Project

Johnathan Hicks, Budget Supervisor

Value Optimization Project - Background

- ✦ Value Optimization Project (VOP) approved by Senior Management in December 2013.
- ✦ Mission - Achieve Top Quartile O&M Cost Performance in FY18 as measured by Electric Utility Cost Group data against our Peer Plants
- ✦ Components include use of lower escalation rates, staff reductions, non-labor and outage incremental reductions, and capitalization policy changes

VOP - Update

- ✦ The VOP is On Track
- ✦ The VOP has been integrated into the FY15 Budget resulting in a \$6.8 million O&M Cost reduction from the FY14 LRP
- ✦ The FY15 LRP includes a BPA 16/17 Rate Case two-year saving of \$44.8 million resulting directly from the project
- ✦ Goodnight Consulting is Working to Update/Validate the 2011 Staff Study

VOP – Update

- ✦ Steering Committee has been established for The VOP on 4/15/14
- ✦ Senior Project Sponsor – Brad Sawatzke
- ✦ Financial Sponsor – Brent Ridge
- ✦ Project Coordinator – Ron Hogue
- ✦ Staffing Coordinator – Steve Lorence
- ✦ Cumulative Impact Coordinator – Carl King



**ENERGY
NORTHWEST**

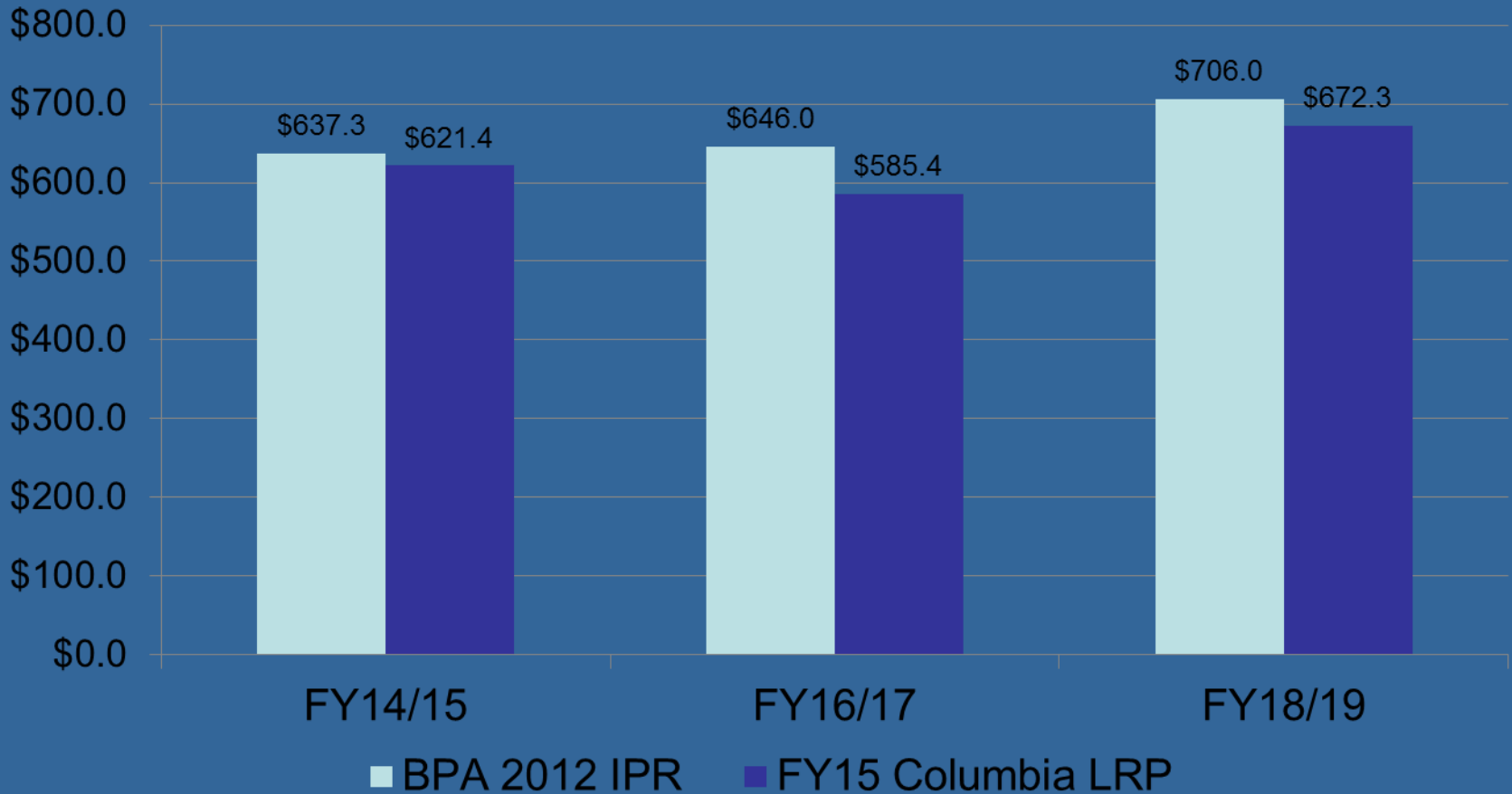
Rate Case Overview

Jim Gaston, Asset Manger/Controller

Columbia IPR Cost Elements

- ✦ Operations & Maintenance
- ✦ Fuel Disposal Fees
- ✦ Spares/Inventory Adjustments
- ✦ Generation Taxes
- ✦ Fuel Procurement
- ✦ Independent Spent Fuel Storage
Decommissioning Fund
- ✦ Decommissioning Fund
- ✦ NEIL Insurance

Columbia Changes to IPR



NOTE: Two year total dollars

Fiscal Year 14/15

BPA FY	FY12 IPR	FY15 CGS	Total Delta
Columbia O&M	\$484,594	\$474,997	(\$9,597)
Fuel Disposal	\$16,444	\$7,951	(\$8,493)
Spares/Inventory Adj	\$11,750	\$11,750	\$0
Generation Tax	\$9,692	\$9,437	(\$255)
Subtotal O&M	\$522,480	\$504,135	(\$18,345)
Fuel	\$100,996	\$102,339	\$1,343
Total Columbia Controllable	\$623,476	\$606,474	(\$17,002)
Fuel Litigation		\$1,091	\$1,091
ISFSI Decomm Fund	\$236	\$252	\$16
Total Columbia	\$623,712	\$607,817	(\$15,895)
Decommissioning	\$6,597	\$6,597	\$0
NEIL Insurance	\$7,000	\$7,000	\$0
Total IPR	\$637,309	\$621,414	(\$15,895)

NOTE: Two year total dollars



Fiscal Year 16/17

BPA FY	FY12 IPR	FY15 CGS	Total Delta
Columbia O&M	\$503,222	\$453,749	(\$49,473)
Fuel Disposal	\$16,719	\$0	(\$16,719)
Spares/Inventory Adj	\$11,500	\$11,500	\$0
Generation Tax	\$11,251	\$10,737	(\$514)
Subtotal O&M	\$542,692	\$475,986	(\$66,706)
Fuel	\$88,948	\$93,159	\$4,211
Total Columbia Controllable	\$631,640	\$569,145	(\$62,495)
Fuel Litigation		\$767	\$767
ISFSI Decomm Fund	\$255	\$289	\$34
Total Columbia	\$631,895	\$570,201	(\$61,694)
Decommissioning	\$7,136	\$7,136	\$0
NEIL Insurance	\$7,000	\$8,085	\$1,085
Total IPR	\$646,031	\$585,422	(\$60,609)

NOTE: Two year total dollars



Key Issues

- ✦ The O&M forecast is based on escalation of 2.75% labor and 2.5% non-labor.
- ✦ Headcount – Current Staffing Plan under Evaluation (Goodnight)
- ✦ Future Life Cycle Management issues will be evaluated based on 2044 not 2024.
- ✦ Fukushima – still many unknowns.

Questions?



Financial Disclosure

- ✦ This information has been made publicly available by BPA on June 13, 2014 and contains information not reported in agency financial statements.