

**Presentation for
Bonneville Power Administration
Sounding Board**

April 22, 2004

Presented By

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Recent Actions Taken to Support Region

- ❖ Debt Optimization Program provided \$504 million of cash to BPA over the past two years
- ❖ DOP will continue to also produce an average savings of \$20 million per year
- ❖ Energy Northwest returned over \$275 million of Bond Fund Reserves
- ❖ Energy Northwest returned \$22 million of bearer bond proceeds (BofA)
- ❖ Amended FY 2004 Budget, returned \$26 million for Variable Debt interest savings. Total program savings exceed \$100 million

Recent Actions Taken to Support Region

- ❖ Deferred \$35 million condenser replacement
- ❖ Financed \$41.2 million capital projects in FY 2003
- ❖ Will Finance an additional \$28.8 million capital in FY 2004/05
- ❖ Waived \$3.5 million of Columbia Management incentive
- ❖ Deferred \$41 million of fuel purchases during current rate case period
- ❖ Grand Total of approximately \$500 million in savings and deferrals
 - ❖ Also provided BPA with \$504 million of Debt Financing flexibility

FY 2004 Challenges/Impacts

- ❖ Amended Budget for Mandated Security cost increases
 - ❖ Operating costs \$3.0 million
 - ❖ Capital projects \$6.5 million-Finance with Bonds

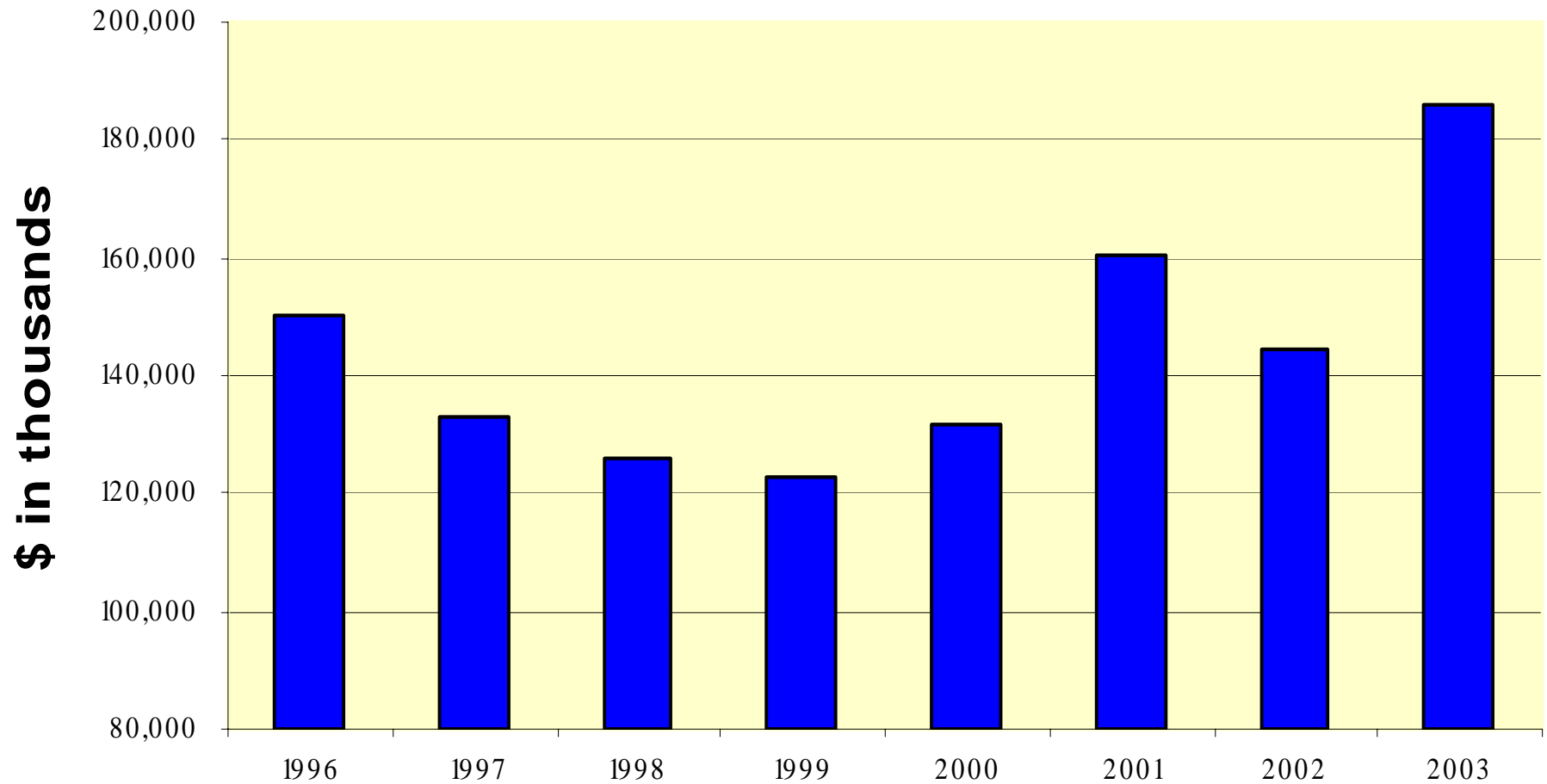
- ❖ Amended Budget for \$1.3 million HWC increase

- ❖ Impacts being Absorbed within Budget
 - ❖ Plant Modification/Programs scope increases \$4.0 million
 - ❖ Pace settlement/Severance pay \$1.0 million
 - ❖ Mixed waste disposal \$0.6 million
 - ❖ Accelerated Cask loading \$0.8 million

FY 2004 Accomplishments

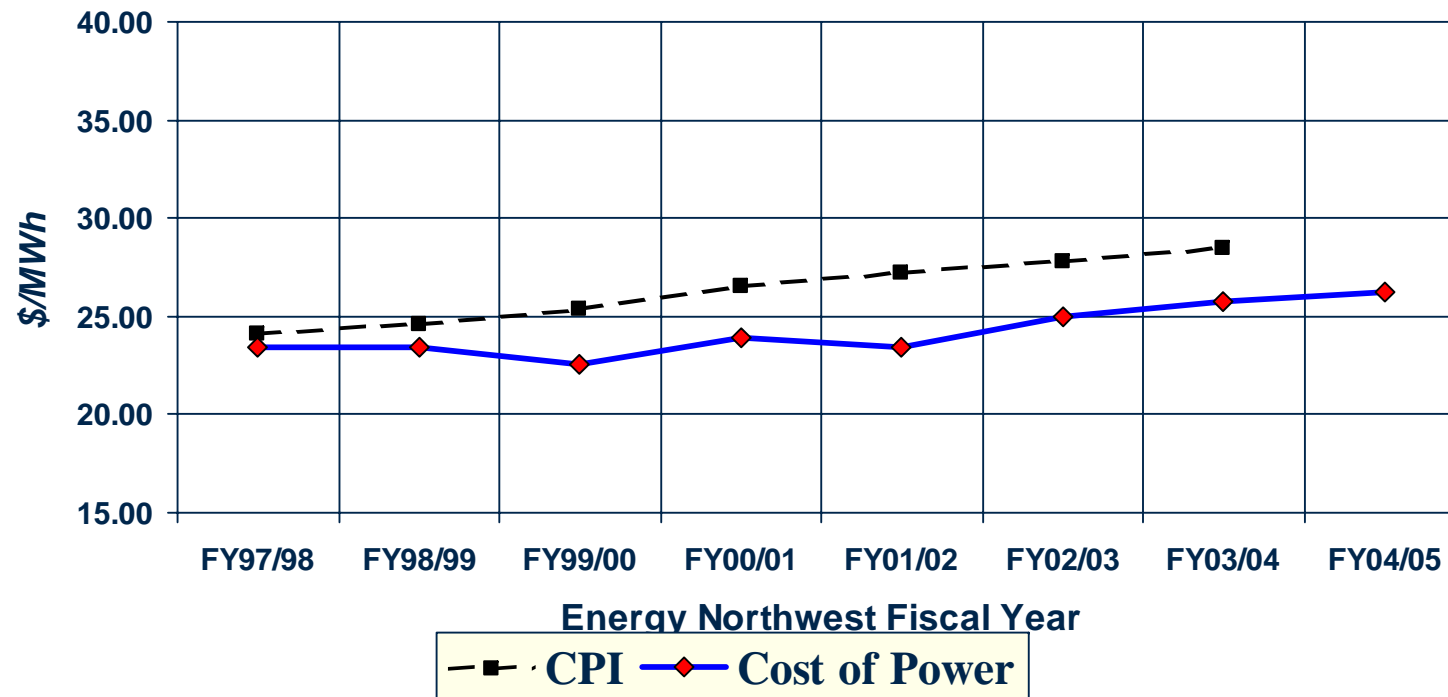
- ❖ August 2003 was the best generation month in the station's history
 - ❖ On target for year-end generation goal
 - ❖ Currently on second longest run
- ❖ The “Quest for Excellence” program actions for improving CGS performance are > 30% complete
- ❖ Currently loading 10 Spent Fuel Storage casks ahead of schedule, total expected savings of \$2.5 million for the campaign

O&M/A&G Actual Cost History

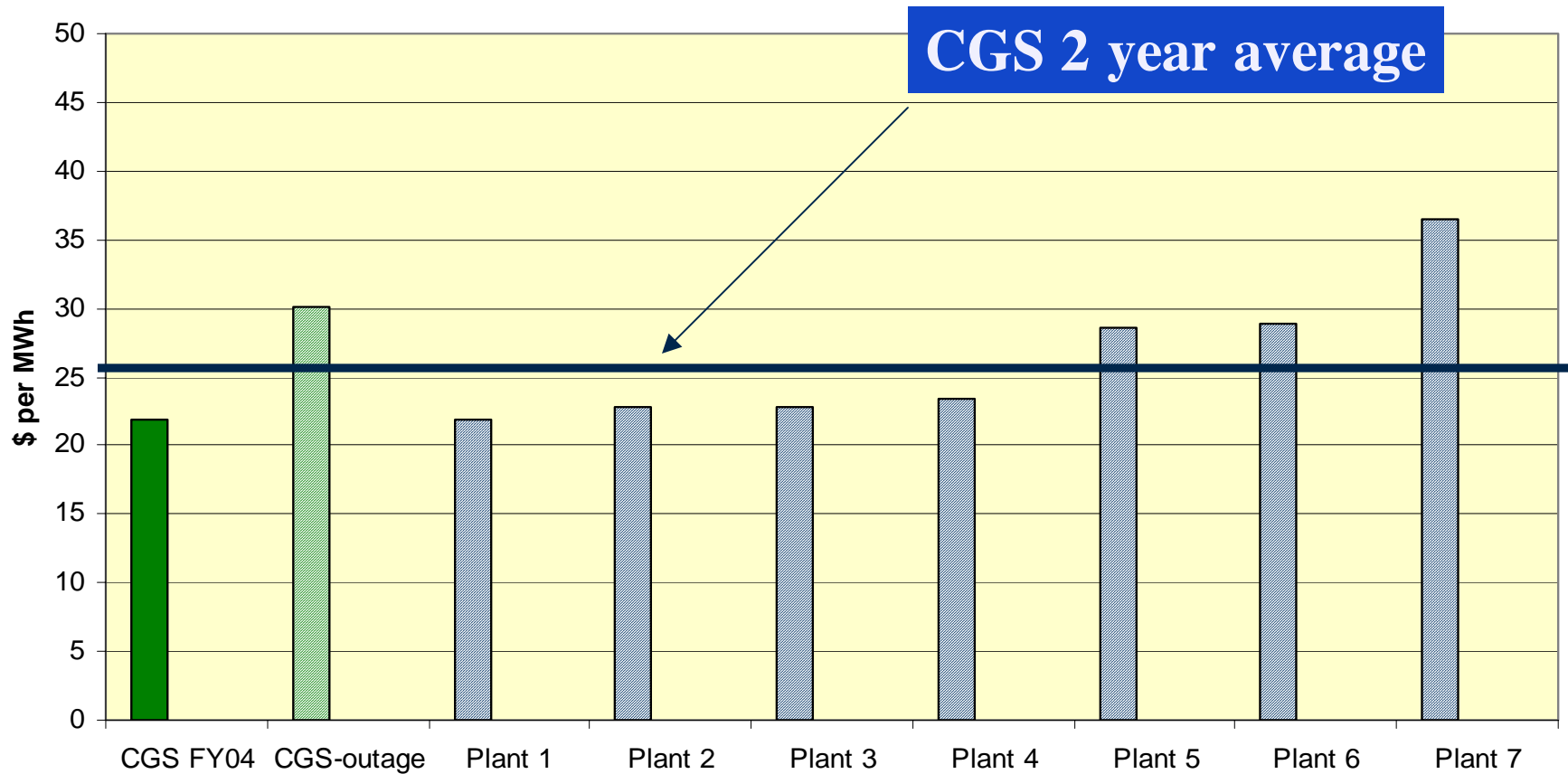


Columbia Cost of Power

Rolling 2 year average

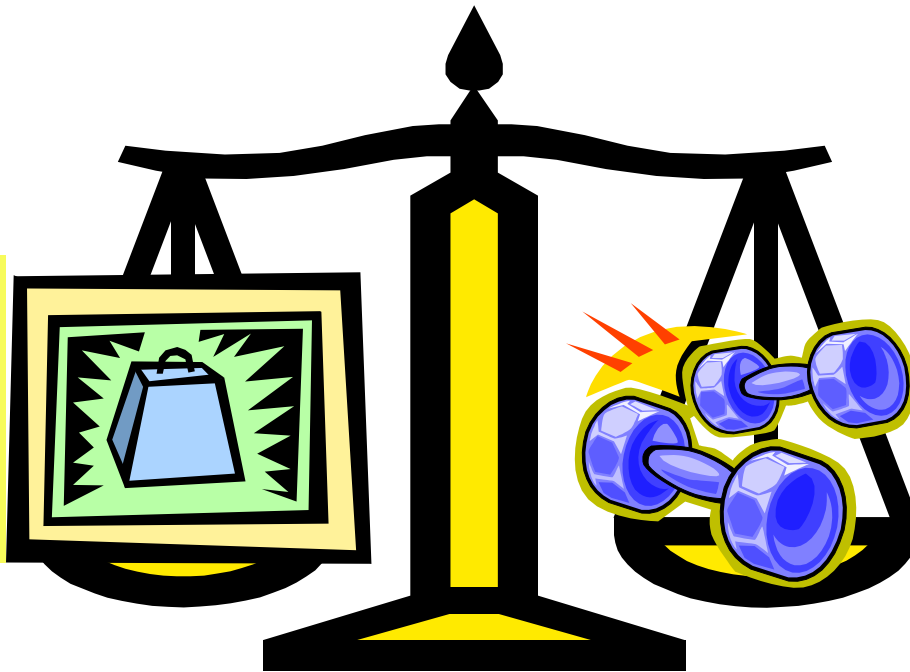


FY 2003 Industry Costs Single Units



Balancing Act

- Equipment
- Facilities
- Capital
- Modifications
- Maintenance



- People
- Wellness Prgm
- Wages
- Incentives
- Benefits
- EDP
- Training

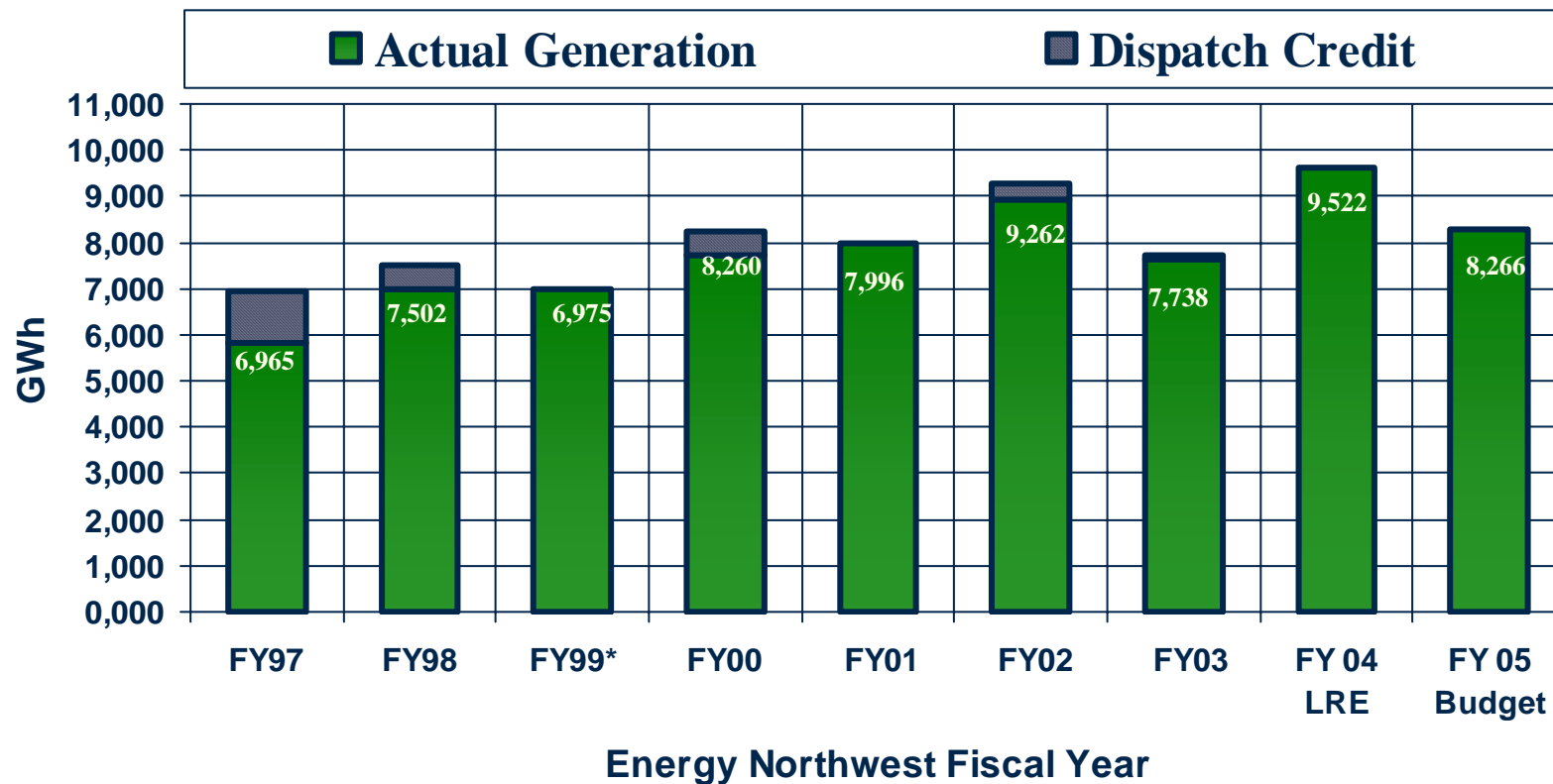
Fiscal Year 2005 Budget Objectives

- ❖ CGS cost target was established with the FY 2003 Forecast for FY 2005 (Regional Commitment)
- ❖ Further commitment was made to reduce CGS Baseline Costs by \$5 million and absorb as much of the following cost impacts:
 - ❖ Security challenge
 - ❖ Plant outage challenge
- ❖ Implement staff reduction program of 100 positions charging to Columbia by FY 2008
- ❖ Columbia 45 day refueling outage/10 year inspections
- ❖ Begin program to extend Columbia's operating license
- ❖ Complete implementation of ABM & improved cost culture
- ❖ Finance as much of capital projects as possible
- ❖ Balance the needs of our plant and our employees

FY 2005 Budget Summary

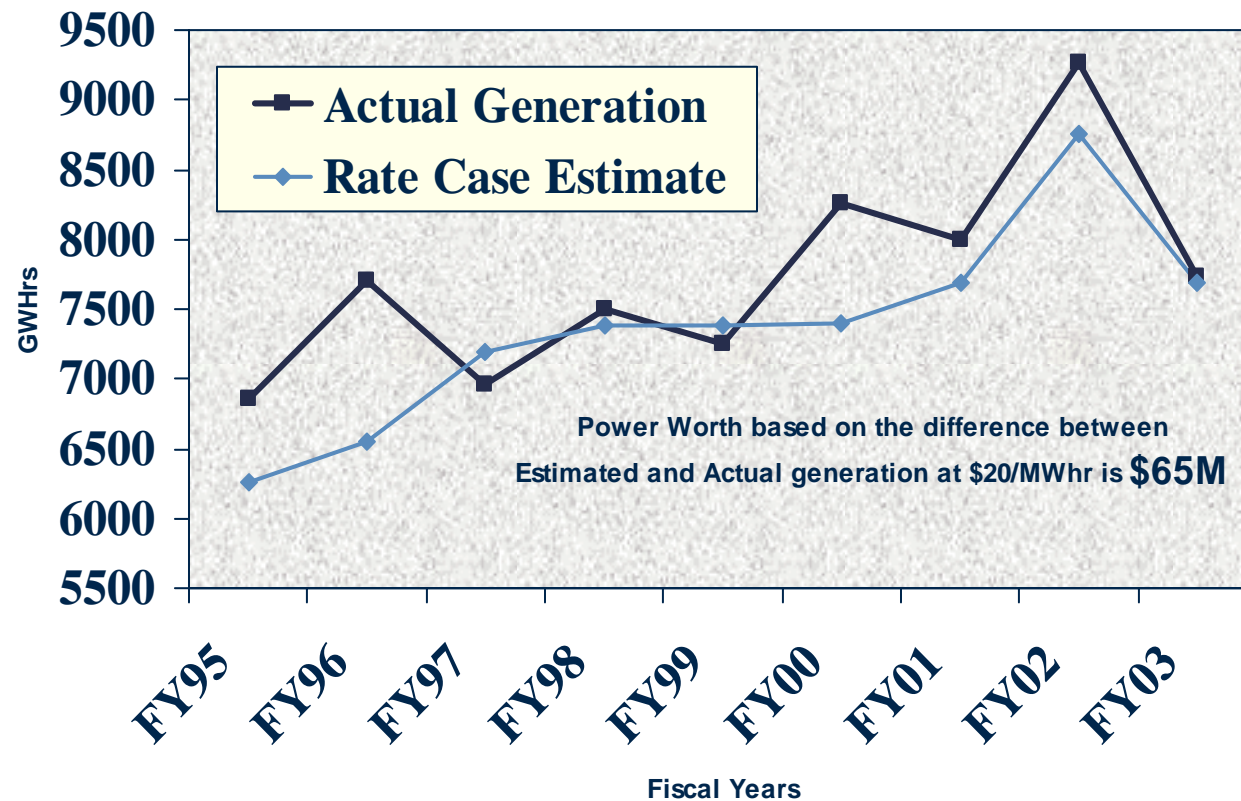
- ❖ Total CGS controllable and incremental costs proposed at \$256.4 million
- ❖ Industry Cost of Power planned for \$31.02/MWh
- ❖ Baseline includes escalation of \$3.3 million
- ❖ NRC required security improvements of \$6.0 million
- ❖ R17 refueling outage totaling \$56.7 million
- ❖ Capital Projects totaling \$21.1 million to be funded by bond proceeds

Columbia Net Generation History



* Fiscal year 1999 included 74 days of fuels saving dispatch

Columbia Generation

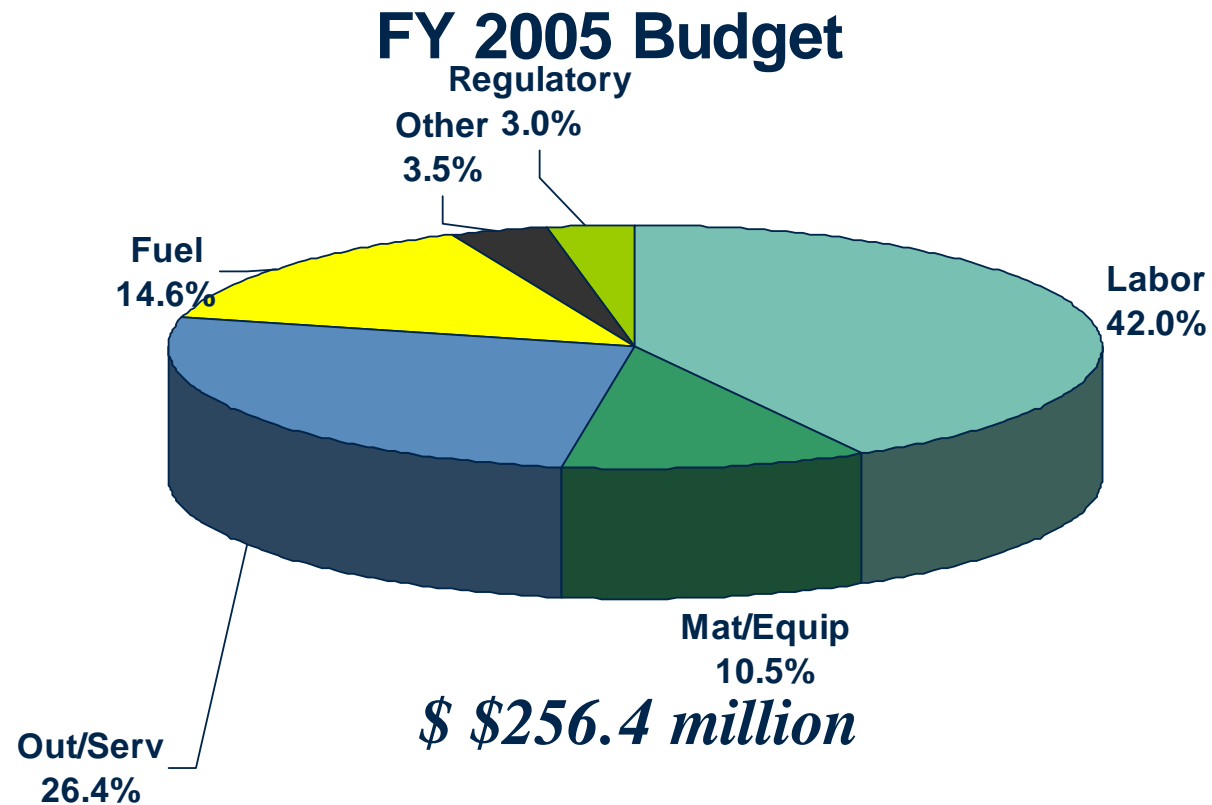


Fiscal Year 2005 Industry Cost

(\$ in thousands)

Budget Line Items	Fiscal Year 2005		
	Proposed Budget	Regional Target	Variance
<u>Controllable Costs:</u>			
Baseline Costs	\$ 141,388	\$ 147,644	\$ (6,256)
Incremental Outage Costs	16,244	15,194	1,050
Projects/Programs	61,286	50,106	11,180
Fuel Related Costs	37,481	40,615	(3,134)
Total - Controllable	\$ 256,399	\$ 253,559	\$ 2,840
Net Generation (GWh)	8,266	8,240	26
Cost of Power (\$/MWh)	\$ 31.02	\$ 30.77	\$ 0.10

Energy Northwest Costs by Resource Category



Work Activities

(\$ in thousands)

<u>Work Activities</u>	Fiscal Year	Original Fiscal Year	Variance
	2005	2004	
Configuration Control	\$ 7,452	\$ 8,769	\$ (1,317)
Equipment Reliability	1,291	2,426	(1,135)
Loss Prevention	32,963	29,980	2,983
Materials and Services	5,021	5,518	(497)
Operate Plant	28,429	23,140	5,289
Downtown Buildings (net)	59	(187)	246
Support Services	22,713	20,421	2,292
Training	11,902	14,003	(2,101)
Work Management	89,665	41,346	48,319
Management Reserves	770	394	376
Total - Controllable Expense	\$ 200,265	\$ 145,810	\$ 54,455
Controllable Capital			
Capital	\$ 18,373	\$ 10,792	\$ 7,581
Capital - Downtown Buildings	280	393	(113)
Total Controllable Capital	\$ 18,653	\$ 11,185	\$ 7,468

FY 2005 Increases

(\$in thousands)

Outage Projects	\$	40,448
Department Outage Costs		16,244
Security Projects		6,035
Escalation		3,300
Security labor up 28 position		1,300
License Renewal		816
Regulatory Programs		450
Flex Benefits		250
Activity Based Management		235

FY 2005 Reductions

(\$in thousands)

Reduced 49 staff positions	\$	4,600
Reduced travel/training		1,100
Reduced incentives		3,000

CGS Initiatives

- ❖ Implement (ACES), Actively Committed to Everyone's Safety
- ❖ Work Management and Outage Execution, including increasing productivity
- ❖ Enhance craft ownership
- ❖ Improve Equipment Performance Monitoring
- ❖ Develop our approach to addressing design vulnerabilities
- ❖ Begin Hydrogen Water Injection

Modifications, Maintenance, and Programs - Capital

<u>Plant Modifications/Non - Outage</u>	(\$ in thousands)
Security Design Basis Threat	\$ 5,310
Columbia Labor	2,111
Replace Process Radiation Monitors	1,182
Upgrade Security System CPU/MUX	887
Columbia License Extension	816
Priority 1 - Critical Spares	642
Contingency	500
Independent Spent Fuel Storage Cask Loading	431
Emergency Diesel Gen. Pwr. to Battery Chargers	337
Off Gas Radiation Monitor Replacement	331
Install HWC/Noble Metals Coating	288
Replace/Retube Main Condenser	250
Replace Feedwater Heaters 6A & 6B	190
Replace Refuel Floor Equipment	90

Modifications, Maintenance, and Programs - Outage

(\$ in thousands)

ISI/NDE	\$ 9,407
Jet Pump Modification/ Cleaning	5,756
Vessel Services	5,558
Turbine Inspection	2,593
Arc Spray Turbine Cross Under Pipe	1,953
BOP Valve Inspection & Repair	1,425
MOV Maintenance & Testing	1,037
Contingency	1,000
Disassemble/Inspect MSIV's	978
Cooling Tower & CW Preventative Maintenance	952
Inspect TV/GV/RSVS/IVS	753
Test, Replace & Rebuild MSRVs	695
Pipe Min Wall Inspection	688
Drywell Material Condition	628
Condenser Cleaning	611
Bypass Valve Inspection	590
Eddy Current Test Heater Exchange	571
Temporary Power	500
Feedwater Heater Eddy Current Support	442
Replace TSW System Piping	400
Projects < \$400K	3,911

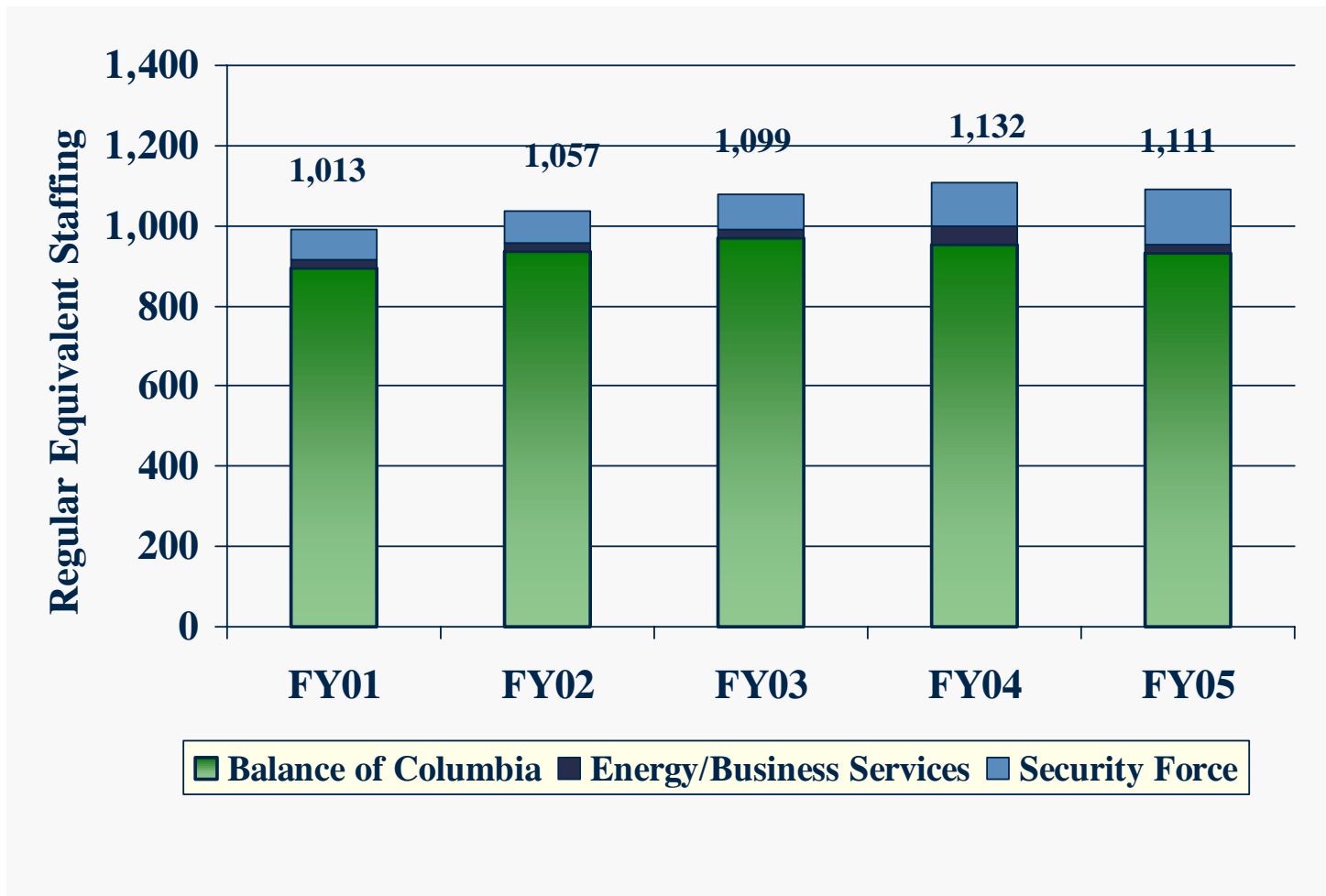
Modifications, Maintenance, and Programs - Expense

(\$ in thousands)

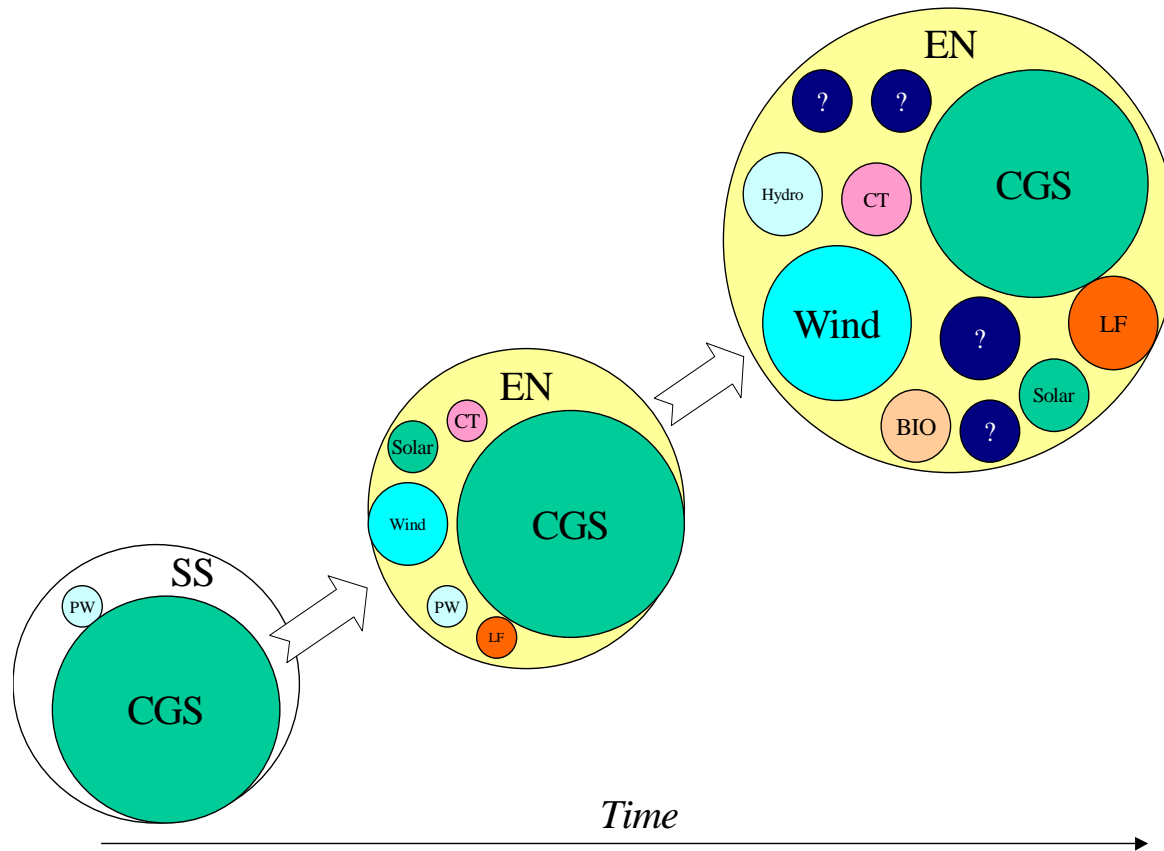
Plant Modifications & Maintenance

Columbia Labor	\$	5,104
Control Rod Drive Parts Procurement		2,030
LPRM Procurement		1,410
Control Rod Blade Replacement		1,020
Security Design Basis Threat		725
Independent Spent Fuel Storage Installation		612
AST/SC/MSLC Deactivation		596
OPRM Operability		501
Contingency		500
Engineering Design Basis Upgrade		500
Spent Fuel Pool Cleanup		375
Emergency Diesel Generator Maintenance		280
Projects < \$150K		755

CGS Full Time Equivalent Employees (Direct and Indirect)



Energy Northwest Growth



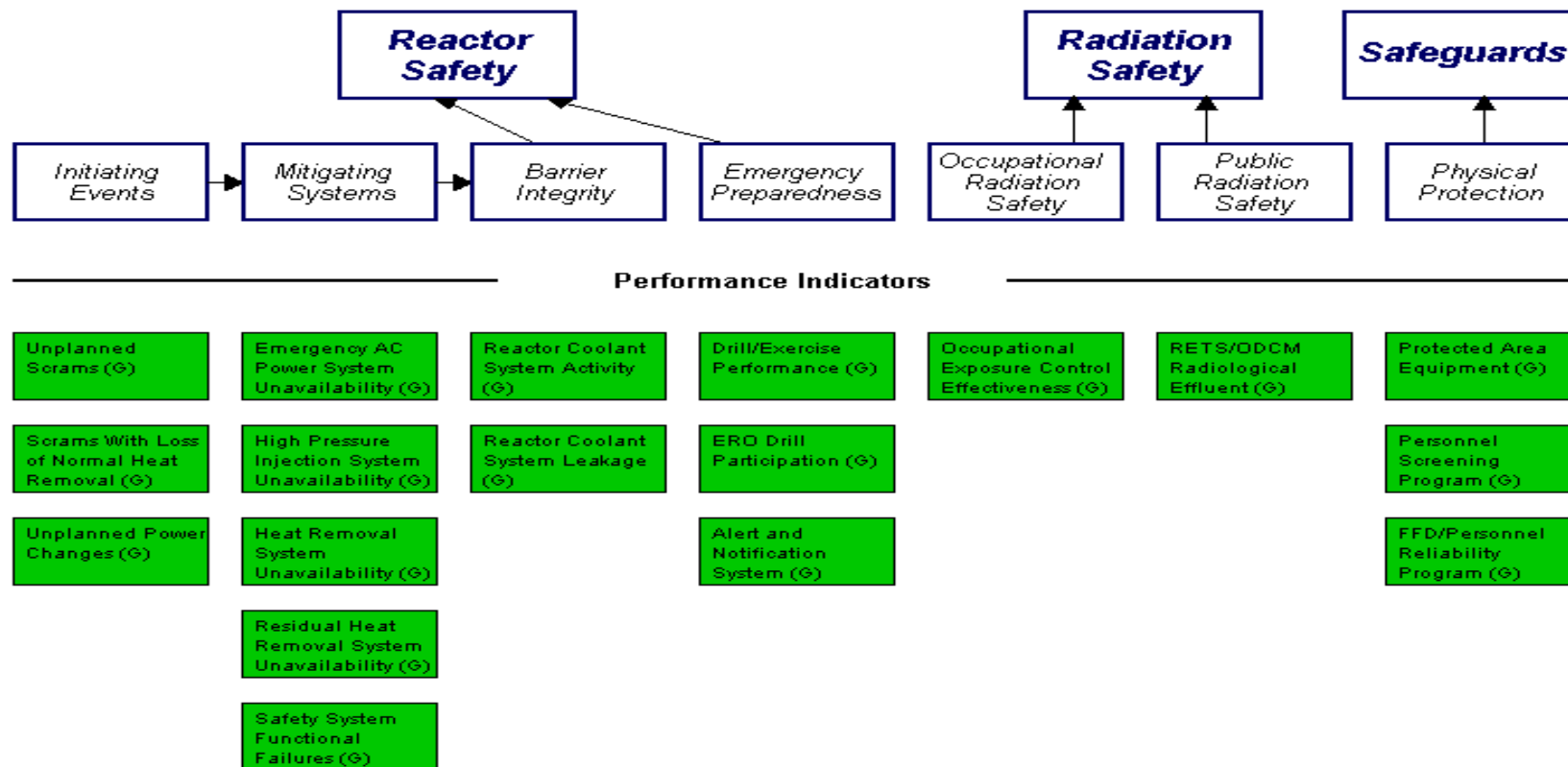
Energy Business Services Value

- ❖ Through FY 2004 have provided \$14.3 million in benefits to Net Billed Projects
 - ❖ Returned Net Revenue on Net Billed E/BS Projects
 - ❖ Re-allocating Overheads
 - ❖ Optimizing CGS labor
 - ❖ Providing services at below market rates
- ❖ FY 2005 will provide \$1.9 million in benefits to Net Billed Projects
- ❖ Staff flexibility during peak work periods

Conclusion

- ❖ Balance the regional need for cost reductions with safe reliable operation of Columbia
- ❖ Columbia is key to regional energy supply and diversity
- ❖ Our goal is Top Quartile cost performance of comparable nuclear operating stations
- ❖ Long Term safe and reliable operation for Columbia
- ❖ Continue to support BPA's Debt Optimization Program
- ❖ Additional budget details are available upon request

NRC Performance Indicators



INPO Performance Indicator Index

