

NRU
**Northwest
Requirements
Utilities**



**WESTERN
MONTANA ELECTRIC
GENERATING &
TRANSMISSION
COOPERATIVE, INC.**

July 18, 2008

Via Electronic Mail

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Re: Scope of Work for Oversight of Columbia Long-Range Plans and Budgets

Thank you for the opportunity to comment regarding the Draft Scope of Work for "Oversight of Columbia Long-Range Plans and Budgets." We greatly appreciate the Executive Board entertaining public comments on this very important study. BPA customers see this study as the potential mechanism for Energy Northwest, BPA, and customer groups to join together in embracing a long term plan and related financial commitments for Columbia Generating Station.

During our joint presentation to the Energy Northwest Board of Directors on April 23, 2008 we emphasized the need for the Board to periodically seek outside and independent review of key financial and operational planning processes regarding Columbia Generating Station. We applaud the Board's efforts in seeking independent review of the Long Range Plans and Budgets. As trade association representatives of BPA customers who are interested in long term, reliable, safe, and environmentally acceptable power supply at the lowest cost based rate, we have a keen interest in this study of Columbia Generation Station.

We believe it is imperative to closely examine the proposed scope of work, and to offer suggestions that are intended to improve the quality of the final product as well as the likelihood that a broad range of regional parties can rally to support the recommendations. We are both available and interested in discussing these revisions with either the staff of Energy Northwest and/or the Board, as you see fit.

The document we received was not amenable to red lined editing. Therefore, attached is a revised version of the entire document. Wherever possible, we have used the same language as in the draft scope, for example, the “resources” to be reviewed as part of the study are as ENW staff proposed. Our revisions focus on the following two points.

Need to Emphasize Cost Effectiveness

The draft study contains no reference to cost effectiveness or cost control. Without this balance the scope of work can be read to address only the following issue: “Are we spending enough money?” In our view, the assessor would not be compelled by this scope to provide valuable technical information or professional judgment for the Board and staff of ENW to consider in demonstrating the relative balance of cost effectiveness between alternative strategies.

The study should address both the needs and cost effective measures to achieve them based on the assessor’s professional judgment and industry practices. Absent this balance, the Energy Northwest Board would be choosing a path that potentially foregoes the opportunity for ENW and BPA and its customer base to start with a common set of assumptions about what is important. BPA customers support reasonable investments to preserve and enhance our regional generation assets. However, we need assurances that cost is a consideration in the planning process.

Need to Substitute “Prudent Utility Practice” for Definition of Prudence

It is unclear to the outside reviewer how the definition of “prudence or prudency” is derived. Perhaps this is a common industry standard, but the definition does not appear to be compelling for purposes of clearly shaping the approach the assessor will follow. Alternatively, we recommend the incorporation of the phrase “Prudent Utility Practice” which is memorialized in the 1970 Project Agreement between BPA and ENW. We believe such a definition would be more instructive to the assessor and would compel the assessor to present findings and results in a manner that would have greater value to decision makers.

Need for More Comparative Information

We believe the study would be stronger if it contained additional comparative and performance information regarding other nuclear plants operating in the United States.

Conclusion

Thank you again for the opportunity to comment. The final decisions regarding scope are clearly the Board's prerogative. We hope you proceed in a collaborative manner with BPA and its customers so that we can move forward in a united manner with the development and refinement of long range plans and budgets for Columbia Generating Station.

If you have any questions regarding these comments, please feel free to contact any of us.

Best Regards,



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attachment

CC: Members of NRU
Steve Wright, Steve Oliver, Paul Norman, Andy Rapacz, BPA
Sid Morrison, Chairman, ENW Executive Board
Judy Ridge, ENW Board of Directors President
Karl Denison, ENW PRB Chair
V.J. Parrish, ENW Chief Executive Officer

DRAFT SCOPE OF WORK (REVISED BY BPA CUSTOMER REPRESENTATIVES)

OVERSIGHT OF COLUMBIA LONG-RANGE PLANS AND BUDGETS

ASSESSMENT OBJECTIVES

Independently evaluate the effectiveness, reasonableness, and consistency with Prudent Utility Practice of the Columbia Generating Station Long Range Plans and Budgets in addressing significant station needs and providing for the long term safety, viability, and reliability of station components, employees, programs and processes. This evaluation should focus on the Long Range Plans and Budgets in place from 7/1/2000 through 7/1/2018. The evaluation should specifically address whether the level of spending represents the most cost effective means of carrying out the work necessary to ensure the long-term safety, viability and reliability of the station and its employees, and the alternatives available.

Assess the efficiency/effectiveness of the implementation of the Long Range Plan and Budgets through a comparison of Columbia performance against appropriate U.S. nuclear plant performance standards and indices.

Identify any weaknesses in the programs and processes currently used in the Long Range Planning and Budget development and make recommendations for improvements to achieve efficient and economical operation of Columbia and to integrate Columbia with the hydroelectric resources of the Federal Columbia Power system. This assessment should include a review of whether Columbia has been able to prudently implement the Long Range Plan and Budgets to achieve key performance indices.

ASSESSMENT SCOPE

The performance assessment should be conducted in accordance with generally accepted industry assessment practices. These standards require the assessor to plan and perform the assessment to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the assessment objectives.

“Prudent Utility Practice” means any of the practices, methods, and acts engaged in or approved by a significant portion of the electrical utility industry prior to such time, or any of the practices, methods, and act which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. Prudent utility practice is not intended to be limited to the optimum practice, method or act, to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts.

The assessment should be completed in 200 hours or less including the preparation of a written report and presentation to the Executive Board.

In order to meet the objectives of the assessment, the following resources should/may be reviewed:

- Benchmarking data collected by the station from 7/1/2000 to 7/1/2008
- Institute of Nuclear Power Operations (INPO) Inspection reports
- Nuclear Regulatory Commission (NRC) Inspection reports
- Corporate Nuclear Safety Review Board notes and reports
- Participant Review Board notes and meeting minutes
- Executive Board and Board of Director notes and meeting minutes
- Other notes and comments as may be required by assessor
- Interviews with Management and/or others.

DELIVERABLES

Provide a written report that evaluates the reasonableness, effectiveness, and consistency with Prudent Utility Practice of the 7/1/2000 through 7/1/2018 Columbia Generating Station Long-Range Plans and Budgets in addressing significant station needs and providing for the long-term safety, viability and reliability of station components, employees, programs and processes. The evaluation should specifically address whether the level of spending represents the most cost effective means of carrying out the work necessary to ensure the long term safety, viability and reliability of the station and its employees, and the alternatives available.

Assess the efficiency/effectiveness of the implementation of the Long Range Plan and Budgets through a comparison of Columbia performance against appropriate U.S. nuclear plant performance standards and indices.

Also include in the written report any identified weaknesses in the programs and processes currently used in the Long Range Planning and Budget development and make recommendations for improvement to achieve the most efficient and economical operation practicable of Columbia and to integrate the station with the hydroelectric resources of the Federal Columbia Power system. This assessment should include a review of whether Columbia has been able to prudently implement the Long Range Plan and Budgets to achieve key performance indices.

Provide a presentation of the assessment results to the Executive Board, Board of Directors, Energy Northwest Staff, the Bonneville Power Administration, and a forum of BPA customers.