

OFFICE OF THE SECRETARY
CORRESPONDENCE CONTROL TICKET

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ACTION OFFICE: EDO

To: Collins, NRR
Cys: EDO
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BEDM
AO

AUTHOR: Paul Norman

AFFILIATION: DOE

ADDRESSEE: Nils Diaz

SUBJECT: Concerns the financial relationship between the Bonneville Power Administration and Energy Northwest (the Columbia Generating Station licensee)

ACTION: Appropriate

DISTRIBUTION: RF

LETTER DATE: 06/06/2003

ACKNOWLEDGED No

SPECIAL HANDLING:

NOTES:

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DATE DUE:

DATE SIGNED:



Department of Energy

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

POWER BUSINESS LINE

June 6, 2003

In reply refer to: P

The Honorable Nils J. Diaz, Chairman
U.S. Nuclear Regulatory Commission
Washington, DC 20555-0001

Dear Chairman Diaz:

This letter is to provide clarification regarding the financial relationship between the Bonneville Power Administration (Bonneville) and Energy Northwest (the Columbia Generating Station licensee). As a follow-up to a recent meeting and discussions between the Commission and Energy Northwest representatives during the April 2003 Regulatory Information Conference, I want to take this opportunity to assure the Commission that Bonneville's financial situation does not affect nuclear safety at the Columbia Generating Station (Columbia) and should not cause the Commission to have any concern regarding the safe operation of Columbia.

Bonneville is the Federal power-marketing agency in the Pacific Northwest. We market and transmit wholesale electricity to public and private utilities and a few large industrial customers. Bonneville provides about half the electricity used in the Northwest and operates over three-fourths of the region's high-voltage transmission. The Federal Columbia River Power System (FCRPS) generation sources include 31 Federal dams and the Columbia Generating Station. Energy Northwest owns and operates Columbia and is the nuclear power plant licensee. Bonneville provides the operating budget for Columbia through a series of contractual arrangements and in exchange receives the output from Columbia for the life of the plant.

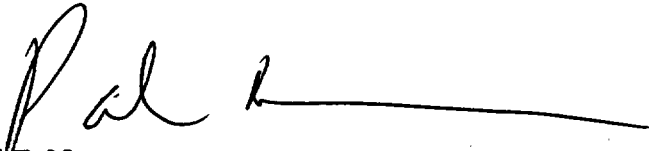
Bonneville is currently facing financial pressure and is considering raising electrical energy rates by up to fifteen percent. A portion of that financial pressure is the rising costs of Columbia. However, Columbia remains a vital resource in our resource portfolio mix. Accordingly, we have discussed budget trends with Energy Northwest and have challenged them to actively benchmark their costs to the nuclear industry and to set appropriate cost targets. Nevertheless, Bonneville has always been and continues to be firmly committed to the safe operation of Columbia, to the health and safety of the public and plant staff, and to maintaining the long-term reliability of Columbia for the ratepayers in the Pacific Northwest.

Bonneville reviews the Columbia operating budget on an annual basis and under certain limitations may disapprove specific budget items as part of its contractual obligation and fiduciary responsibility to the ratepayers of the Pacific Northwest. In addition, Bonneville performs ongoing monitoring of Columbia's operation and fiscal practices. While Bonneville reviews the proposed budgets and discusses them with Energy Northwest, it is the responsibility

of Energy Northwest to develop, prioritize, and implement the budget for Columbia. We do not substitute our judgment for Energy Northwest's in regards to technical matters or plant operations. Bonneville believes--and our contract with Energy Northwest specifically provides--that nuclear safety has the highest priority and is unencumbered by energy production or cost. In addition, it should be noted that payment of Columbia's costs, such as the costs for operations and maintenance, have priority over all other Bonneville expenses including payments to the U.S. Treasury.

If the Commission has any questions or concerns regarding the Columbia budget, please contact me at (503) 230-5399, or Andy Rapacz of my staff at (509) 372-5752.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul E. Norman", followed by a long horizontal line extending to the right.

Paul E. Norman
Senior Vice President
Power Business Line

cc:

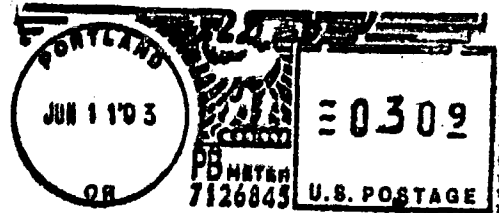
J. V. Parrish, Energy Northwest
Energy Northwest Executive Board
B. S. Mallett - NRC
G. J. Dicus - NRC
E. McGaffigan, Jr. - NRC
J. S. Merrifield - NRC

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Honorable Nils J. Diaz, Chairman
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Washington, DC 20555-0001

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