



Brent Ridge  
Vice President, Chief Financial Officer  
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December 18, 2014  
GO2-14-177

10 CFR 140.21

U.S. Nuclear Regulatory Commission  
ATTN: Document Control Desk  
Washington, DC 20555-0001

Subject: **COLUMBIA GENERATING STATION, DOCKET NO. 50-397  
GUARANTEE OF PAYMENT OF DEFERRED PREMIUM**

Reference: Letter dated December 19, 1984, GC Sorensen (Supply System) to A. Schwencer (NRC), same subject

Dear Sir or Madam:

This letter is provided in compliance with 10 CFR 140.21, which requires annual filing of a guarantee of payment of deferred premiums in the amount of \$17.5 million for each licensed reactor.

Energy Northwest, a joint operating agency and municipal corporation for the state of Washington, obtains revenue from Columbia Generating Station by selling the capability of the plant. The Bonneville Power Administration, (BPA), an agency of the U.S. Department of Energy, has purchased the entire capability of Columbia Generating Station from certain of its statutory preference customers known as Participants through agreements referred to as Net Billing Agreements. BPA and Energy Northwest (then known as Washington Public Power Supply System) entered into Net Billing Agreements with various Participants on the same terms and representative samples of these agreements have been previously provided.

In May of 2006, Energy Northwest and BPA entered into a Direct Pay Agreement and a copy of that Agreement is included with this letter as Exhibit 1. Among the terms of the Direct Pay Agreement, BPA agrees to pay to Energy Northwest all costs for the operation of Columbia Generating Station (less amounts Energy Northwest estimates it will receive from sources other than under the terms of any Net Billing Agreement relating to the operation of Columbia Generation Station) and an amount sufficient to maintain a reasonable working capital balance. BPA has also provided to Energy Northwest a letter dated December 6, 2012, that states it has a commitment to pay decommissioning costs for Columbia Generating Station and its Independent Spent Fuel Storage Installation (ISFSI), attached as Exhibit 2.

MDD  
NRR

## **GUARANTEE OF PAYMENT OF DEFERRED PREMIUM**

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The terms of the Direct Pay Agreement and BPA's obligations thereunder to pay Energy Northwest operating costs and provide reasonable capital funds for Columbia Generating Station satisfies the requirements of 10 CFR 140.21. If you have any questions, please contact Mr. John Irvan at 509-377-4171.

Respectfully,



Brent Ridge

Vice President/Corporate Services & Chief Financial/Risk Officer

Exhibit 1 – Direct Pay Agreement, Contract No. 06P-11731

Exhibit 2 – Letter from BPA dated December 6, 2012, to Energy Northwest

cc: NRC Region IV Administrator  
NRC NRR Project Manager  
NRC Sr. Resident Inspector - 988C

MA Jones – BPA/1399  
WA Horin – Winston & Strawn

**COLUMBIA GENERATING STATION DIRECT PAY AGREEMENT**

executed by the

**UNITED STATES OF AMERICA**  
**DEPARTMENT OF ENERGY**

acting by and through the Administrator of the

**BONNEVILLE POWER ADMINISTRATION**

and

**ENERGY NORTHWEST**

**Relating to the Payment of the Costs of Energy Northwest's Columbia Generating Station on a Current Basis**

This COLUMBIA GENERATING STATION DIRECT PAY AGREEMENT ("Direct Pay Agreement") by and between Energy Northwest (formerly known as Washington Public Power Supply System), a joint operating agency and municipal corporation of the State of Washington organized and existing under Chapter 43.52 of the Revised Code of Washington, and the United States of America, Department of Energy, acting by and through the Administrator of the Bonneville Power Administration ("Bonneville" and together with Energy Northwest, the "Parties"),

**W I T N E S S E T H**

WHEREAS, Energy Northwest and Bonneville are both party to certain agreements (the "Net Billing Agreements" as hereinafter defined), among Energy Northwest, Bonneville and Participants from time to time as named in the related Net Billing Agreements (collectively the "Participants" and each individually, a "Participant"), for Energy Northwest's Columbia Generating Station (formerly known as of Washington Public Power Supply System Nuclear Project No. 2) (the "Project"), pursuant to which Net Billing Agreements Energy Northwest agreed to sell a related Participant's Share of Project Capability of the Project for each Contract Year to each Participant, which assigned its respective Participant's Share to Bonneville;

WHEREAS, the Net Billing Agreements for the Project contain certain provisions relating to the budgeting, payment and net billing of project costs, as described in the Net Billing Agreements;

WHEREAS, the Net Billing Agreements contemplate that Energy Northwest shall bill budgeted costs, plus amounts sufficient to maintain a reasonable working capital balance, less amounts payable from sources other than the Net Billing Agreements to

EXHIBIT 1

Participants, who shall receive offsetting credits in their purchases of power and transmission service from Bonneville, subject to the terms of the Net Billing Agreements;

WHEREAS, Bonneville is authorized to enter into this Direct Pay Agreement under section 2(f) of the Bonneville Project Act and other law; and

WHEREAS, Energy Northwest is authorized to enter into agreements it may deem necessary, including this Direct Pay Agreement;

NOW, THEREFORE, the Parties hereto mutually agree as follows:

1. Effective Date. This Direct Pay Agreement shall be effective on the date of execution.
2. Definitions. All capitalized terms used herein but not otherwise defined herein shall have the respective meanings ascribed to them in the Net Billing Agreements (BPA Contract Nos. 14-03-19122 through 14-03-19215 inclusive, as assigned, amended or supplemented).
  - (a.) "Business Day" means any day other than a Federal holiday, a Washington State holiday, or a weekend day.
  - (b.) "Monthly Invoice" means an invoice prepared by Energy Northwest under section 4.
  - (c.) "Project Costs" means the costs included by Energy Northwest in an Annual Budget, Amended Annual Budget and/or "monthly accounting statement," as provided in the Net Billing Agreements.
  - (d.) "Supplemental Invoice" means an invoice prepared by Energy Northwest under section 6.
3. Payment of Project Costs and Amounts Sufficient to Maintain a Reasonable Working Capital Balance. Until further agreement of the Parties, Bonneville agrees to pay (i) Project Costs less amounts Energy Northwest estimates it will receive in respect of the Project from sources other than payments to be received under the Net Billing Agreements, assuming this Direct Pay Agreement did not exist, and (ii) amounts sufficient to maintain a reasonable working capital balance, each as provided herein.
4. Monthly Invoicing. Not later than the end of the twelfth Business Day of each calendar month, Energy Northwest shall submit to Bonneville an invoice of Project Costs estimated by Energy Northwest to become due in the following calendar month, including amounts necessary to maintain a reasonable working capital balance as provided in section 8. Energy Northwest shall supplement Monthly Invoices with additional detail as the Parties may hereafter agree.

5. Payment of Monthly Invoices. On or before the earlier of (i) the end of the seventh Business Day after receipt of a Monthly Invoice, or (ii) the end of the second Business Day before the last calendar day in the month in which Energy Northwest submits a Monthly Invoice to Bonneville, Bonneville shall pay or cause to be paid the full amount of such Monthly Invoice to Energy Northwest.
6. Supplemental Invoicing within a Calendar Month. If at any time Energy Northwest estimates that amounts to be received from Bonneville as invoiced under section 4 will be or are insufficient to meet Project Costs when due, including amounts necessary to maintain a reasonable working capital balance as provided in section 8, Energy Northwest shall submit to Bonneville an invoice for the amount of the insufficiency. Energy Northwest shall supplement Supplemental Invoices with additional detail as the Parties may hereafter agree.
7. Payment of Supplemental Invoices. On or before the end of the seventh Business Day after the receipt of a Supplemental Invoice, Bonneville shall pay or cause to be paid to Energy Northwest the full amount of such Supplemental Invoice.
8. Working Capital. In preparing a Monthly Invoice or Supplemental Invoice, Energy Northwest shall include amounts to maintain a reasonable working capital balance for the Project of not lower than \$3 million or such other amount as the Parties may hereafter agree. If Energy Northwest estimates that the working capital balance for the Project is greater than reasonably necessary, as determined by Energy Northwest, it may return any excess funds received hereunder to Bonneville or credit such excess against the next Monthly Invoice(s) in such amounts and at such times as the Parties may agree.
9. Billing Statements. Energy Northwest shall at least annually submit a Billing Statement to each Participant, as described in the Net Billing Agreements, showing each Participant's obligations under such agreements less amounts expected to be received from Bonneville and others, including amounts to be received from Bonneville under this Direct Pay Agreement. Energy Northwest may provide additional Billing Statements or monthly accounting statements, as described in the Net Billing Agreements, as it determines to be appropriate. Energy Northwest shall promptly bill each Participant its Participant's Share under the Net Billing Agreements if Bonneville fails to make a payment when due under this Direct Pay Agreement.
10. Savings Provision. This Direct Pay Agreement shall not amend or in any way affect the rights and obligations of any party to the Net Billing Agreements and such agreements remain in full force and effect.
11. Reliance on Payments Hereunder. Energy Northwest agrees that it shall treat payments to be received by Energy Northwest under this Direct Pay Agreement as

reducing amounts it would include in a Billing Statement or under a "monthly accounting statement," as described in the Net Billing Agreements.

12. No Third Party Beneficiaries. This Direct Pay Agreement shall inure only to the benefit of the Parties and there are no intended third party beneficiaries of this Direct Pay Agreement.
13. Limited Obligation to Make Payments. This Direct Pay Agreement shall not impose on Bonneville any obligation to pay amounts other than amounts it would otherwise be obligated to credit or pay to Participants under the Net Billing Agreements.
14. Payment by Bonneville to Energy Northwest Obligees. Energy Northwest and Bonneville may make arrangements for the payment by Bonneville of all or any portion of Project Costs hereunder directly to an obligee of Energy Northwest.
15. No Amendment or Assignment Without Consent. This Direct Pay Agreement may not be amended, and the rights and obligations hereunder may not be assigned or transferred, except by mutual written consent of the Parties.
16. Communication. Unless otherwise agreed by the Parties, all invoices provided herein, and all communications specifically required herein, shall be in writing and may be communicated in person, by regular mail, by facsimile or other electronic means. All payments and funds transfers provided for herein shall be made by means of electronic funds transfer or other commercially reasonable means. The Parties shall at all times provide each other with such mailing, contact and account information as may be necessary to effect the provisions of this Direct Pay Agreement. Until otherwise notified, communications shall be directed as follows:

If to Energy Northwest:

Energy Northwest  
Address: P.O. Box 968  
MD PE 60  
Richland, WA 99352-0968  
Attn: Rich Bresnahan  
Phone: (509)372-5730  
FAX: (509)372-5649  
E-Mail: [rabresnahan@energy-northwest.com](mailto:rabresnahan@energy-northwest.com)

If to Bonneville for payment or  
billing matters:

Bonneville Power Administration  
Address: P.O. Box 968  
MD 1399  
Richland, WA 99352-0968  
Attn: Dana Sandlin  
Phone: (509)372-5756  
FAX: (509)372-5766  
E-Mail: [degrover@bpa.gov](mailto:degrover@bpa.gov)

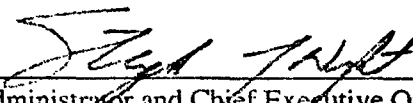
If to Bonneville for matters other than billing or payment matters:

Bonneville Power Administration  
Address: P.O. Box 968  
MD 1399  
Richland, WA 99352-0968  
Attn: Andrew J. Rapacz  
Phone: (509) 372-5752  
FAX: (509) 372-5766  
E-Mail: ajrapacz@bpa.gov

17. Payment. All payments and funds transfers provided for herein shall be made by means of electronic funds transfer or other commercially reasonable means.

IN WITNESS WHEREOF, the Parties hereto have executed this Direct Pay Agreement in counterparts on May 9, 2006.

UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY

By:   
Administrator and Chief Executive Officer

ENERGY NORTHWEST

By: \_\_\_\_\_  
Chief Executive Officer

If to Bonneville for matters other than billing or payment matters:

Bonneville Power Administration  
Address: P.O. Box 968  
MD 1399  
Richland, WA 99352-0968

Attn: Andrew J. Rapacz  
Phone: (509) 372-5752  
FAX: (509) 372-5766  
E-Mail: ajrapacz@bpa.gov

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UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY

By: \_\_\_\_\_  
Administrator and Chief Executive Officer

ENERGY NORTHWEST

By:   
Chief Executive Officer





**Department of Energy**

Bonneville Power Administration  
Mail Drop 1399  
P.O. Box 968  
Richland, Washington 99352-0968

POWER BUSINESS LINE

December 6, 2012

In reply refer to: PGC/Richland

Mr. Mark Reddemann, Chief Executive Officer  
Energy Northwest M/D 1023  
P.O. Box 968  
Richland, WA 99352-0968

Dear Mr. Reddemann:

The Bonneville Power Administration (BPA) entered into a contract in 1970 with the Energy Northwest then known as the Washington Public Power Supply System regarding Columbia Generating Station (CGS). Under this contract, BPA provides the funding for CGS's costs and in turn receives 100 percent share of its power. This contract remains in place until its termination at the end of all decommissioning activities. BPA has a commitment to pay any decommissioning costs attributable to Energy Northwest for both the CGS Nuclear Plant and its Independent Spent Fuel Storage Installation (ISFSI). The CGS costs including contributions into the trust funds for decommissioning of the plant and ISFSI are included in BPA's costs which are required by law to be recovered by BPA from its ratepayers.

If you have any questions concerning this correspondence, please contact Dana Sandlin at (509) 372-5756.

Sincerely,

A handwritten signature in black ink that reads "Andrew J. Rapacz".

Andrew J. Rapacz, Manager  
Contract Generating Resources

cc:

Mr. Brad Sawatzke, Energy Northwest - PE08  
Mr. Robert Dutton, Energy Northwest - PE13  
Mr. Donald Gregoire, Energy Northwest -PE20

EXHIBIT 2