Debt Management

Technical Customer Workshop #3
July 8, 2010

Today's Agenda

	Topic	Slide #	Presenter
	Introduction IPR/Debt Management Processes Key Messages	1-4	Mertsching
	Review/Summary of Scenarios Revenue Requirement Changes/Data Customer Feedback on Scenarios	5-12 (8 -9)	Dull Homenick
	Hedging: ▪ Products Available/Differentiation ▪ Interest Rate Hedging Strategies ▪ 2011/2012 Potential Transactions	13-23	Dull
	Fuel: ▪ Background/Procurement ▪ Special Purchase Transaction ▪ Financing Fuel Policy	24-26	Dull Bentrup
	Next Steps Timetable	27-29	Mertsching

IPR/Debt Management Processes

- The 2010 Integrated Program Review (IPR) provides a way for discussing agency expense and capital program levels in a single forum. The IPR occurs every two years, or just prior to each rate case, and provides participants with an opportunity for customers and other interested parties to influence program levels before establishing the revenue requirement in the rate case.
- This year BPA created a separate sub-process for reviewing debt management activities, strategies, and items of interest, both past and present, because of the major policy issues confronting us in the debt management area.
- Debt management is a technical and highly complex subject. Decisions now will have impacts for many years to come.
- The coordinated debt management and IPR process will share some of the same forums, such as the July 13 general manager meeting.
- In addition to our regional conversation with BPA customers and interested parties, we have discussed some issues with the Energy Northwest Executive Board, and our intent is to also meet with the Energy Northwest Participants Review Board (PRB.)

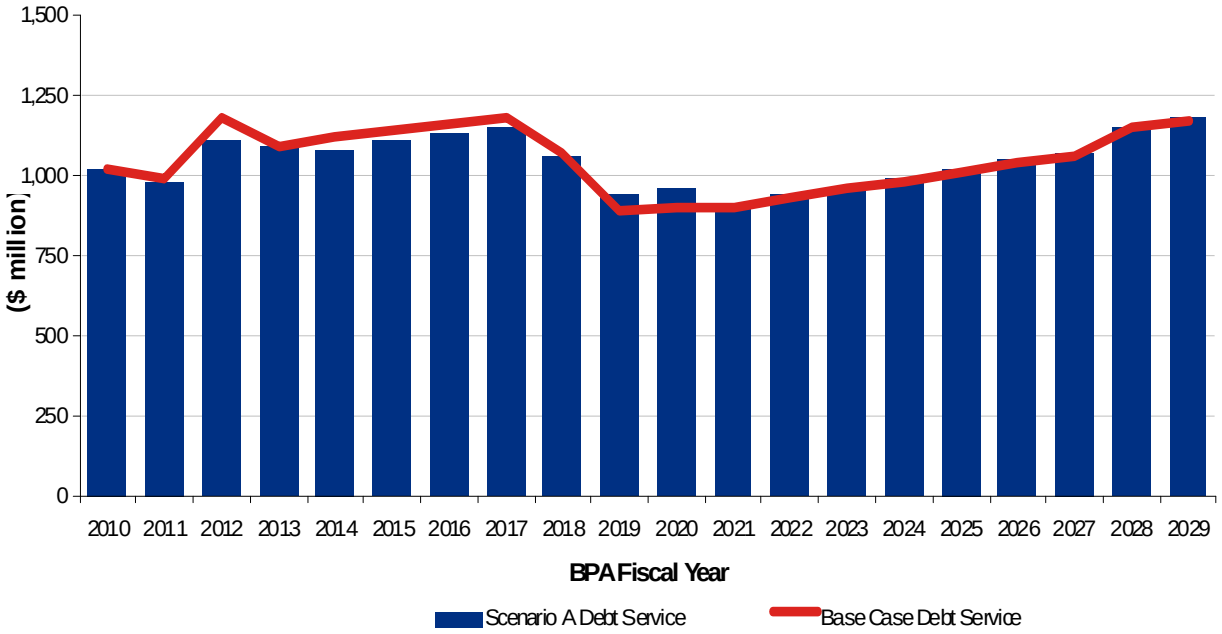
Key Messages

- The primary advantages of debt restructuring include the elimination of the increase in non-Federal debt service for the FY 2012/13 rate period, and the matching of asset life with repayment of assets for Energy Northwest (EN) Columbia Generating Station debt.
- The main disadvantage of debt restructuring is that short-term needs can negatively impact long-term agency financial health.
- Although there is a large universe of callable EN bonds in 2011/12, the 2011 bonds are the only ones that can be refinanced with some certainty prior to the final WP-12 rate proposal.
- Hedging opportunities exist to lock in low interest rates for both the 2011 and 2012 callable EN bonds.
- BPA is evaluating strategies to address market access risk for the 2012 bond transaction and is willing to consider and implement such strategies in order to include the 2012 transaction in the Initial Rate Proposal.
- Through debt restructuring/extension, BPA may be able to reduce total debt service in FY 2012/13 by about $100 M per year.
- BPA needs the support of public power in order to accomplish this effort. BPA must also have agreement from the EN Executive Board and the EN Participants Review Board by mid to late summer, prior to the release of the Initial Proposal in late fall 2010.

Scenario A: Extending and Restructuring 2011

2011 Debt Only - debt restructuring and extending CGS debt past 2018:

- By restructuring callable bonds in 2011 (Projects 1&3) and extending maturing and callable CGS debt in 2011, BPA achieves more levelized non-Federal debt service, which results in lowered total debt service requirements within the repayment study in FY2012-13, as well as FY14-18.
- Specifics: Extend $155M of 2011 callable CGS principal; extend $94M of 2011 maturing CGS principal. In 2011, redeem early $94M of callable Project 1&3 debt that would otherwise mature in peak years.
- No rate case policy change and no hedging products are required as the deal would be completed before the final proposal, but may consider locking in interest rates.
- Average annual savings in FY2012-13 of $37M.

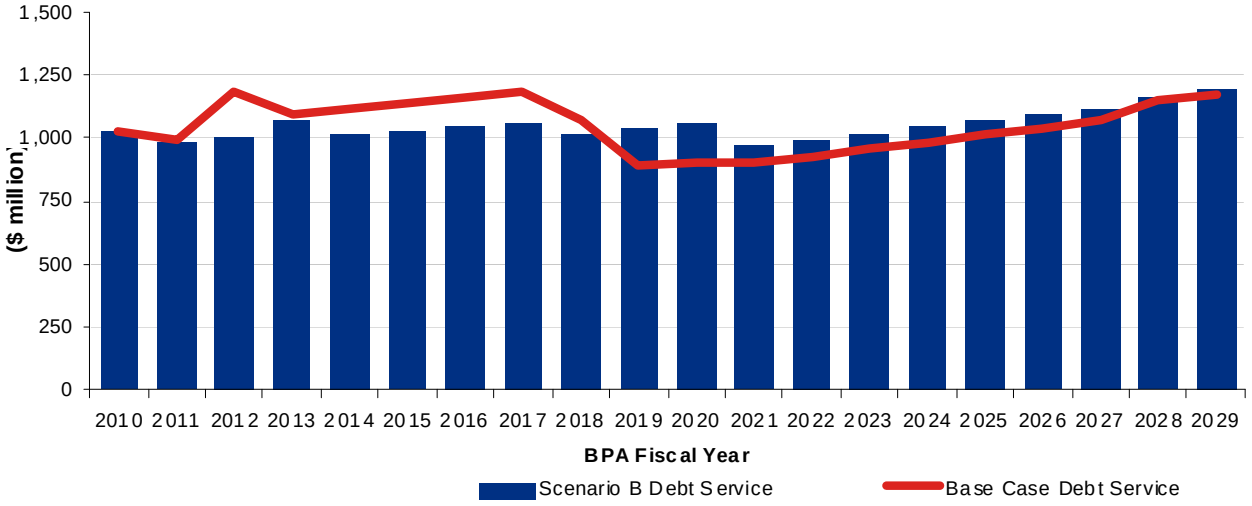


BPA Fiscal Year	Base Case Debt Service	Scenario A Debt Service	Delta from Base Case
2010	1,028	1,028	0
2011	998	981	(16)
2012	1,184	1,110	(74)
2013	1,096	1,096	0
2014	1,119	1,089	(31)
2015	1,141	1,110	(31)
2016	1,165	1,135	(31)
2017	1,182	1,152	(31)
2018	1,072	1,068	(4)
2019	889	942	53
2020	906	959	53
2021	903	914	11
2022	931	942	11
2023	957	968	10
2024	986	993	8
2025	1,012	1,021	8
2026	1,041	1,050	9
2027	1,068	1,077	9
2028	1,153	1,158	4
2029	1,178	1,185	7
Total	21,009	20,977	(32)

Scenario B: Extending and Restructuring 2011 & 2012

2011 & 2012 Debt - debt restructuring and extending CGS debt past 2018:

- By restructuring callable bonds in 2011 & 2012 (Projects 1&3) and extending maturing and callable CGS principal in 2011 and 2012, BPA achieves even more levelized non-Federal debt service, which results in lowered total debt service requirements within the repayment study in FY2012-13, as well as FY14-18.
- Specifics 2011: Extend $155M of 2011 callable CGS principal; extend $94M of 2011 maturing CGS principal. In 2011, redeem early $94M of callable Projects 1&3 debt that would otherwise mature in peak years.
- Specifics 2012: Extend $260M of 2012 callable CGS principal; extend $266M of 2012 maturing CGS principal; redeem early approximately $180M of Projects 1& 3 debt that would otherwise mature in peak years.
- The 2012 debt management action cannot be completed prior to the final proposal, unless we hedge the transaction.
- Average annual savings in FY2012-13 of $104M.

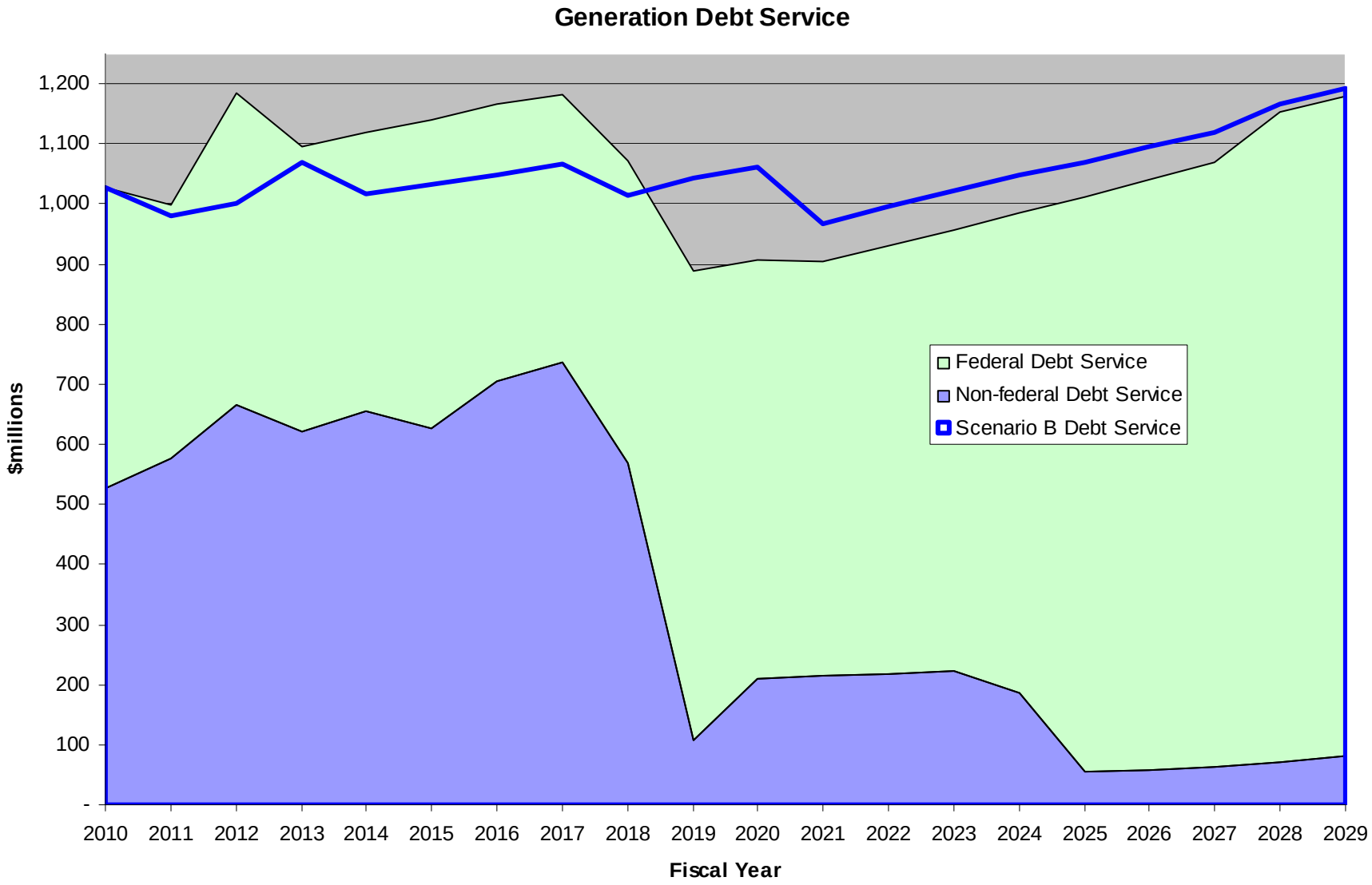


BPA Fiscal Year	Base Case Debt Service	Scenario B Debt Service	Delta from Base Case
2010	1,028	1,028	0
2011	998	981	(16)
2012	1,184	1,002	(182)
2013	1,096	1,070	(26)
2014	1,119	1,017	(102)
2015	1,141	1,032	(109)
2016	1,165	1,049	(116)
2017	1,182	1,066	(116)
2018	1,072	1,015	(57)
2019	889	1,044	155
2020	906	1,061	155
2021	903	967	65
2022	931	995	64
2023	957	1,022	64
2024	986	1,047	61
2025	1,012	1,070	58
2026	1,041	1,095	54
2027	1,068	1,118	50
2028	1,153	1,167	13
2029	1,178	1,191	13
Total	21,009	21,036	26

This information has been made publicly available by BPA on July 8, 2010 and estimates are subject to change.

Pre-and Post Restructuring Power Debt Service

(both Federal and non-Federal)



Same chart/assumptions used in chart provided with the 6/18/10 customer workshop materials.

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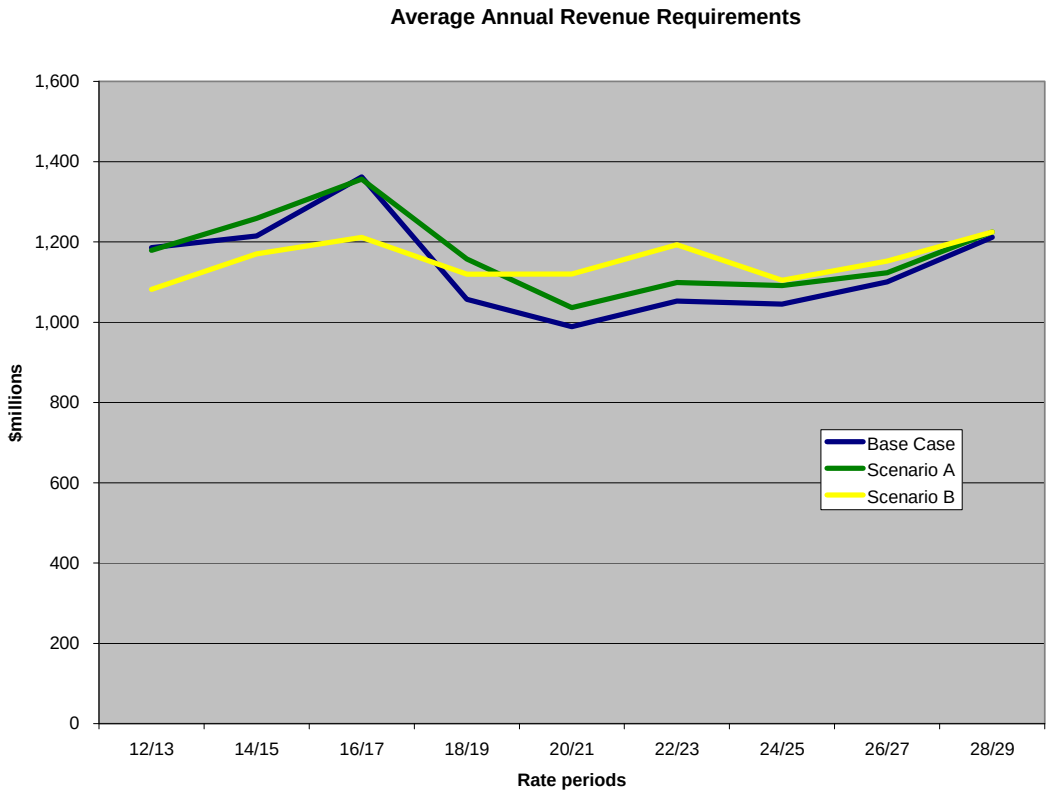
Total Revenue Requirement Change Comparison: Scenario A & B to Base Case

Changes to the revenue requirement occur in non-Federal debt service, Federal interest and Minimum Required Net Revenues.

	Scenario A		Scenario B	
	annual change from base case	avg annual change by rate period	annual change from base case	avg annual change by rate period
2012	(73)		(182)	
2013	59	(7)	(26)	(104)
2014	36		(49)	
2015	52	44	(40)	(45)
2016	19		(134)	
2017	(31)	(6)	(168)	(151)
2018	24		(95)	
2019	177	101	221	63
2020	53		130	
2021	42	48	132	131
2022	46		137	
2023	46	46	143	140
2024	44		117	
2025	49	47	2	60
2026	30		54	
2027	15	23	50	52
2028	16		13	
2029	11	14	13	13

($millions)



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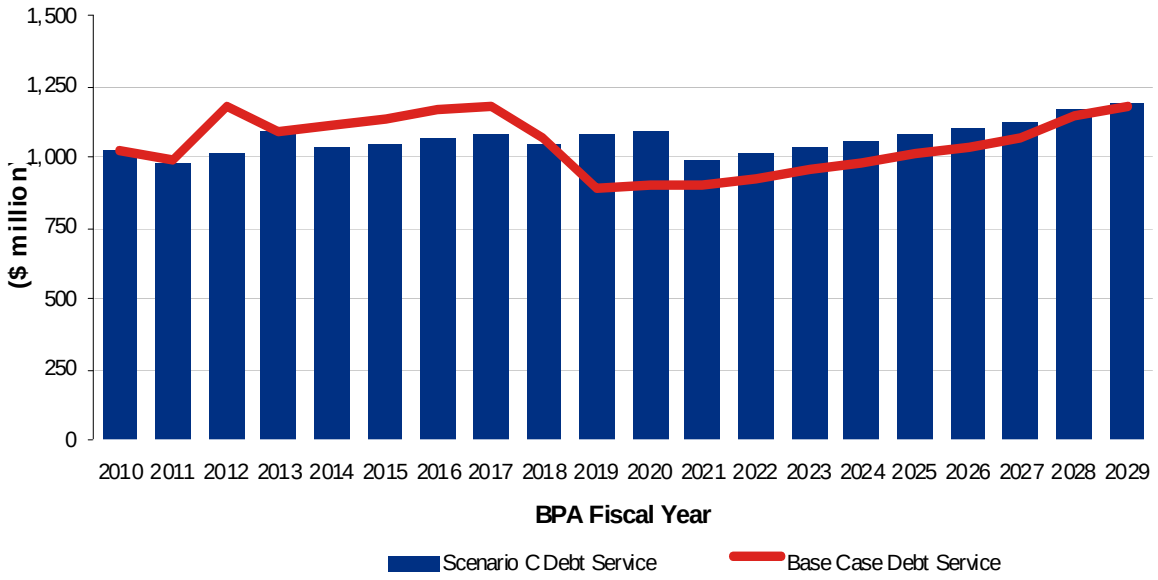
Data for Revenue Requirement Change
(previous slide)

($millions)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Base Case																		
Non-Federal Debt Service	666	621	656	627	704	737	570	109	209	214	218	223	186	54	58	64	70	82
Depreciation/Amortization	206	220	237	242	241	249	255	260	265	269	274	277	281	283	285	287	290	293
Federal Interest	276	295	321	347	379	415	447	474	498	522	546	569	592	610	623	638	648	656
Minimum Required Net Revenues	82	6	0	0	0	0	0	0	0	0	0	0	0	83	121	125	191	194
Total Revenue Requirement	1,230	1,142	1,213	1,217	1,323	1,401	1,272	842	972	1,006	1,037	1,068	1,059	1,031	1,087	1,114	1,199	1,224
Average Annual Rev. Requirement	0	1,186	0	1,215	0	1,362	0	1,057	0	989	0	1,053	0	1,045	0	1,101	0	1,212
Scenario A																		
Non-Federal Debt Service	641	678	687	674	718	704	591	280	258	250	257	261	220	68	79	70	82	86
Depreciation/Amortization	206	220	237	242	241	249	255	260	265	269	274	277	281	283	285	287	290	293
Federal Interest	276	296	325	353	384	417	450	478	503	528	553	577	602	622	635	649	660	668
Minimum Required Net Revenues	35	8	0	0	0	0	0	0	0	0	0	0	0	108	118	123	184	189
Total Revenue Requirement	1,157	1,201	1,249	1,269	1,343	1,370	1,296	1,019	1,025	1,048	1,083	1,115	1,102	1,080	1,117	1,129	1,215	1,235
Average Annual Rev. Requirement	0	1,179	0	1,259	0	1,357	0	1,157	0	1,036	0	1,099	0	1,091	0	1,123	0	1,225
Scenario B																		
Non-Federal Debt Service	532	593	601	577	559	562	468	322	332	337	341	347	279	54	58	64	70	82
Depreciation/Amortization	206	220	237	242	241	249	255	260	265	269	274	277	281	283	285	287	290	293
Federal Interest	276	296	326	357	389	422	454	481	505	531	560	588	616	637	647	659	669	677
Minimum Required Net Revenues	35	8	0	0	0	0	0	0	0	0	0	0	0	60	151	154	184	186
Total Revenue Requirement	1,048	1,116	1,164	1,177	1,189	1,233	1,177	1,063	1,102	1,138	1,175	1,211	1,176	1,033	1,141	1,164	1,212	1,237
Average Annual Rev. Requirement	0	1,082	0	1,170	0	1,211	0	1,120	0	1,120	0	1,193	0	1,104	0	1,153	0	1,225

Sensitivity Analysis

- The majority of the benefits of the debt extension/restructuring scenario are attributable to extending principal so it is only somewhat interest rate sensitive; a 3% increase in interest rates would erode on average $14M in ratepayer benefits per year for the period 2012-2013.
- With a 3% increase in interest rates, the average annual savings in FY2012-13 decreases to $89M from $104M.
- BPA is considering ways to hedge a rise in interest rates.



BPA Fiscal Year	Base Case Debt Service	Sensitivity Debt Service	Delta from Base Case
2010	1,028	1,028	0
2011	998	983	(15)
2012	1,184	1,012	(172)
2013	1,096	1,089	(8)
2014	1,119	1,035	(84)
2015	1,141	1,050	(91)
2016	1,165	1,069	(96)
2017	1,182	1,086	(96)
2018	1,072	1,051	(21)
2019	889	1,079	190
2020	906	1,096	190
2021	903	994	91
2022	931	1,019	88
2023	957	1,036	79
2024	986	1,057	71
2025	1,012	1,080	68
2026	1,041	1,105	64
2027	1,068	1,128	60
2028	1,153	1,170	17
2029	1,178	1,192	14
Total	21,009	21,360	350

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Summary Table

Generation Scenario Total Debt Service Deltas to Base Case ($ in millions)	Scenario A	Scenario B	Sensitivity Analysis
	FY 2011 Restructuring	FY 2011-12 Restructuring	FY 2011-12 Restructuring + 3%
2010	0	0	0
2011	(16)	(16)	(15)
2012	(74)	(182)	(172)
2013	0	(26)	(8)
2012-13 Annual Average Delta	**(37)**	**(104)**	**(90)**
2014	(31)	(102)	(84)
2015	(31)	(109)	(91)
2016	(31)	(116)	(96)
2017	(31)	(116)	(96)
2018	(4)	(57)	(21)
2019	53	155	190
2020	53	155	190
2021	11	65	91
2022	11	64	88
2023	10	64	79
2024	8	61	71
2025	8	58	68
2026	9	54	64
2027	9	50	60
2028	4	13	17
2029	7	13	14
20-Yr. Totals	**(32)**	**26**	**350**

Customer Feedback on Debt Management

- We have heard three suggestions in addition to Scenarios A and B:
  - Complete the 2011 bond transaction on a tax-exempt basis, and the 2012 bond transaction on a taxable basis (during 2011) in order to lock in low rates, in an effort to simulate a hedge on the 2012 bonds.
  - Complete the 2011and 2012 bond transactions on a tax-exempt basis, and develop a special CRAC for FY 2012/13 rates in case the 2012 bond transaction does not take place.
  - Regarding Scenario B, revise the debt restructuring strategy in order to eliminate the $26 M increase in total debt service costs over the 20 year period.

Hedging Interest Rates - Recap

- BPA has approximately $875M of interest rate exposure on EN debt over the next few years, where it might be prudent to hedge:
  - $775M CGS debt extension
  - $100M of new money for CGS (FY12/13)

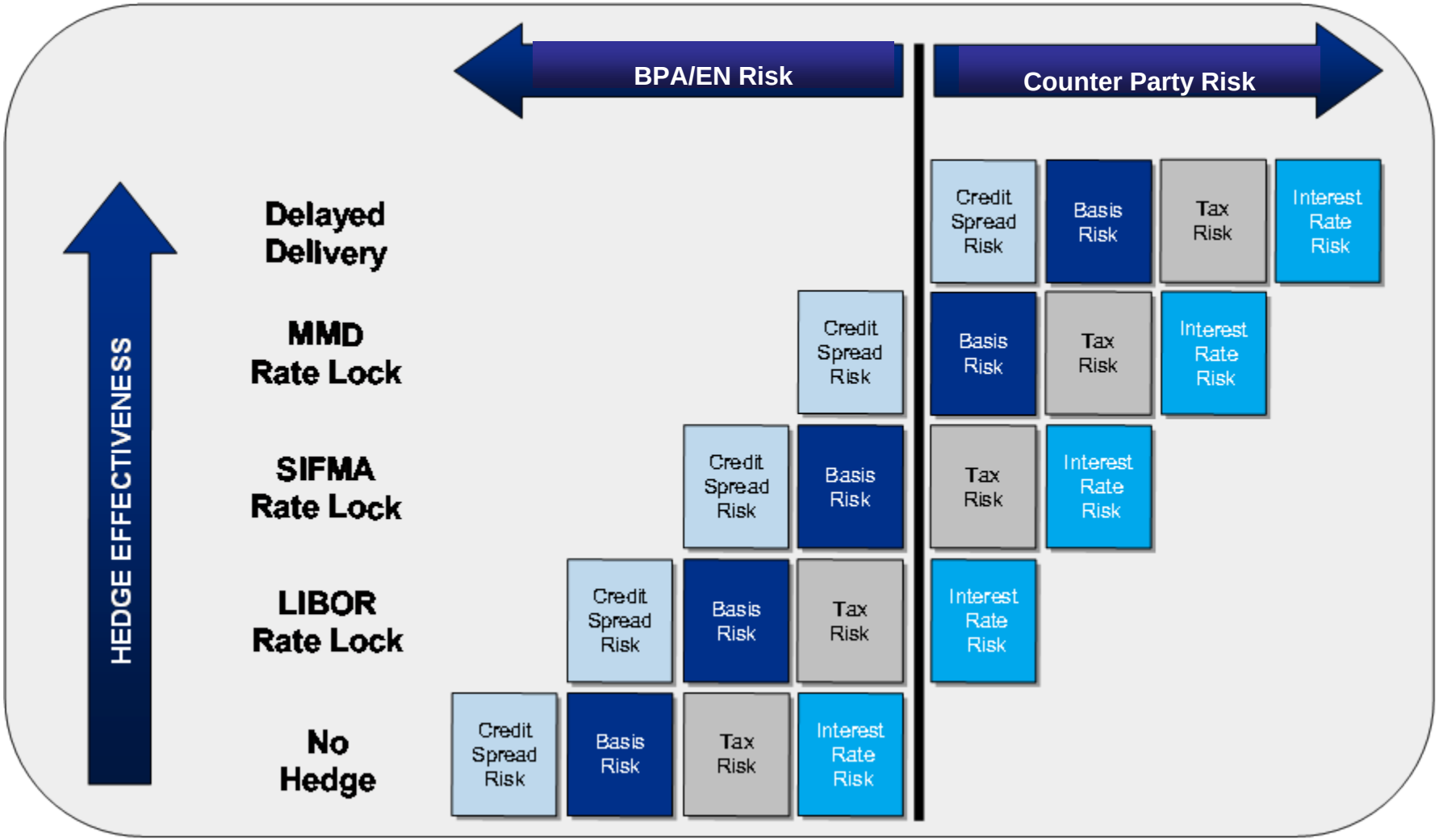
- Hedging interest rates can secure multiple benefits:
  - Mitigates future interest rate risk
  - Provides rate case benefits

- At the June 18th workshop, customers asked BPA to illustrate a specific transaction in order for them to understand the costs/benefits of hedging interest rates – we will do this today.

- BPA analyzed hedging $350M of the 2011 and the 2012 transactions.

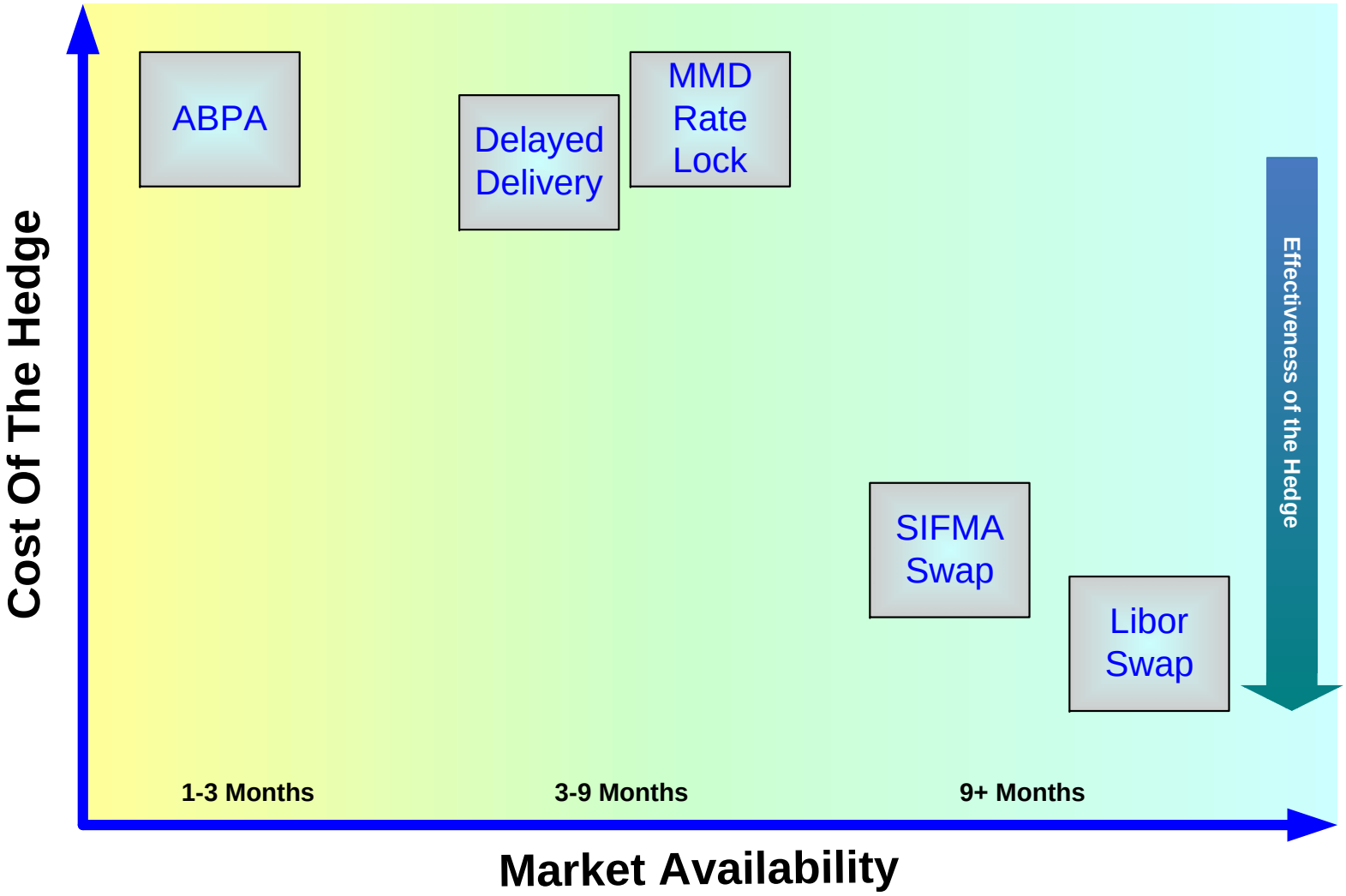
Product Differentiation

The more effective the hedge, the higher the cost.



Product Differentiation

Not all products are available to hedge right now.



Product Differentiation

1. **Delayed Delivery:** The underwriter agrees to sell and investors agree to buy bonds on a delivery date up to 9 months after pricing. This locks in the all-in-rate (rate and credit spread) as the investor takes the interest rate and credit spread risk. The underwriter risk is lower than an ABPA since the investor has already agreed to purchase the bonds and the underwriter is transferable.
   - Forward Period Availability: up to 9 months
   - Mandatory Settlement: N/A

2. **ABPA:** The underwriter agrees to purchase bonds at some point in the future and takes on all of the risks. This locks in the all-in-rate (rate and credit spread) as the underwriter takes the interest rate and credit spread risk and has a mandatory settlement.
   - Forward Period Availability: up to 2-3 months
   - Mandatory Settlement: N/A

3. **MMD Rate Lock:** Tax-exempt market is hedged, most expensive alternative (in terms of traditional hedges) but the smallest basis risk since it is based on the fixed rate muni market.
   - Forward Period Availability: up to 6 months
   - Mandatory Settlement: Yes

4. **SIFMA Swap:** High correlation between tax-exempt fixed rate market and tax-exempt variable rate market, but there is basis risk between bonds and swaps.
   - Forward Period Availability: 2+ years
   - Mandatory Settlement: No, but could be to decrease hedge cost

5. **Libor Swap:** Most liquid marketplace and the lowest hedge premium but considerable basis risk between tax exempt fixed rate and taxable variable rate.
   - Forward Period Availability: 2+years
   - Mandatory Settlement: No, but could be to decrease hedge cost

Product Differentiation

Note: Financial reform contemplated by Congress could significantly reduce or completely eliminate counterparties due to the restrictive provisions in the new legislation.

Alternative	Delayed Delivery	MMD Rate Lock	SIFMA Swap / Rate Lock	70% LIBOR Swap / Rate Lock	No Hedge
Cost of Premium	2011 Call: 0.50% 2012 Call: N/A	2011 Call: 0.65% 2012 Call: N/A	2011 Call: 0.29% 2012 Call: 0.55%	2011 Call: 0.22% 2012 Call: 0.40%	N/A
Key Benefits	Lock in savings from the transaction at the commitment date. Documentation similar to traditional fixed rate issuance	Fixed rate bonds Qualified hedge Tax risk protection	Low long-term fixed rate Qualified hedge Tax risk protection	Lowest, long term fixed rate Qualified hedge	Fixed Rate Bonds No basis risk
Key Considerations	Limited risk to underwriter performance	Potential settlement payment Basis risk	Potential settlement payment Basis risk Credit risk	Potential settlement payment Basis risk Credit risk Tax risk	Subject to market rates on issuance date
Mechanics	Underwriter agrees to sell and investors agree to buy on the delivery date, bonds with maturities, coupons and prices set today to be delivered more than 90 days after closing. At the delivery date, bonds are delivered.	Execute a MMD Rate Lock agreement today. Upon settlement date, make settlement payment based upon prevailing market rate as compared to “locked-in” rate. Proceed with bond issuance process.	Execute a SIFMA Swap /Rate Lock agreement today. Upon settlement date, make settlement payment based upon prevailing market rates as compared to “locked-in” rate. Proceed with bond issuance process.	Execute a LIBOR Swap / Rate Lock agreement today. Upon settlement date, make settlement payment based upon prevailing market rates as compared to “locked-in” rate. Proceed with bond issuance process.	N/A

Rates as of COB 06/01/2010. Subject to market conditions, documentation, and credit approval.
2011 Call Date Scenarios assume a 6-month forward period, 7-year final maturity from today.
2012 Call Date Scenarios assume an 18-month forward period, 7-year final maturity from today.
For illustration purposes only; actual results will depend on future market conditions and may differ.

Delayed Delivery Analysis
(2011 Call Date)

- The Delayed Delivery Product is unique because it does not carry the same risks as the other products since it is a bond market product/transaction. It is essentially a forward bond purchase by investors.
- The break-even analysis is based on the tax-exempt curve and not the taxable curve.
- MMD would have to move 0.50% for the cost of the hedge to be cost effective.

0.9-Year Forward, 7.0-Year Delayed Delivery
Notional: $350M
Fixed Rate: 3.44% (Forward Premium: 0.50%)
Incremental Cost/Benefit Analysis
Amounts in tables shown in $Millions

Long-Term Tax-Exempt Market Difference on 4/1/11	Incremental (Cost) / Benefit	Total (Cost) / Benefit of Hedge	
-50 bps	(10.65)	(21.29)	
-25 bps	(5.32)	(15.97)	
0	-	(10.65)	← Initial Premium
25 bps	5.32	(5.32)	
50 bps	10.65	-	
75 bps	15.97	5.32	
100 bps	21.29	10.65	

Reflects total change in borrowing cost (MMD and credit spread movement)

Municipal Market Data (MMD) to Mark-to-Market (MTM) Analysis (2011 Call Date)

- Given the combination of the forward premium (market expectation of future rates) and the "roll down" (steepness of the curve), in order for EN/BPA to receive a termination payment from the counterparty, Treasuries would have to move approximately 125 bps.

- The delta between 125 bps that Treasuries would have to move and the 0.65% represents the "roll down" and moving from a MMD curve to a Treasury curve.

0.9-Year Forward, 7.0-Year MMD Rate Lock
Notional: $350M
Fixed Rate: 2.36% (Forward Premium: 0.65%)
MMD MTM Values
Amounts in tables shown in $Millions

Long-Term Taxable Interest Rates	Terminate in 6 Months					Terminate in 0.9 Year				
	Change in MMD/LIBOR Ratios					Change in MMD/LIBOR Ratios				
	-10.00%	-5.00%	0.00%	5.00%	10.00%	-10.00%	-5.00%	0.00%	5.00%	10.00%
-200 bps	(48.9)	(47.8)	(46.8)	(45.7)	(44.7)	(53.2)	(52.4)	(51.6)	(50.9)	(50.1)
-150 bps	(41.1)	(39.5)	(38.0)	(36.4)	(34.9)	(45.6)	(44.4)	(43.1)	(41.8)	(40.5)
-100 bps	(33.5)	(31.5)	(29.5)	(27.5)	(25.4)	(38.3)	(36.5)	(34.8)	(33.0)	(31.3)
-50 bps	(26.2)	(23.7)	(21.3)	(18.8)	(16.3)	(31.2)	(29.0)	(26.7)	(24.5)	(22.3)
0 bps	(19.2)	(16.2)	(13.3)	(10.4)	(7.5)	(24.3)	(21.6)	(18.9)	(16.3)	(13.6)
50 bps	(12.3)	(9.0)	(5.7)	(2.3)	1.0	(17.6)	(14.5)	(11.4)	(8.3)	(5.1)
100 bps	(5.8)	(2.0)	1.7	5.5	9.2	(11.1)	(7.6)	(4.1)	(0.5)	3.0
150 bps	0.6	4.7	8.9	13.0	17.2	(4.9)	(0.9)	3.0	7.0	10.9
200 bps	6.7	11.3	15.8	20.3	24.8	1.2	5.6	9.9	14.3	18.6
250 bps	12.7	17.6	22.4	27.3	32.2	7.1	11.9	16.6	21.3	26.1
350 bps	24.0	29.5	35.1	40.7	46.2	18.4	23.9	29.3	34.8	40.3

SIFMA MTM Analysis
(2011 Call Date)

- Given the combination of the forward premium (market expectation of future rates) and the "roll down" (steepness of the curve), in order for EN/BPA to receive a termination payment from the counterparty , Treasuries would have to move approximately 75 bps.

- The delta between 75 bps that Treasuries would have to move and the 0.29% represents the "roll down" and moving from a SIFMA curve to a Treasury curve.

0.9-Year Forward, 7.0-Year SIFMA Rate Lock
Notional: $350M
Fixed Rate: 2.80% (Forward Premium: 0.29%)
SIFMA MTM Values
Amounts in tables shown in $Millions

Long-Term Taxable Interest Rates	Terminate in 6 Months					Terminate in 0.9 Year				
	Change in SIFMA/LIBOR Ratios					Change in SIFMA/LIBOR Ratios				
	-10.00%	-5.00%	0.00%	5.00%	10.00%	-10.00%	-5.00%	0.00%	5.00%	10.00%
-200 bps	(43.4)	(42.3)	(41.2)	(40.2)	(39.1)	(47.9)	(47.1)	(46.3)	(45.5)	(44.7)
-150 bps	(35.5)	(34.0)	(32.4)	(30.9)	(29.3)	(40.0)	(38.7)	(37.4)	(36.1)	(34.8)
-100 bps	(28.0)	(25.9)	(23.9)	(21.9)	(19.9)	(32.3)	(30.5)	(28.8)	(27.0)	(25.2)
-50 bps	(20.7)	(18.2)	(15.7)	(13.2)	(10.7)	(24.9)	(22.7)	(20.4)	(18.2)	(16.0)
0 bps	(13.6)	(10.7)	(7.8)	(4.9)	(1.9)	(17.7)	(15.0)	(12.3)	(9.6)	(7.0)
50 bps	(6.8)	(3.5)	(0.1)	3.2	6.6	(10.8)	(7.6)	(4.5)	(1.4)	1.8
100 bps	(0.3)	3.5	7.2	11.0	14.8	(4.0)	(0.5)	3.1	6.7	10.2
150 bps	6.0	10.2	14.4	18.5	22.7	2.5	6.5	10.5	14.4	18.4
200 bps	12.1	16.7	21.2	25.8	30.3	8.8	13.2	17.6	22.0	26.3
250 bps	18.0	22.9	27.8	32.8	37.7	15.0	19.7	24.5	29.3	34.0
350 bps	29.2	34.8	40.4	46.0	51.6	26.7	32.2	37.7	43.2	48.7

LIBOR MTM Analysis
(2011 Call Date)

- Given the combination of the forward premium (market expectation of future rates) and the "roll down" (steepness of the curve), in order for EN/BPA to receive a termination payment from the counterparty , Treasuries would have to move approximately 75 bps.

- The delta between 75 bps that Treasuries would have to move and the 0.22% represents the "roll down" and moving from a MMD curve to a Treasury curve.

0.9-Year Forward, 7.0-Year 60% LIBOR Rate Lock
Notional: $350M
Fixed Rate: 2.09% (Forward Premium: 0.22%)
LIBOR MTM Values
Amounts in tables shown in $Millions

Long-Term Taxable Interest Rates	Terminate in 6 Months	Terminate in 0.9 Year
	60% LIBOR Rate Lock	60% LIBOR Rate Lock
-200 bps	(30.6)	(34.3)
-150 bps	(23.9)	(27.5)
-100 bps	(17.5)	(21.1)
-50 bps	(11.2)	(14.8)
0 bps	(5.2)	(8.7)
50 bps	0.6	(2.8)
100 bps	6.1	3.0
150 bps	11.5	8.5
200 bps	16.7	13.9
250 bps	21.8	19.1
350 bps	31.3	29.0

SIFMA MTM Analysis

(2012 Call Date)

- Given the combination of the forward premium (market expectation of future rates) and the "roll down" (steepness of the curve), in order for EN/BPA to receive a termination payment from the counterparty , Treasuries would have to move approximately 125 bps.

- The delta between 125 bps that Treasuries would have to move and the 0.55% represents the "roll down" and moving from a MMD curve to a Treasury curve.

1.9-Year Forward, 9.6-Year SIFMA Rate Lock
Notional: $350M
Fixed Rate: 3.41% (Forward Premium: 0.55%)
SIFMA MTM Values
Amounts in tables shown in $Millions

Long-Term Taxable Interest Rates	Terminate in 6 Months					Terminate in 1 Year					Terminate in 1.9 Years				
	Change in SIFMA/LIBOR Ratios					Change in SIFMA/LIBOR Ratios					Change in SIFMA/LIBOR Ratios				
	-10.00%	-5.00%	0.00%	5.00%	10.00%	-10.00%	-5.00%	0.00%	5.00%	10.00%	-10.00%	-5.00%	0.00%	5.00%	10.00%
-200 bps	(53.0)	(50.8)	(48.5)	(46.2)	(43.9)	(58.0)	(56.0)	(54.0)	(52.0)	(50.0)	(68.2)	(66.8)	(65.4)	(64.0)	(62.6)
-150 bps	(43.0)	(40.2)	(37.3)	(34.5)	(31.7)	(47.9)	(45.3)	(42.7)	(40.2)	(37.6)	(58.1)	(56.1)	(54.1)	(52.0)	(50.0)
-100 bps	(33.4)	(30.1)	(26.7)	(23.4)	(20.0)	(38.3)	(35.2)	(32.0)	(28.9)	(25.8)	(48.3)	(45.7)	(43.1)	(40.5)	(37.9)
-50 bps	(24.4)	(20.5)	(16.7)	(12.8)	(8.9)	(29.1)	(25.5)	(21.8)	(18.2)	(14.5)	(38.9)	(35.8)	(32.6)	(29.5)	(26.3)
0 bps	(15.8)	(11.4)	(7.1)	(2.8)	1.6	(20.3)	(16.2)	(12.1)	(7.9)	(3.8)	(29.9)	(26.2)	(22.5)	(18.8)	(15.1)
50 bps	(7.6)	(2.8)	2.0	6.8	11.5	(12.0)	(7.4)	(2.8)	1.8	6.5	(21.2)	(17.0)	(12.8)	(8.6)	(4.4)
100 bps	0.2	5.4	10.6	15.8	21.0	(4.0)	1.0	6.1	11.2	16.2	(12.8)	(8.1)	(3.4)	1.3	6.0
150 bps	7.5	13.1	18.7	24.3	29.9	3.6	9.1	14.5	20.0	25.5	(4.7)	0.4	5.6	10.8	15.9
200 bps	14.5	20.5	26.5	32.5	38.4	10.8	16.7	22.6	28.5	34.4	3.0	8.6	14.3	19.9	25.5
250 bps	21.2	27.5	33.8	40.2	46.5	17.8	24.0	30.3	36.6	42.8	10.5	16.6	22.6	28.7	34.7
350 bps	33.4	40.4	47.4	54.4	61.3	30.7	37.6	44.6	51.6	58.6	24.6	31.5	38.4	45.3	52.2

LIBOR MTM Analysis
(2012 Call Date)

- Given the combination of the forward premium (market expectations of future rates) and the "roll down" (steepness of the curve), for EN/BPA to receive a termination payment , Treasuries would have to move approximately 110 bps.
- The delta between 110 bps that Treasuries would have to move and the 0.40% represents the "roll down" and moving from a MMD curve to a Treasury curve.

1.9-Year Forward, 9.6-Year 60% LIBOR Rate Lock
Notional: $350M
Fixed Rate: 2.54% (Forward Premium: 0.40%)
LIBOR MTM Values
Amounts in tables shown in $Millions

Long-Term Taxable Interest Rates	Terminate in 6 Months	Terminate in 1 Year	Terminate in 1.9 Year
	60% LIBOR Rate Lock	60% LIBOR Rate Lock	60% LIBOR Rate Lock
-200 bps	(36.1)	(40.2)	(48.5)
-150 bps	(27.7)	(31.7)	(40.0)
-100 bps	(19.7)	(23.6)	(31.8)
-50 bps	(12.1)	(15.9)	(23.9)
0 bps	(4.9)	(8.6)	(16.3)
50 bps	1.9	(1.5)	(8.9)
100 bps	8.4	5.2	(1.9)
150 bps	14.5	11.5	4.9
200 bps	20.4	17.6	11.4
250 bps	25.9	23.4	17.7
350 bps	36.1	34.3	29.6

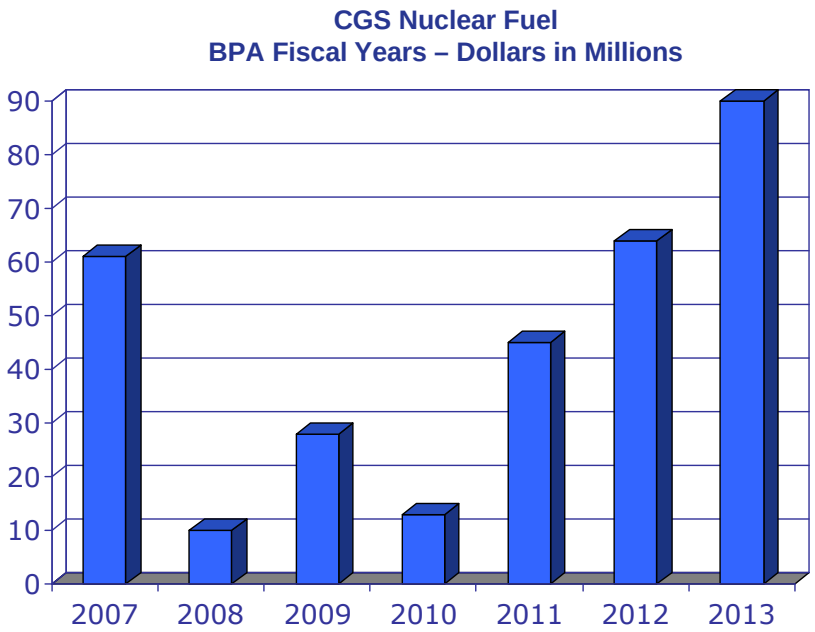
Background: EN Fuel Procurement

- Nuclear fuel funding needs are increasing due to:
  1. the end of the Uranium Tails project and the need to replenish uranium and enrichment inventory used in previous years,
  2. the purchase of additional spent fuel storage casks, and
  3. enrichment costs deferred from EN FY 2011 to reduce rate pressure.

- Near term planned fuel purchases:

BPA Fiscal Year	Amount ($ in Millions)	
2010	13*	
2011	45*	FY10-11 Average: 29
2012	64#	
2013	90#	FY12-13 Average: 77

* From the WP-10 Rate Case
# From the May 2010 IPR



EN Fuel Procurement

- Discussions with the customers and Energy Northwest on June 18th, clarified how fuel costs are accounted for at BPA. EN employs standard fuel accounting treatment, holding the purchase in a CWIP type account while the fuel is enriched, fabricated, and moved into a capital asset until placed in the reactor and amortized as a fuel expense to match the burn period. This accounting treatment does not pass thru to BPA's obligation to meet EN's cash requirements.
- There are two separate proposals on the table:
  - Planned Fuel Purchases: In an April letter to Energy Northwest and its Executive Board, the Public Power Council and Northwest Requirements Utilities made observations about the increase in fuel expense in FY12-13 when compared to FY10-11. They requested that EN and BPA work together to look at recovering the cost over the burn period (amortization period) rather than expensing the nuclear fuel in the purchase year.
  - FY 2011 Extraordinary Purchases: In a June letter to BPA, Energy Northwest described a revision to their earlier plans to take advantage of current low uranium prices and pre-purchase fuel in EN FY 2011 that is currently scheduled to be purchased in EN FY 2016 -2020, defer some contract deliveries to later years, and reduce uncommitted purchases in EN FY 2016 -2020.

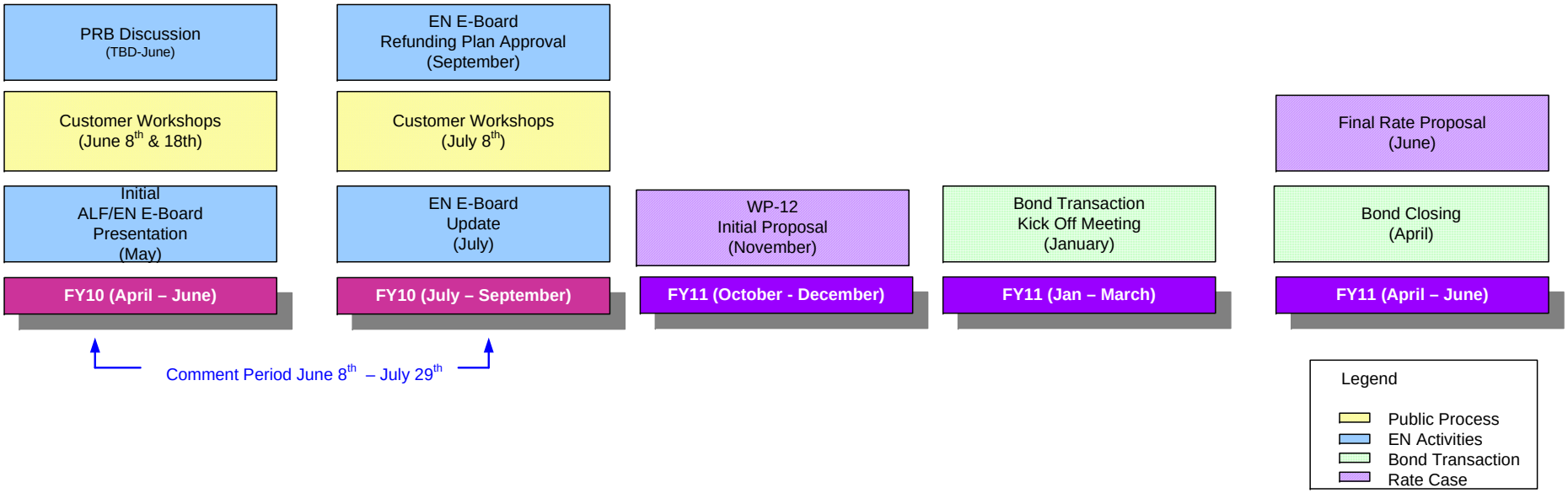
EN Fuel Procurement Next Steps

- BPA is not inclined to transition to entirely debt financing nuclear fuel purchases. However, some amount of debt financing may be appropriate.
  - Planned Fuel Purchases: Work with EN to discuss the best way to purchase future fuel
    - Engage with EN in a discussion about fuel purchasing strategy and the cost impacts those strategies can have on BPA's finances and rates.
    - Explore mechanisms to provide feedback to EN such that CGS's fuel requirements are met and BPA's financial needs are recognized.
    - Complete the development of principles that delineate when it is appropriate to expense fuel related costs and when it is appropriate to finance them.
  - FY 2011 Extraordinary Purchases: BPA is supportive of Energy Northwest's described desire to take advantage of current uranium prices and pre-purchase fuel that is currently scheduled to be purchased in EN FY 2016-2020.
    - BPA is considering the methods to pay for fuel and also is evaluating the rate impacts each method creates.
    - BPA is looking at reducing any impact that could potentially double up fuel costs, particularly when principal payments are made on this special purchase, and these payments are coupled with routine planned fuel purchases which are currently scheduled to be expensed in future years.

Next Steps

- Debt Management actions will be discussed at the July 13th General Manager meeting.
- The comment period runs through July 29th – we strongly encourage you to give us your feedback.
- Debt management decisions will be communicated to the region during the IPR close-out process in September, in combination with the IPR close-out letter.
- If we determine that debt restructuring/extension is the right way to proceed, BPA anticipates that EN would need to approve a two-year Refunding Plan that authorizes the debt restructuring/extension plan in order for the 2011 and 2012 bond transactions to be included in the Initial Proposal.
- BPA may be willing to include the 2012 bond transaction in the Initial Proposal assuming appropriate risk strategies are developed and evaluated.

Timeline/Schedule



Comments

Submitting Comments:

- The Debt Management process includes a public comment period which began June 8th and lasts until July 29th.
- Comments can be submitted at any of the scheduled workshops or submitted in writing to:
  - Bonneville Power Administration, P.O. Box 14428, Portland, OR 97293-4428,
  - Email to comment@bpa.gov,
  - Faxed to (503) 230-3285