Debt Management

Q’s and A’s

June 23, 2010

Q’s & A’s

Does the opportunity to implement the debt restructuring scenarios exist solely due to the additional borrowing authority allowed under ARRA? If so, how is extending the repayment period of existing debt consistent with the stimulus goals of ARRA?

- The opportunities for debt restructuring pertain to non-Federal debt backed by BPA, for which borrowing authority is not applicable. If you refer to slide 6 in the June 8th presention, you will see that BPA has both Federal and non-Federal debt in our debt portfolio, Federal debt consists of bonds that BPA issues to the U.S. Treasury and congressional appropriations. Currently, BPA is allowed to borrow (issue bonds) up to $7.70B from the US Treasury for capital needs. $3.25B of the $7.70B is due to the recent passage of the American Recovery and Reinvestment Act (see slide 29). The issuance and repayment of Treasury bonds are what effect BPA's borrowing authority

  The debt restructuring scenarios that were presented in the June 18th meeting are not related to BPA Federal debt (and therefore not related to the ARRA borrowing authority) but related to BPA's non-Federal debt. BPA backs the debt that Energy Northwest issues. The opportunity to implement the debt restructuring scenarios exists because of a large portion of Energy Northwest non-Federal debt is callable or maturing in the near future

Q's & A's

If the debt restructuring scenarios are implemented - does that change the timeline for exhausting BPA's Treasury Borrowing Authority? I expect it would because paying off existing debt sooner should free up that borrowing authority for other projects, while extending the repayment period would consume borrowing authority for a longer period of time.

- Please refer to slide 24 in the June 18th presentation. There is no difference in the potential year of exhaustion for borrowing authority between the base case (no restructuring) and Scenario B (restructuring both 2011 and 2012 callable and maturing non-Federal debt). The restructuring scenarios extend some non-Federal debt and do not change terms and conditions of existing Federal debt.

Q's & A's

Lease financing is described as the least cost alternative to Treasury Borrowing Authority, but I assume it is more expensive. How much more expensive is lease financing than Treasury Borrowing Authority? For the 10% and 40% lease financing alternatives described, what is the impact to transmission rates (compared to using Treasury Borrowing Authority to finance projects)? I assume using more expensive financing mechanisms would increase transmission rates -- but how much?

- Please refer to slide 37 in the June 8th presentation for the comparison between Lease Financing and Treasury Financing. The delta between Lease Financing and Treasury financing is higher for the NIFC IV entity than the other NIFCs. This is because there are a large amount of fees associated with the initial set up of the lease agreements. Currently NIFC IV is the only entity that BPA can enter into new leases with at this time because they still have capital available on their line of credit. Once NIFC IV has exhausted its line of credit, then the weighted average all in cost will decrease for NIFC IV because the initial set up fees will be spread out over more transactions.

  BPA does not include forecasted lease financing when the Transmission rates are calculated. The 10% and 40% lease financing scenarios were just modeling assumptions for the Remaining Treasury Borrowing Authority analysis to illustrate that lease financing is a tool the agency can use to preserve Treasury borrowing authority.

Q’s & A’s

If my assumptions are correct, it seems that extending Power Services debt to decrease power rates in the near term will increase the cost of transmission projects (and transmission rates) in the future. Is there any mechanism to charge the additional costs associated with an increased need for lease financing for transmission projects back to the power customers that benefit from the near term rate reduction? If not, how is this proposal consistent with BPA's ratemaking principle on cost causation? It's also not clear to me that a negotiated agreement would necessarily survive from one rate period to the next.

- Extending Power Services non-Federal debt to decrease power rates in the near term will not effect the cost of Transmission projects. Again, please refer to slide 6 in the June 8th presentation. BPA's Energy Northwest non-Federal debt is broken out between Power Services and Transmission Services. All of the debt restructuring analysis was related to just the Energy Northwest non-Federal debt assigned to Power Services (see slide 10 in the June 18th presentation). In addition, BPA's asset management strategy balances the demands of all of its capital programs in both Power Services and Transmission Services for the best uses of available borrowing authority from an agency perspective.

Ways to Participate

- **All forums are open to the public and will be noticed on the Integrated Program Review (IPR) external website at: http://www.bpa.gov/corporate/Finance/IBR/IPR/.**
- **Representatives from the Corps of Engineers, Bureau of Reclamation and Energy Northwest will be participating in the IPR process including presentations.**
- **All technical and managerial workshops will be held at BPA Headquarters.**
- **If participating by phone please dial into the bridge at 503-230-5566, then any time during or after the message and the double beep, enter 3981#. Presentation material will be posted on the IPR external website prior to the workshop taking place.**
- **The IPR process will include a public comment period for proposed program spending levels. The comment period opens May 10, 2010 and will close on July 29, 2010.**
- **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