

Strategic Capital Discussion Follow Ups



The “Access to Capital” Gap

- Breakout proposed capital spending levels on line 4 of the “Access to Capital” Gap table by largest programs; F&W, Hydro, Trans, Cons, Others

\$ in Millions

Rate Case Assumptions		Annual Average Over 10 Years	Total FY 2012-2021
1	Remaining Borrowing Authority as of end of FY 2011	471	4,705
2	Amortization (Principal payments to Treasury)	178	1,777
3	Total Available Treasury Financing (1 + 2)	648	6,482
	Transmission ^{1/}	(537)	(5,373)
	Hydro ^{2/}	(254)	(2,536)
	Conservation	(161)	(1,607)
	Fish & Wildlife	(50)	(500)
4	Proposed Capital Spending	(1,002)	(10,016)
5	Gap in Access to Capital with 100% Treasury Financing (3 + 4)	(353)	(3,534)
6	Preserve available liquidity	(75)	(750)
7	Gap with Liquidity (6 + 7)	(428)	(4,284)
Closing the Gap Beginning in 2012			
8	Annual reduction needed to close the gap beginning in 2012 (over 14 years)	(428)	(4,284)
9	10% Reduction in capital investments over 10 years	99	990
10	Remaining Gap (8 + 9)	(329)	(3,294)
<u>Use individual financing alternatives beginning 2012 - change from 10% reduction scenario</u>			
11	20% Lease Financing	88	882
12	50% Conservation	67	665
13	Pre-Pay	170	1,702
14	Rate Financing to Maintain Minimum Borrowing Authority	331	3,309
15	Reserve Financing	105	1,052
16	Expensing Conservation and Fish and Wildlife	151	1,507
17	Trans \$160M Replacements Revenue Financed	123	1,233
18	<u>Use combinations of financing alternatives - change from 10% reduction scenario</u>		
19	50% Conservation and 20% Lease Financing	155	1,547
20	Reserve Financing, 50% Conservation and 20% Lease Financing	240	2,396
21	Prepays and 20% Lease Financing	258	2,584
22	Prepays and 50% Conservation	237	2,367
23	Prepays, 50% Conservation and 20% Lease Financing	325	3,249
24	Prepays, 50% Conservation, Transmission Reserve Financing and 20% Lease Finance all NOS and 20% Additional	358	3,575
26		145	1,452

^{1/}Includes IT and Environment

^{2/}Includes IT

“What is the State of Washington law about the State lending or giving credit?”

- **Disclaimer** – Bonneville cannot provide legal counsel or legal advice to its customers. Customers should seek their own counsel for questions concerning the laws of the State of Washington or other governing authorities applicable to its own operations. The references provided below are for guidance only.
- Bonneville is not aware of any Washington law or statute barring Washington public utilities from prepaying for power sales.
 - Article VIII Section 7 of Constitution of State of Washington – Credit not to be loaned
 - Does not appear applicable to prepayments of power purchases.
 - RCW 42.24.080

(1) All claims presented against any county, city, district or other municipal corporation or political subdivision by persons furnishing materials, rendering services or performing labor, or for any other contractual purpose, shall be audited, before payment, by an auditing officer elected or appointed pursuant to statute or, in the absence of statute, an appropriate charter provision, ordinance or resolution of the municipal corporation or political subdivision. Such claims shall be prepared for audit and payment on a form and in the manner prescribed by the state auditor. The form shall provide for the authentication and certification by such auditing officer that the materials have been furnished, the services rendered, the labor performed as described, or that any advance payment is due and payable pursuant to a contract or is available as an option for full or partial fulfillment of a contractual obligation, and that the claim is a just, due and unpaid obligation against the municipal corporation or political subdivision. No claim shall be paid without such authentication and certification (emphasis added).
- It is Bonneville’s understanding that Bonneville may accept prepayments from customers for future power purchases that are to be made under existing power sales contracts.

What is the total value of all Leased Projects under \$500 thousand?

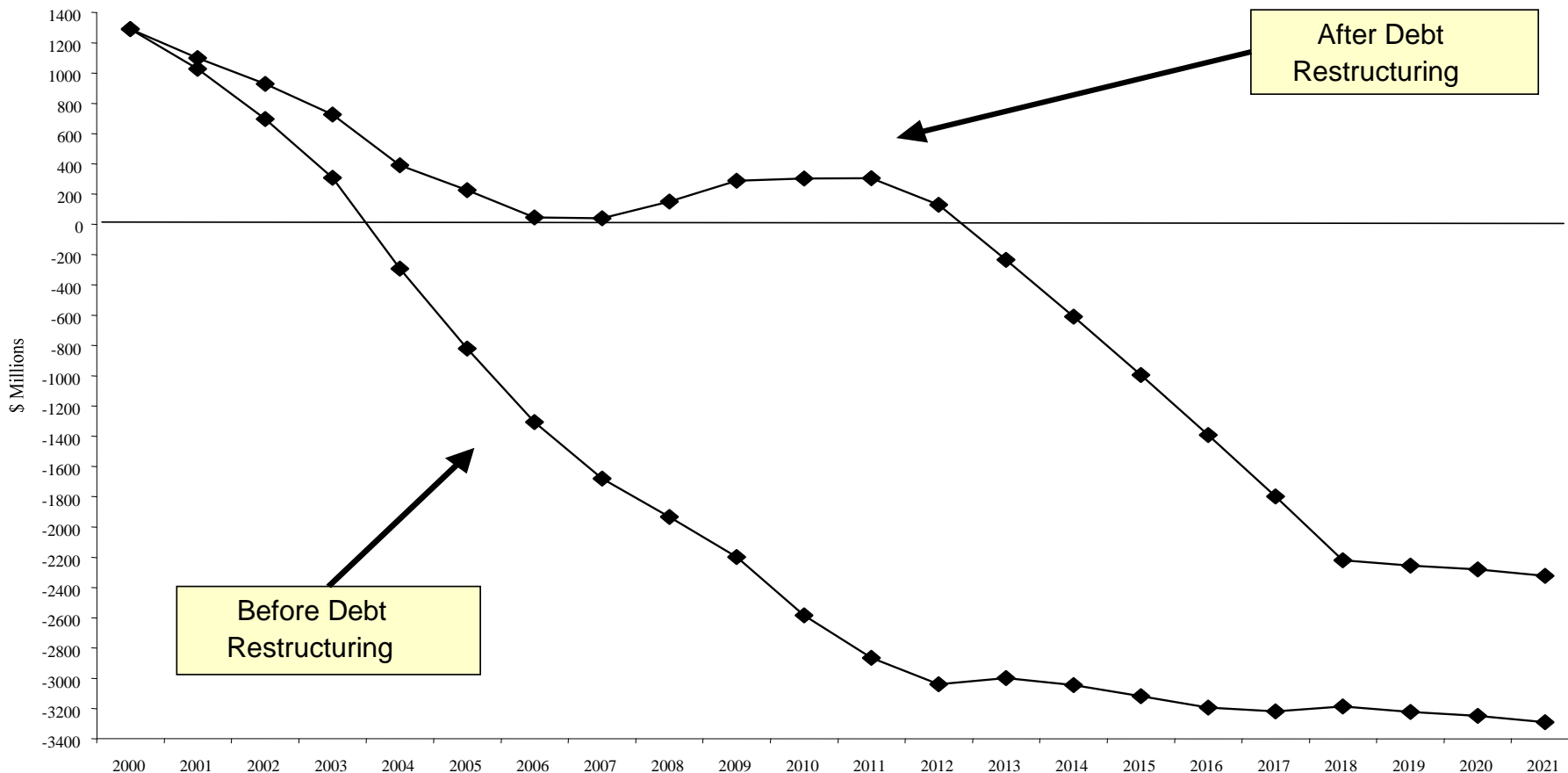
- In FY 2011, roughly \$36 million of projects were excluded based on the \$500 thousand threshold.

How much of a capital reduction is needed to extend borrowing authority to 2021?

- Please refer to slide #12 from the Strategic Capital Discussions Overview package found at <http://www.bpa.gov/corporate/Finance/FinancePublicProcesses/Overview.pdf> with the 10% "Base Case" scenario, a capital reduction of approximately \$3.3 billion is necessary to extend borrowing authority to 2021.

Provide forecasted borrowing authority at the start of the debt optimization program compared to actuals.

- The following graph was released on May 21, 2002 and the benefits of the Debt Optimization Program



Projected capital spending for FY02-12 consistent with FY03 budget submittal and projected by staff for FY13-21 (September 2001).

What tools can BPA use now until they're able to ask for more borrowing authority again?

- BPA can use the following tools to fund capital investments, Lease Financing for Transmission assets, Third Party Financing for Conservation, Reserve and/or revenue financing for all capital investments. However, in response to regional comments, we have paused efforts to implement third party financing for conservation.

Is there a scenario that pays off big chunks of Federal debt without higher rate impacts?

- In the Scenario analysis that was presented on September 20th, the Anticipated Accumulation of Cash was used to fund capital spending (see presentation at <http://www.bpa.gov/corporate/Finance/FinancePublicProcesses/ScenarioAnalysis.pdf>) with negligible rate impacts when compared to the 10% base run. Rather than using the Anticipated Accumulation of Cash to fund capital spending, it could be used to pay down Treasury debt instead.

Program Level Details Supporting Slide 5 & 8 of Overview Presentation

2009 IPR	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Transmission	\$ 441,693	\$ 499,607	\$ 407,649	\$ 362,440	\$ 352,970	\$ 446,335	\$ 386,380	\$ 310,754	\$ 309,863	\$ 332,438	\$ 350,013
Hydro	\$ 171,208	\$ 178,897	\$ 189,079	\$ 190,776	\$ 192,100	\$ 105,000	\$ 110,000	\$ 110,000	\$ 113,000	\$ 115,000	\$ 118,000
Conservation	\$ 39,592	\$ 47,203	\$ 47,221	\$ 47,224	\$ 47,600	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
Fish	\$ 60,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000
IT & Corporate	\$ 25,764	\$ 31,064	\$ 31,184	\$ 31,592	\$ 31,870	\$ 24,714	\$ 24,768	\$ 24,820	\$ 24,874	\$ 24,924	\$ 24,974

2010 IPR	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Transmission	\$ 355,000	\$ 517,235	\$ 565,907	\$ 533,170	\$ 398,691	\$ 334,304	\$ 436,837	\$ 537,541	\$ 547,923	\$ 557,743	\$ 512,365
Hydro	\$ 200,000	\$ 199,566	\$ 213,115	\$ 214,674	\$ 216,987	\$ 213,942	\$ 219,824	\$ 212,500	\$ 216,113	\$ 219,786	\$ 223,523
Conservation	\$ 65,000	\$ 104,000	\$ 111,000	\$ 117,000	\$ 145,000	\$ 180,000	\$ 190,000	\$ 190,000	\$ 190,000	\$ 190,000	\$ 190,000
Fish	\$ 90,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
IT & Corporate	\$ 40,000	\$ 69,127	\$ 67,543	\$ 74,343	\$ 68,766	\$ 68,882	\$ 68,714	\$ 68,699	\$ 68,255	\$ 68,398	\$ 68,392

2010 IPR w/10% Reduction

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Transmission		\$ 490,254	\$ 554,603	\$ 529,092	\$ 407,020	\$ 324,574	\$ 317,496	\$ 369,560	\$ 441,944	\$ 447,287	\$ 373,216
Hydro	Based on	\$ 184,313	\$ 197,523	\$ 197,515	\$ 194,949	\$ 195,012	\$ 194,159	\$ 194,780	\$ 195,159	\$ 195,577	\$ 196,861
Conservation	3rd QTR	\$ 88,637	\$ 94,547	\$ 100,490	\$ 129,234	\$ 159,972	\$ 168,890	\$ 169,172	\$ 169,244	\$ 169,248	\$ 169,186
Fish	Forecast	\$ 59,785	\$ 67,145	\$ 60,275	\$ 41,807	\$ 36,650	\$ 30,795	\$ 28,646	\$ 44,806	\$ 45,033	\$ 43,599
IT & Corporate		\$ 68,539	\$ 66,862	\$ 67,706	\$ 63,835	\$ 67,908	\$ 69,080	\$ 67,215	\$ 66,870	\$ 65,318	\$ 64,880

The 2009 and 2010 IPR data shown here is displayed by organization, while the actual IPR data was developed and displayed by program. Therefore, in some cases, the capital amounts shown here will not be identifiable as IPR data but they are consistent with the IPR data

Financial Disclosure

- This information has been made publicly available by BPA on October 31, 2011 and contains information not reported in agency financial statements.