

Updating BPA's Financial Plan

November 26, 2007



Purpose for this Meeting

- Discuss the context for the updating of BPA's Financial Plan.
- Discuss and seek input on the major subjects proposed to be addressed in the update.



Background

- BPA has been scoping a project to update its existing 10-year Financial Plan to reflect current policies and those for the future.
 - The 10-Year Plan is now 14 years old.
 - Many of the policies and tools discussed in the 10-year Plan have evolved and have become more sophisticated, or have been superseded.
 - BPA’s operating environment has changed significantly since 1993.
 - The shape of agency cash flows changed dramatically with the advent of Direct Pay for Energy Northwest.
 - BPA’s capital needs for infrastructure development are growing.
 - BPA’s debt portfolio has been restructured through Debt Optimization.
 - New liquidity tools have been developed, such as the Flexible PF program, or are being pursued.
- BPA committed to updating its Financial Plan in the Regional Dialogue Policy. The Policy states that:

“ . . . it would be preferable to look broadly at long-term financial policy issues in its financial plan update, including the need for and sources of capital, BPA’s overall debt structure, the appropriate Treasury Payment Probability standard for rate-setting, and the best uses of high net secondary revenues when they occur. BPA intends to complete this financial plan update before the end of FY 2008 . . . ” (Long-term Regional Dialogue Policy, July 2007, pg. 7)



Objectives for the Project

- The updated Financial Plan will be a foundation for policies and practices, identifying long-term financial issues and providing strategies that address them, that can be built upon in future years, and will provide a sound underpinning for the financial policies that will guide BPA's decisions over time while maintaining BPA's flexibilities.
- BPA expects to limit the scope of this 2008 update to high priority issues, primarily those that may affect rate-making.
- We expect to build on the 2008 plan with periodic updates and additions.



Timeline

- The broad timeline runs through July 2008.
 - October 2007-January 2008: Scoping and issue development
 - January-March 2008: Public workshops on financial policy issues
 - March-April 2008: Development of draft financial plan
 - May-June 2008: Review and revision of draft plan
 - July 2008: Publish final plan
- We will coordinate the Financial Plan process with BPA's other public processes and rate cases that will compete for stakeholder attention.



Possible Policy Issues for Public Process

- Access to Capital
 - How does BPA ensure that it is able to meet its capital needs at reasonable cost?
 - What are BPA's debt management objectives?

- What do we do in good years and bad years?
 - How do we measure a good year or a bad year?
 - What could a good year allow BPA to do?
 - How could BPA deal with a bad year?

- Financial Risk Metrics
 - Review the role of BPA's Treasury Payment Probability standard
 - Introduce Vendor Payment Probability (VPP) as a complementary risk metric to the TPP standard

- Cost Recovery Policy
 - When cash requirements are less than accrued expenses, should BPA introduce additional revenue requirement or rate setting mechanisms to address this condition?

