

Payments to Colville Tribes/Credits On BPA's Cash Transfers to Treasury

BACKGROUND

- In April 1994, the Colville Tribes and the US Government signed an agreement settling a law suit which had been filed in 1951. The Tribes claimed that the Federal Government had taken some of their Reservation land to construct Grand Coulee Dam and had promised to pay them a share of the revenues of the dam each year, and that the Federal Government had failed to live up to its promise.
- The settlement reached with the Colville Tribes contains two parts: a lump sum payment from the Judgment Fund of \$53 million for past use of reservation lands, and annual payments from Bonneville beginning in 1996 for continued use of reservation lands. The Colville Settlement Act, passed in October 1994, authorized the Department of Justice and Bonneville to make the payments agreed to in the settlement.
- Based in part on Grand Coulee Dam's projected revenues and costs during fiscal year 1995, the settlement fixed BPA's first annual payment at \$15.25 million. Future payments under the settlement are a function of three items: the initial payment; the change in BPA's power sales price (defined as ratio of BPA power sales revenue divided by BPA power sales in megawatt-hours), and the annual generation of power at Grand Coulee Dam. In addition, the agreement contains floor and ceiling payment constraints to ensure that payments do not diverge too greatly, in either direction, from the rate of inflation.
- Under the Colville Settlement Act, beginning in fiscal year 2000, Bonneville receives an offset on its interest payments to the Treasury equal to 26 percent of each annual payment to the Tribes. Together with the lump sum payment by the Department of Justice of \$53 million, the offset was forecasted at the time the Act became law to result in the Treasury paying 30 percent of the total present value of the settlement, with Bonneville ratepayers paying 70 percent.

AMENDATORY LANGUAGE IN APPROPRIATIONS REFINANCING BILL

- BPA is implementing the Appropriations Refinancing Bill in its 1996 Final Rate Proposal.
- The Refinancing Bill includes an amendment to the Colville Settlement Act wherein the timing of credits on BPA's cash transfers to Treasury are changed to offset the near-term impact of the refinancing's higher debt service costs.
- Credit amounts in the Bill were set at 100 percent of then-forecasted payments to the Tribes during for the first 5 years after of the refinancing transaction. For subsequent years, a flat, fixed amount is specified, such that BPA's present value share of the Colville settlement costs remained 70 percent on a forecasted basis. The credit amounts for each year are specified ("locked") in the Bill -- there is no provision in the bill for adjusting the credits to reflect changes in payments to the Tribes.
- In February of this year, the Bill was revised to push back the effective date of the refinancing transaction from FY 1996 to FY 1997. Accordingly, the Colville credit for FY 1996 was deleted and the credit for FY 2001 was increased, so that credits for the first 5 years of the Bill's implementation remained consistent with then-forecasted annual payments to the Tribes.

UPDATED FORECAST OF PAYMENTS TO THE TRIBES

- Until recently, BPA's forecast of payments to the Tribes has assumed a simple escalation factor of 4 percent per year, starting from the first year base of \$15.25 million.

- In March, the payment forecast was updated as part of the Tier 2 round of budget cuts. The forecast for rate period and 7(b)2 year years was reduced, due to a lower forecast of power sales revenues and a lower forecast of inflation.

COLVILLE SETTLEMENT ACT (October 1994)			
YEAR	BPA PAYMENT TO TRIBES	TREASURY PAYMENTS/CREDITS	DIFFERENCE
1996	15.25	53.00	NA
1997	15.86	0.00	15.86
1998	16.49	0.00	16.49
1999	17.15	0.00	17.15
2000	17.84	4.64	13.20
2001	18.55	4.82	13.73
2002	19.30	5.02	14.28
2003	20.07	5.22	14.85
2004	20.87	5.43	15.44
2005	21.71	5.64	16.07

CURRENT BUYOUT LEGISLATION (As of February 1996)			
YEAR	BPA PAYMENT TO TRIBES	TREASURY PAYMENTS/CREDITS	DIFFERENCE
1996	15.25	53.00	NA
1997	15.86	15.86	0.00
1998	16.49	16.49	0.00
1999	17.15	17.15	0.00
2000	17.84	17.84	0.00
2001	18.55	18.55	0.00
2002	19.30	4.60	14.70
2003	20.07	4.60	15.47
2004	20.87	4.60	16.27
2005	21.71	4.60	17.11

PLANNED FINAL RATE PROPOSAL (April 1996)			
YEAR	BPA PAYMENT TO TRIBES	TREASURY PAYMENTS/CREDITS	DIFFERENCE
1996	15.25	53.00	NA
1997	15.25	15.86	-0.61
1998	15.25	16.49	-1.24
1999	15.25	17.15	-1.90
2000	15.25	17.84	-2.59
2001	15.25	18.55	-3.30
2002	15.25	4.60	10.65
2003	15.25	4.60	10.65
2004	15.25	4.60	10.65
2005	15.25	4.60	10.65

Note: Nominal Dollars