Reference Case Repayment Assumptions

Additional Information

The repayment assumption in the reference case recognizes the value to Bonneville and its stakeholders of always having access to the short term liquidity facility with the U.S. Treasury and sets aside $750 million of its borrowing authority as a constraint for this purpose. Given the limitations on U.S. Treasury Borrowing Authority and other third party means of accessing capital, we modeled additional treasury repayment to replenish U.S. Treasury Borrowing Authority as needed to meet that constraint.

For the 15-year financial analysis in the reference case, Bonneville recognizes both the likely levels of future third-party financing based on current programs and current statutory limitations on U.S. Treasury borrowing. In order to project a reference case with financial results out 15 years we needed to maintain $750 million of borrowing authority for the liquidity facility. If borrowing authority were to be depleted within this 15-year period to a level below $750 million, significant decisions would be made regarding Bonneville's capital for continuing investments, revenue financing and additional revenue requirements due to the lack of the liquidity facility for risk mitigation.

Our approach to modeling the additional treasury repayments to replenish U.S. Treasury Borrowing Authority as needed to meet the constraint of assuring $750 million available for risk mitigation is outlined below:

Early repayment of federal bonds was done for both Power and Transmission from 2016 to 2044 to ensure adequate repayment of U.S Treasury Borrowing Authority for the $750 million liquidity facility.

In the reference case based on the latest CIR figures from 2014, federal capital needs by business line were:

FY16 through FY44 ($ thousands)	Federal Capital Projections	Percent of Total
Transmission[1]	$8,577,603	43%
Power	$11,477,788	57%
Total	$20,055,391	

As of the date of the reference case, Bonneville had $2.3 billion in remaining U.S. Treasury Borrowing Authority, after reserving the $750 million liquidity facility (or $3.0 billion total). Thus, there is a $17.7 billion shortage of Federal capacity ($20 billion less $2.3 billion) by 2044. Using the percentages above to allocate the $17.7 billion shortage, Power and Transmission need to repay federal bonds totaling $10.1 billion and $7.6 billion, respectively, between 2018 and 2044. These amounts are not comprised entirely of early payments – much of it was already scheduled to be repaid as a result of repayment schedules which take into account the effects of the Regional Cooperation Debt Program. Only the portion which was above and beyond what would have been repaid in a scenario which assumes additional access to

[1] After assuming 50% Lease Purchase

U.S. Treasury Borrowing Authority is considered early for purposes of this analysis. Throughout the entire study (through 2044) Power and Transmission early federal bond repayment is $1.7 billion and $2.7 billion, respectively. For the period covered by the reference case (through 2030), Power makes early repayment of $388 million and Transmission $1.2 billion of federal bonds.

The specific timing of early federal repayment is determined primarily by evaluating capital-related costs in combination with the exhaustion of U.S. Treasury Borrowing Authority when no early payments are made with the additional goal of minimizing rate increase volatility. Early repayment of federal debt in the reference case per business line is shown in figure 1

Figure 1 – Early Federal Repayment by Rate Period Assumed in Reference Case

	16/17	18/19	20/21	22/23	24/25	26/28	29/30	Total
Power	-	-	-	23	66	62	237	**388**
Transmission	-	-	7	66	204	513	368	**1,159**
Total	**-**	**-**	**7**	**89**	**271**	**575**	**605**	**1,547**

The early federal repayments in the reference case reduce cumulative interest expense through FY30 for Power by $61 million and for Transmission by $220 million. The debt ratio is 73% and the interest as a percent of revenue requirement is 15.4% in 2030.

Financial Disclosure

This information has been made publicly available by BPA on December 3, 2015 and contains information not reported in agency financial statements.