



Access to Capital Workshop

July 26, 2012

1 pm – 5 pm

Rates Hearing Room

Portland, Oregon

503-230-5566

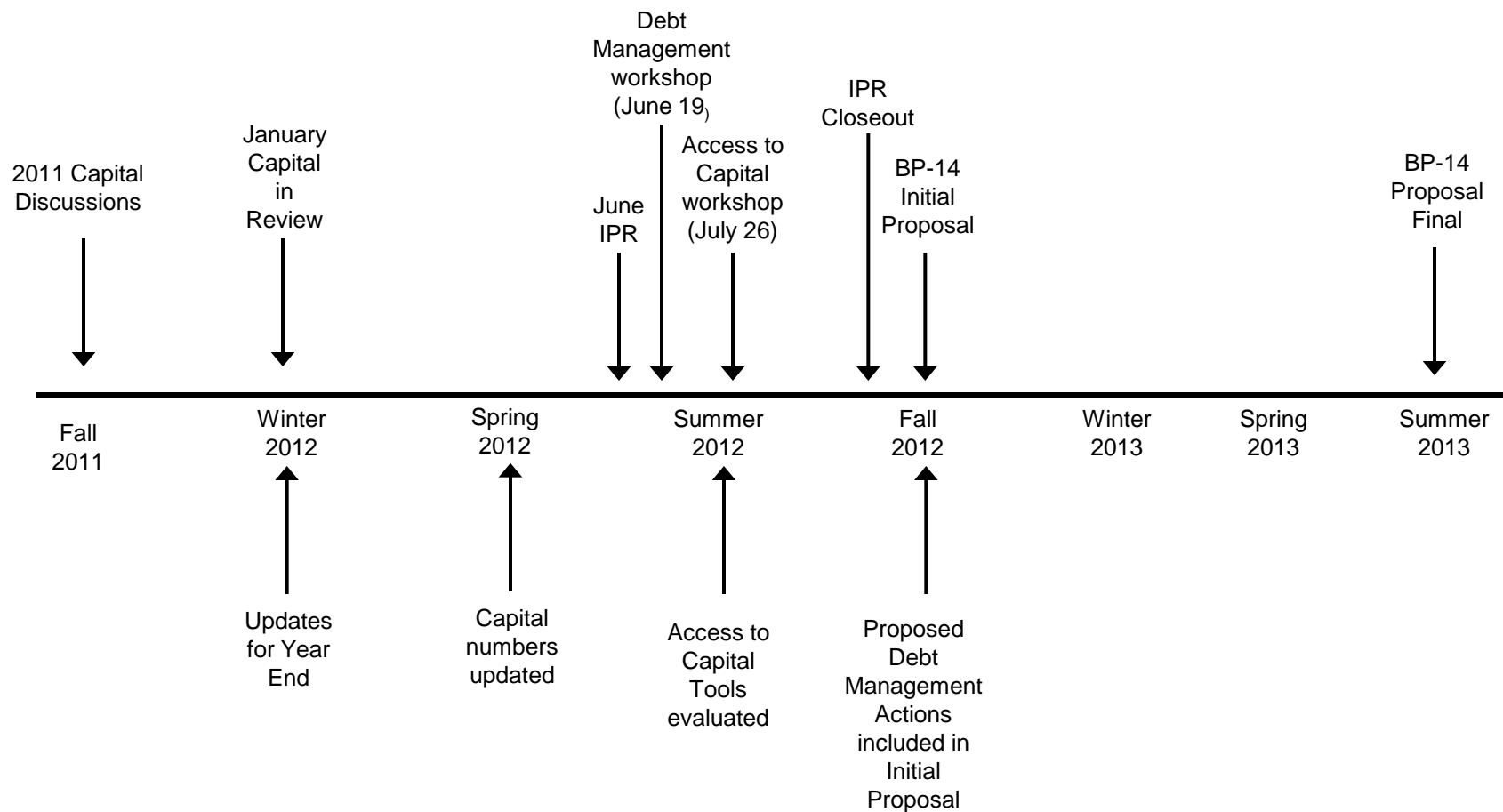
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Agenda

- Background & Context
- Updates to Capital Base
- Financing Tool Combinations to Reach the 10-Year Target
- Summary of Financing Tools and Combinations
 - Individual Tools
 - Alternate Transmission Financing
 - Anticipated Accumulation of Cash (AAC)
 - Combinations of Tools
 - WNP-1 and WNP-3 Extension
- Cost and Utilization of non-Federal Financing Tools
- Capital Prioritization and Modifications
- Overall Summary/Next Steps

Timeline



Purpose of Today's Meeting

- The purpose of today's meeting is to continue discussion of BPA's access to capital challenge and get feedback on the capital financing tools.
- The discussion of funding tools and BPA's combinations of those tools can help in the development of comments on the capital programs in the IPR process.
- This discussion will present the most current US Treasury borrowing authority picture and discuss the adequacy of the funding tools.
- BPA's major goals regarding access to capital are:
 - Maintaining continued access to Treasury borrowing authority on a rolling 10-year basis using a mix of Federal and non-Federal sources of capital
 - Reserving \$750 million of the Treasury borrowing authority for Treasury line of credit, which provides for risk mitigation in lieu of holding equivalent financial reserves
 - Ensuring capital financing requirements are met at lowest overall cost
- Scenarios shown achieve the 10-year target with the available tools.

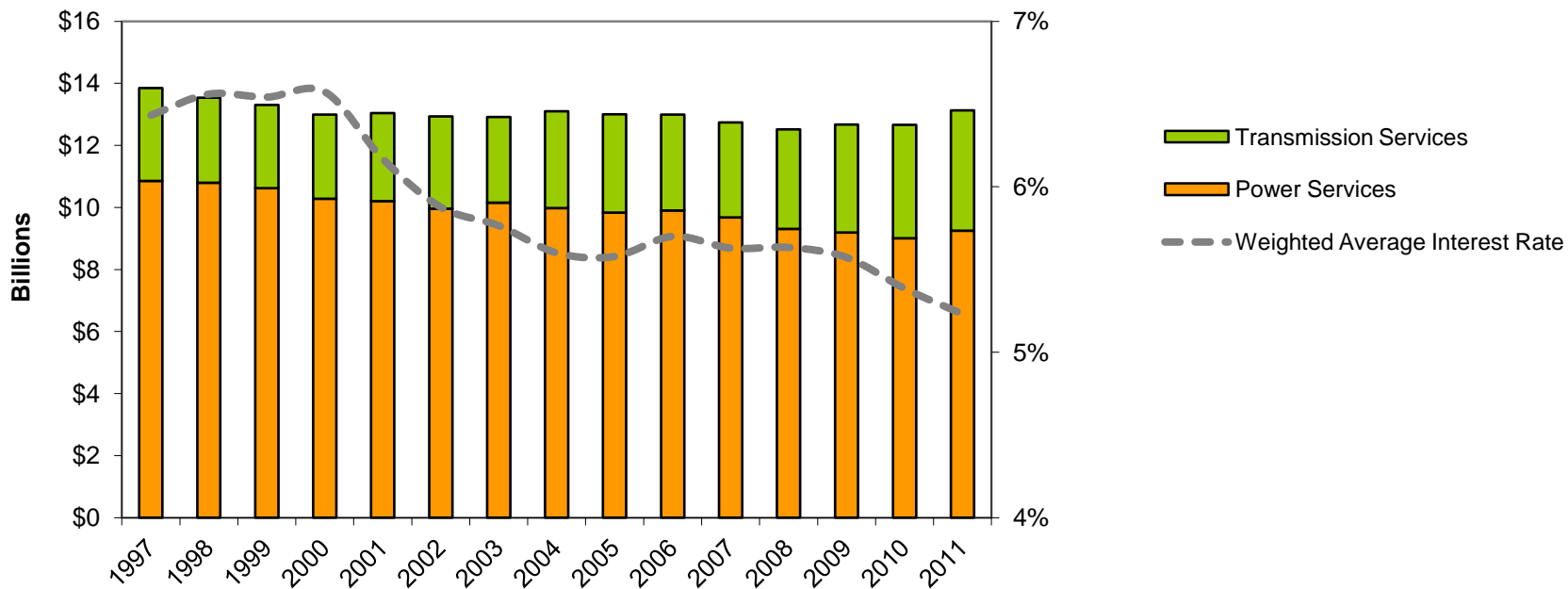
Background/Context

- This meeting builds on discussions from last fall and early spring on access to capital issues.
- BPA's goal is to ensure capital financing over a rolling 10-year period.
- The debt management workshop and IPR workshops last month set the stage for our discussions on capital funding challenges.
- Development of a Capital Access Strategy and plan is part of BPA's 2012 Key Agency Targets, and is among BPA's highest priorities.
- Input and feedback from today's meeting can help influence this plan.
- There continues to be no easy answer for implementing new non-Federal financing tools given their advantages and disadvantages.
- If BPA does not act now, US Treasury borrowing authority could be exhausted in 2016. Today's presentation includes scenarios that could ensure capital financing over the next 10 years.

A Look at the Total Portfolio:

BPA's Outstanding Liabilities Over Time

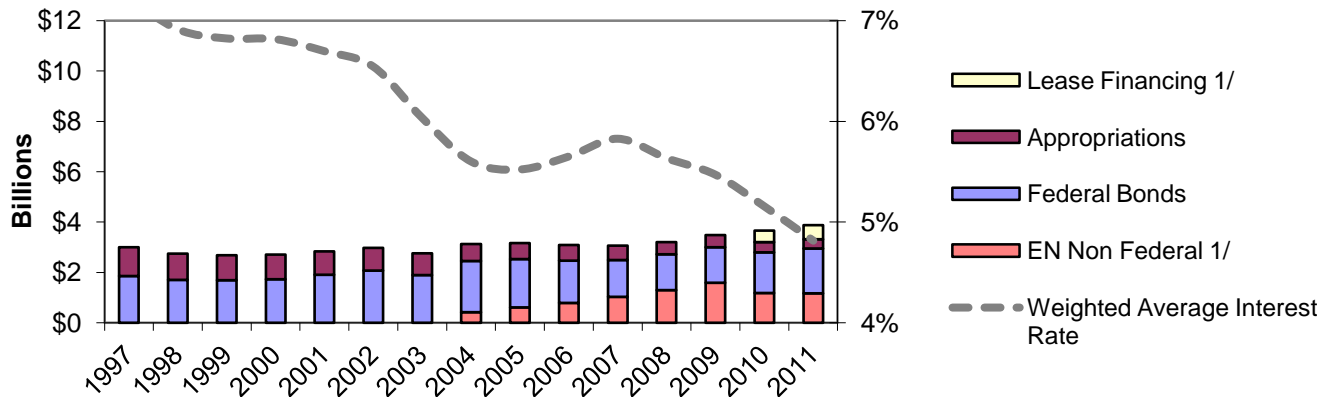
Federal Columbia River Power System



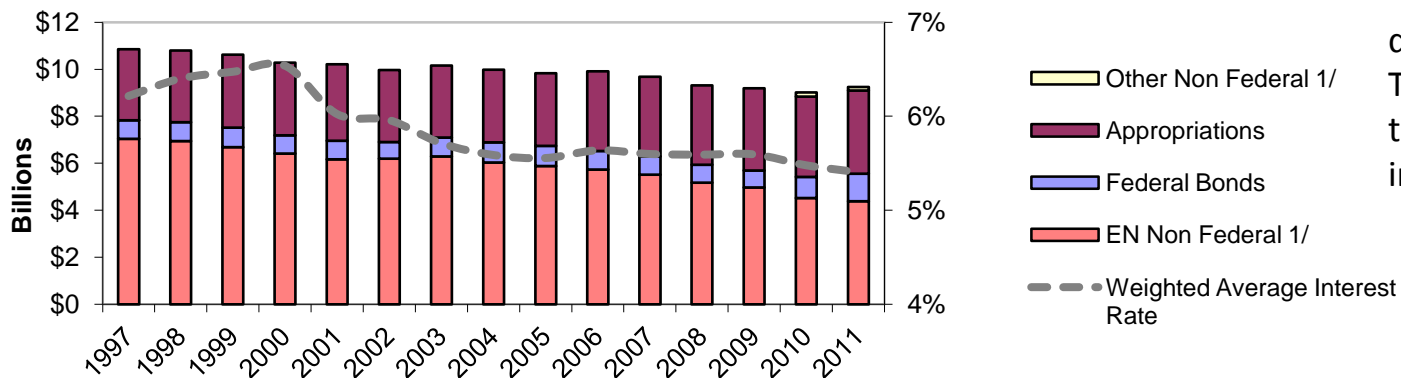
A Look at the Total Portfolio:

BPA's Outstanding Liabilities Over Time

Transmission Services



Power Services



- Since 1997 the weighted average interest rate has decreased substantially
- BPA's overall outstanding debt level has remained relatively constant
- Transmission debt is increasing
- Power debt is decreasing
- Power interest has not dropped as much as Transmission primarily due to fixed appropriations interest

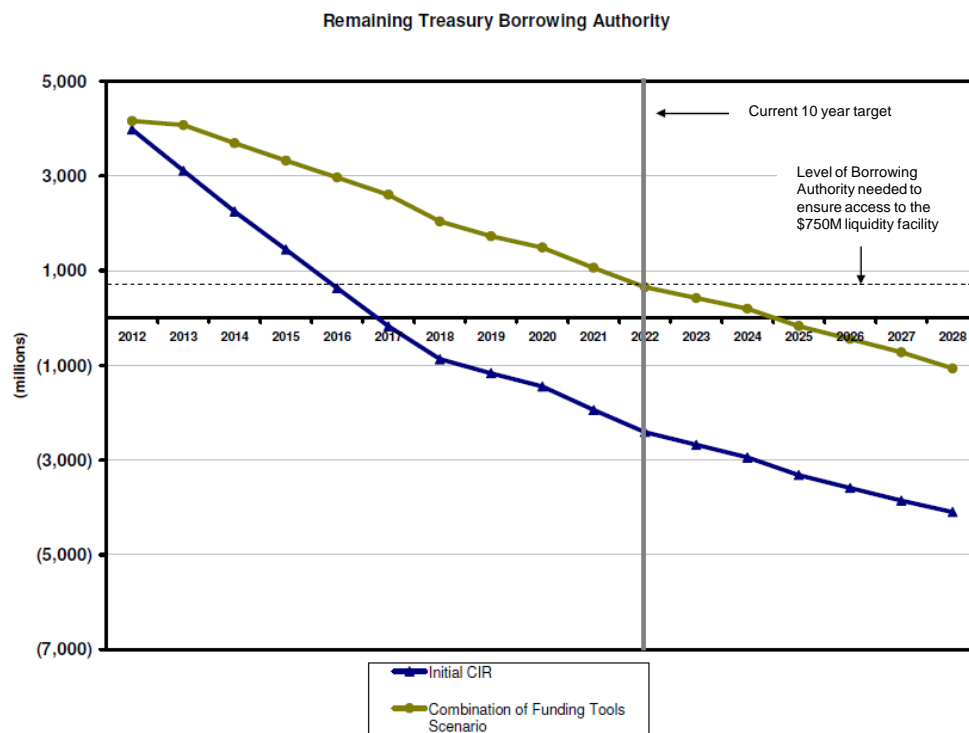
1/ Other Non Federal Projects, including Lease Financing, were included as part of the EN Non Federal Category until 2010

Capital Investment Review, Spring 2012

Potential Impact of Alternatives

- Absent other actions, BPA could run out of US Treasury borrowing authority in FY 2016.
- A scenario was identified in the Capital Investment Review that successfully extended access to US Treasury borrowing authority to the 10-year target using a broad set of financing tools, as follows:

- \$300 million of Transmission cash reserves
- 30% of Transmission's capital program being lease financed
- \$1.7 billion prepayment program for Power
- \$37 million of revenue financing for Power and \$61 million for Transmission in 2022

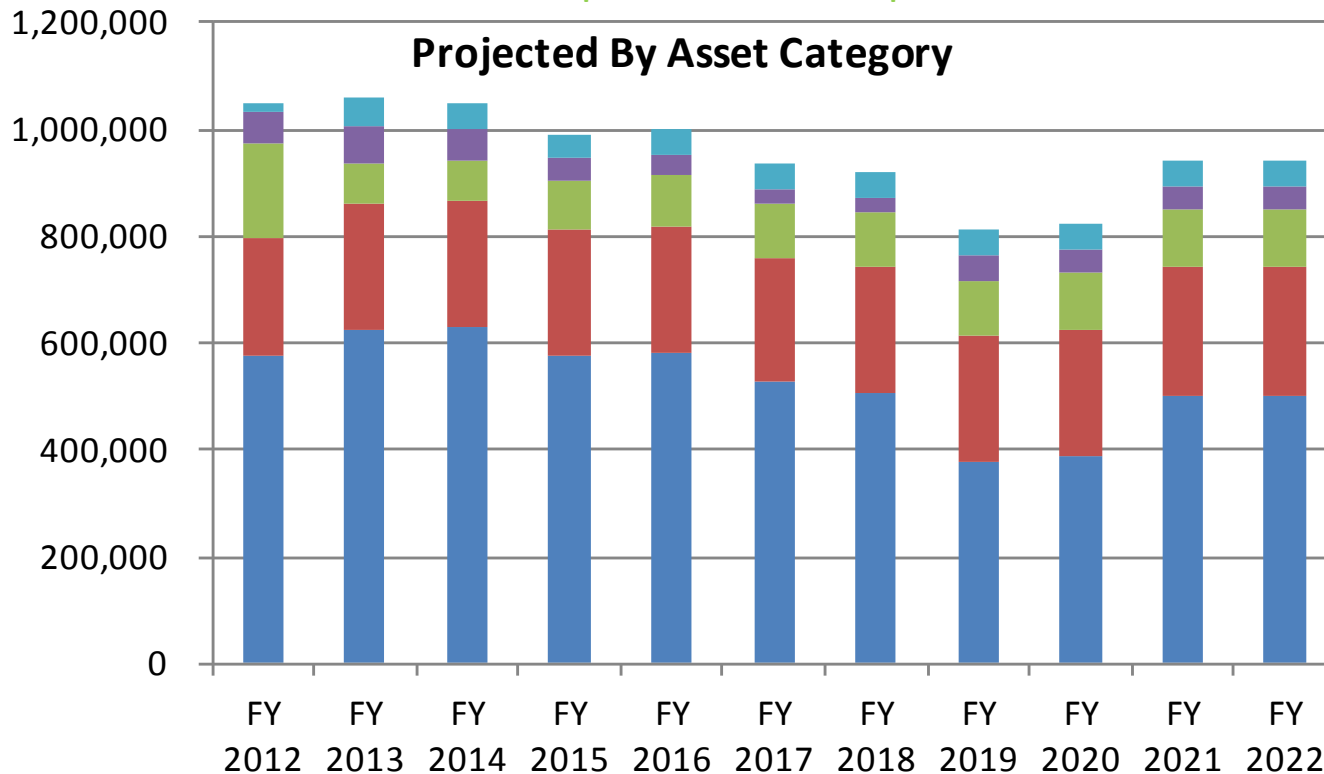


Possible Funding Tools

- Discussed in 2011
 - Prepay: Power only, customers prepay a portion of their current Power Sales Agreement and receive credits over time.
 - Conservation: Power only, a portion of BPA's conservation annual budget could be financed through non-Federal financing.
 - Lease Financing: Transmission only, a third-party entity finances the construction of Transmission assets and leases them to BPA.
 - Cash tools: Both Power and Transmission, includes use of the anticipated accumulation of cash (AAC), reserve and revenue financing.
- Additional Tools
 - Alternate Transmission Financing: Transmission only, BPA could partner with other entities to finance transmission assets through various arrangements.
 - Debt Management Actions similar to Debt Optimization to be coordinated with Energy Northwest

Total Capital Investments

Base Capital with 5% Lapse

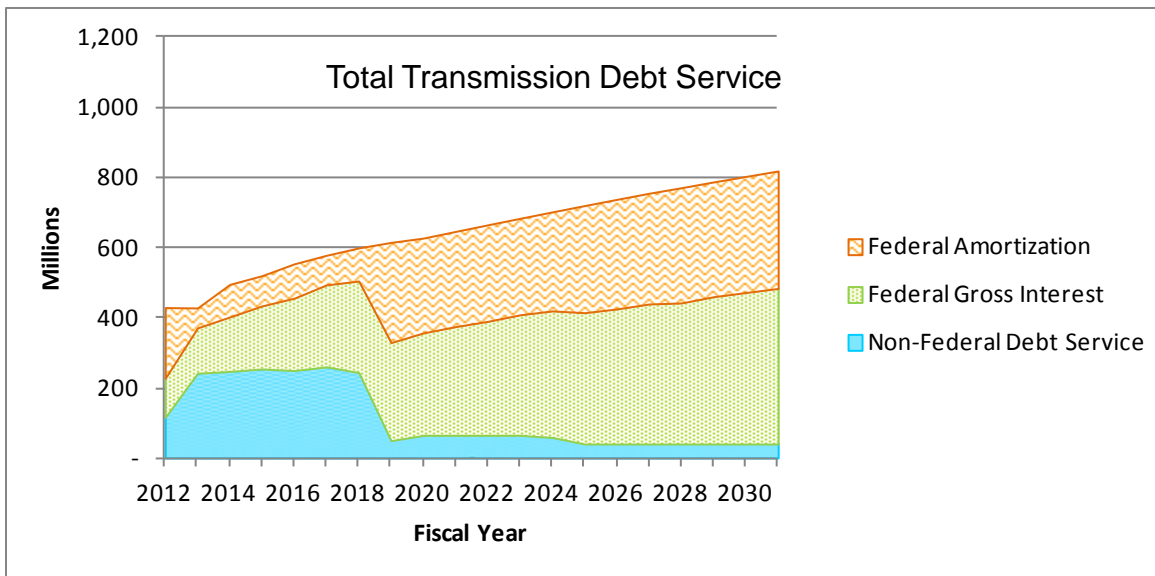
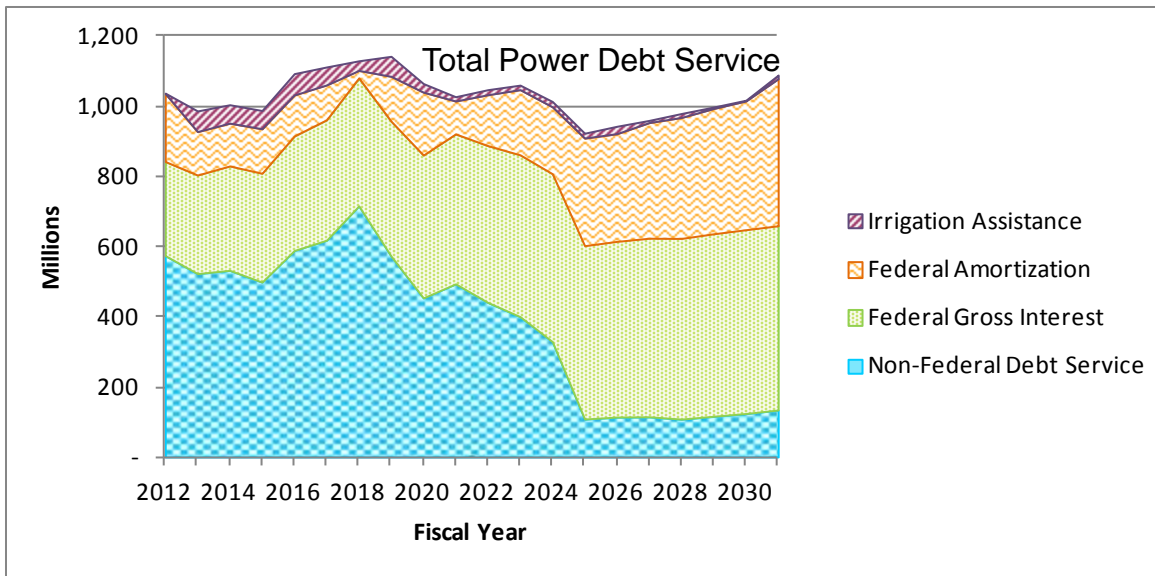


	FY 2012*	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Total
Transmission	575,500	624,878	629,420	577,454	584,236	528,960	506,239	375,831	385,950	501,506	501,506	5,791,480
Hydro	222,000	235,931	237,312	232,828	235,878	232,074	237,439	238,181	238,914	240,587	240,587	2,591,731
EE	175,000	75,200	75,200	92,000	94,760	97,603	100,531	103,547	106,653	109,853	109,853	1,140,200
Fish and Wildlife	60,000	67,145	60,275	41,807	36,650	30,795	28,646	44,806	45,033	43,599	43,599	502,355
Facilities, IT, Security	17,500	55,813	44,896	45,982	47,067	48,154	47,579	47,837	47,887	47,938	47,938	498,591

*FY 2012 is based on the borrowing plan

Base Case

Debt Service Associated with Forecast Capital Investments



Financing Tool Combinations to Reach the Rolling 10-Year Target

Common Assumptions for the Borrowing Authority Base Case

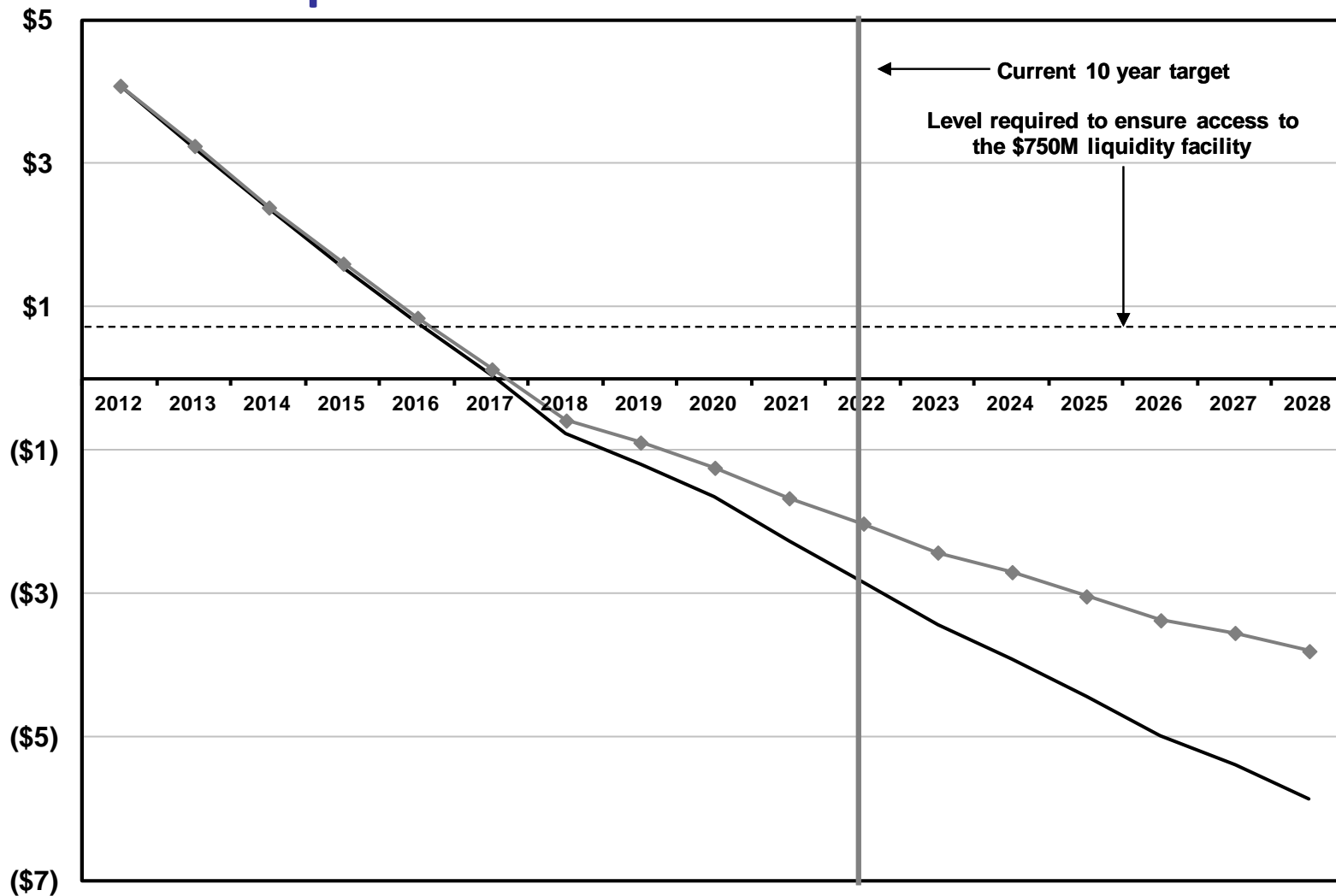
- For purposes of this presentation, the “base case” is more than just the typical updates to the repayment study.
- As noted in the June meeting, updates since the January 2012 Capital in Review (CIR) Base Case include:
 - Power
 - Updated projected borrowing assumptions.
 - Replacements: Updated for June Base capital
 - Updated interest rate forecast
 - Columbia River Fish Mitigation: Updated with the latest Corps forecast of additions to plant/repayment obligations.
 - Cougar Dam: Adjustments (reduction in plant/repayment obligation) for the reclassification of a water intake tower from power to common plant.
 - Energy Northwest Capital: Updated debt service for forecasted CGS Capital requirements.
 - Independent Spent Fuel Storage Installation Settlement: Restricted Proceeds were modeled to call/retire CGS bonds.
 - Energy Northwest and Northern Wasco Refinancings
 - Transmission
 - Updated projected borrowing assumptions
 - Replacements: Updated for the new Depreciation Study survivor curves, plant (actual and forecast) and escalation rates.
 - Updated interest rate forecast
 - Updated Lease Financing: New Lease Financing advances added through May 15, 2012.
- The Borrowing Authority base case also includes Power debt management actions discussed at the June 2012 meeting
 - Depleted Uranium Enrichment Program (DUEP)
 - CGS debt extension for 2014-2015
 - Lewis County debt extension

Borrowing Authority Base Case

- While CGS debt extension is already assumed for 2014-15, BPA plans to work with Energy Northwest to analyze a full extension of CGS debt.
- Full extension of CGS debt will effect the amount of AAC in future years.

Updates to the Base Case

Billions



Combinations to Reach 2022 - Descriptions

	Combination #1	Combination #2	Combination #3	Combination #4
Lease Financing	Lease Financing 50% of Transmission's capital program beginning in 2013	Lease Financing 50% of Transmission's capital program beginning in 2013	Lease Financing 50% of Transmission's capital program beginning in 2013	Lease Financing 50% of Transmission's capital program beginning in 2013
Prepay	\$1,700 million in prepayment of customer power purchase agreements in 2014-21		\$500 million in prepayment of customer power purchase agreements in 2014-15	\$1,700 million in prepayment of customer power purchase agreements in 2014-21
Conservation	3 rd Party Financing 70% of the Conservation budget beginning in 2015	3 rd Party Financing 70% of the Conservation budget beginning in 2015	3 rd Party Financing 70% of the Conservation budget beginning in 2015	
AAC	Not available	Remaining AAC is used to repay US Treasury debt	Remaining AAC is used to repay US Treasury debt	Not available
Transmission Reserve Financing	\$15 million each year	\$15 million each year	\$15 million each year	\$15 million each year

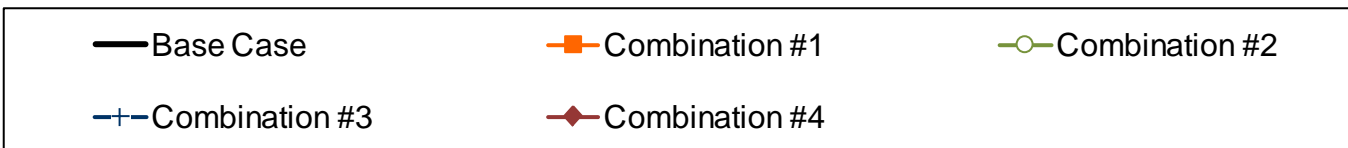
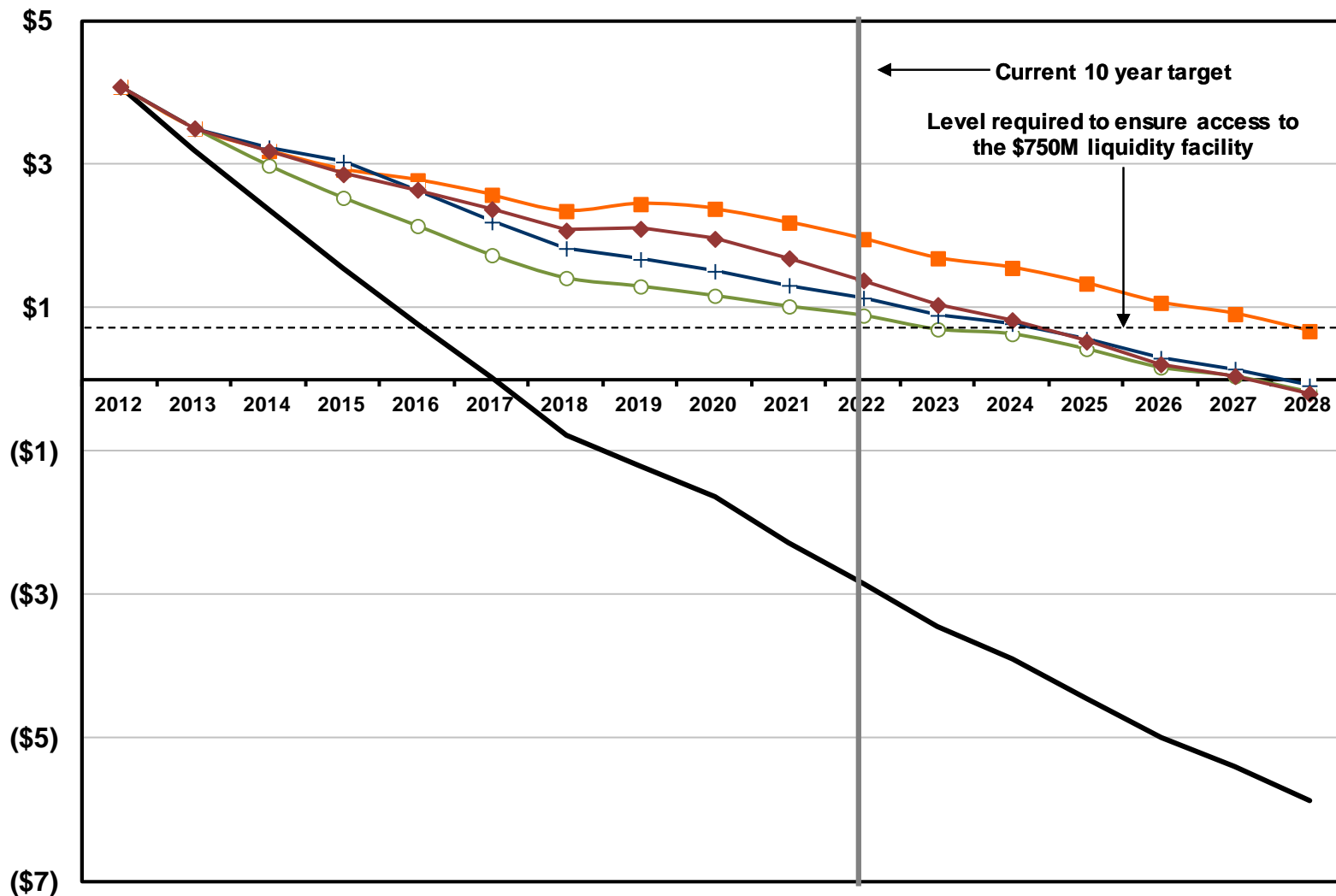
Combinations to Reach 2022 - Summary

(millions)

	Combination # 1	Combination #2	Combination #3	Combination #4
Capital Program	Total FY 2012-22	Total FY 2012-22	Total FY 2012-22	Total FY 2012-22
1 Transmission	(\$5,791)	(\$5,791)	(\$5,791)	(\$5,791)
2 Hydro	(\$2,592)	(\$2,592)	(\$2,592)	(\$2,592)
3 EE	(\$1,140)	(\$1,140)	(\$1,140)	(\$1,140)
4 Fish and Wildlife	(\$502)	(\$502)	(\$502)	(\$502)
5 Facilities, IT, Security	(\$499)	(\$499)	(\$499)	(\$499)
6 Total Capital	(\$10,524)	(\$10,524)	(\$10,524)	(\$10,524)
US Treasury borrowing authority				
7 Available Borrowing Authority (9/30/2011)	\$4,757	\$4,757	\$4,757	\$4,757
8 Treasury amortization	\$2,788	\$2,905	\$2,910	\$2,784
9 Total BPA US Treasury borrowing authority	\$7,545	\$7,662	\$7,667	\$7,541
Access to Capital Tools				
10 Transmission Reserve Financing (\$15m/year)	\$165	\$165	\$165	\$165
11 50% Lease Financing	\$2,508	\$2,508	\$2,508	\$2,508
12 Prepay	\$1,700		\$500	\$1,700
13 70% Conservation	\$570	\$570	\$570	
14 Total Tools	\$4,943	\$3,243	\$3,743	\$4,373
15 AAC		\$517	\$258	
16 Total Remaining Capacity	\$1,964	\$898	\$1,144	\$1,390

Combinations to Reach 2022

Billions



Rate Effects

Power Rate Effects	2014/15	2016/17	2018/19	2020/21	2022/23	2024/25	2026/27
Combination # 1	50% LF, \$1.7b prepay, 70% Conservation financing						
Change from Base Case	0.0%	2.7%	0.5%	0.2%	0.4%	2.6%	3.8%
Combination # 2	50% LF, 70% Conservation financing, Use AAC						
Change from Base Case	0.0%	0.0%	(0.6%)	(1.0%)	(1.7%)	(2.3%)	(1.9%)
Combination # 3	50% LF, \$500m prepay, 70% Conservation financing, Use AAC						
Change from Base Case	0.0%	0.6%	(0.3%)	(0.3%)	(0.5%)	0.4%	1.4%
Combination # 4	50% LF, \$1.7b prepay						
Change from Base Case	0.0%	2.6%	0.5%	0.2%	0.3%	2.5%	3.6%

Transmission Rate Effects*	2014/15	2016/17	2018/19	2020/21	2022/23	2024/25	2026/27
Change from Base Case	2.6%	3.7%	4.1%	4.0%	3.9%	2.9%	3.8%

*The same 50% Lease Financing scenario was used in all combinations.

Changes Since the Initial CIR

- In this presentation there are more scenarios that meet the 10-year target than seen in the March CIR presentation.
- A few things have changed since that time that may allow us to reach the 10-year target
 - Lease Financing assumptions were increased after customer feedback from 30% to 50%.
 - Conservation Financing assumptions were increased from 50% to 70% but begin in Fiscal year 2015 instead of 2013.
 - We changed the way we treat the repayment study's schedule of appropriations repayment. Instead of accepting the study's schedule of repayment, we assumed that appropriations were only paid when due. This resulted in an increase to borrowing authority of ~\$400 million in combination #1.
 - In the various scenarios, if there was AAC still available, it was scheduled to reduce capital expenditures.

Financing Tools

Individual Tools

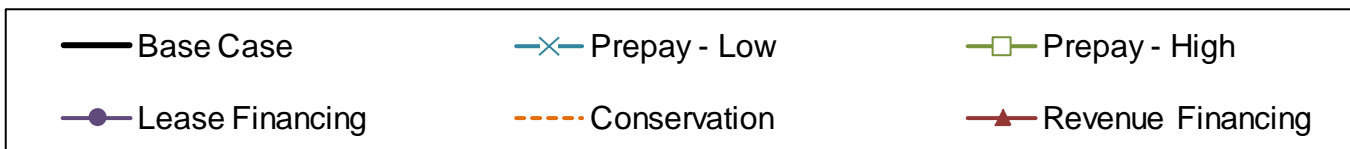
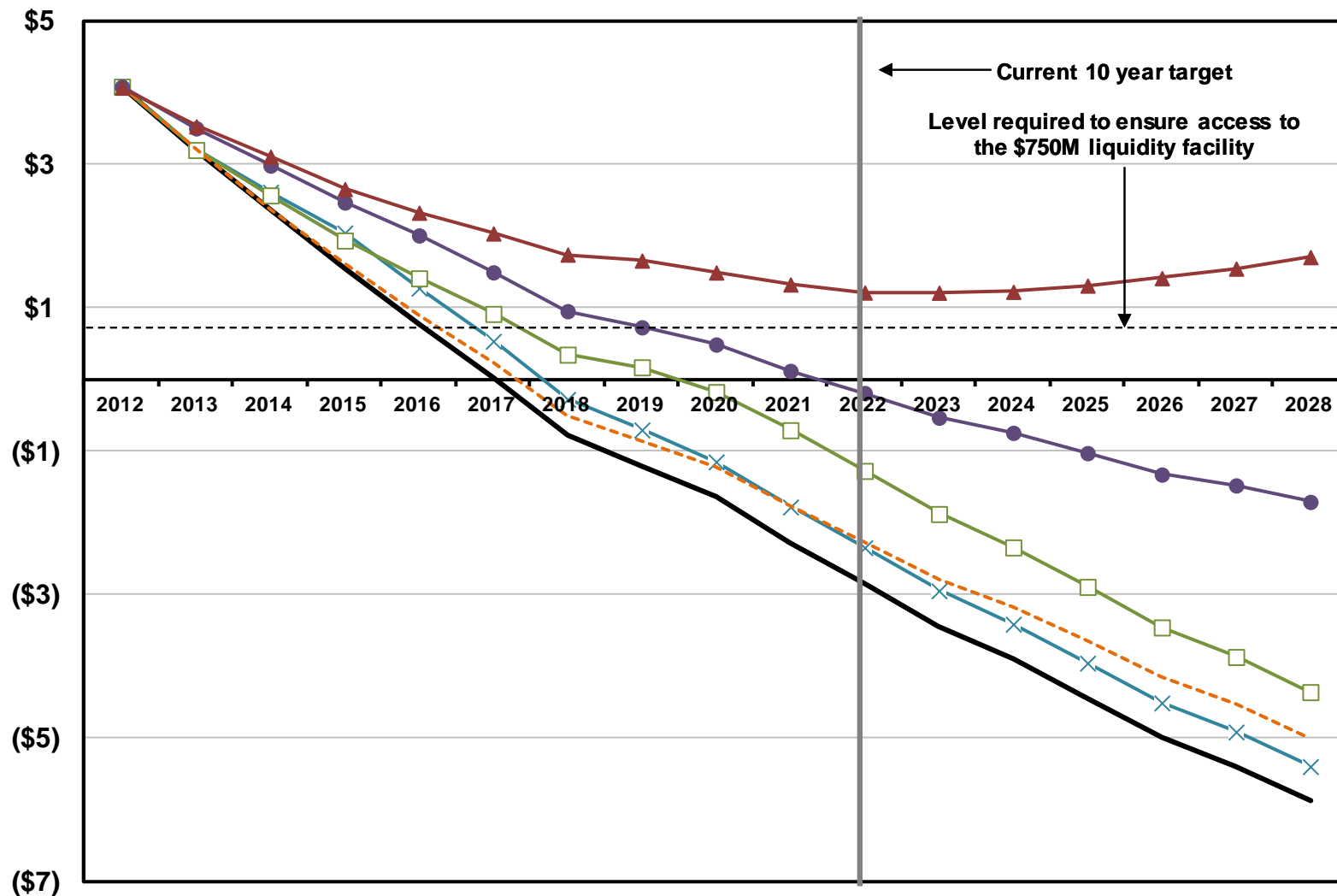
	Lease Financing	Prepay - high	Prepay - low	Conservation	Revenue Financing
Description*	50% of Transmission's capital program is third-party financed	Customer prepayment of a portion of their Power Sales Agreement 2014-21	Customer prepayment of a portion of their Power Sales Agreement 2014-15	70% of the Conservation budget is third-party financed starting in 2015	No greater than a 2% Power and 5% Transmission rate impact. Includes 50% Lease Financing.
Program Size	\$2,508 million	\$1,700 million	\$500 million	\$570 million	\$844 million: Power: \$417 Transmission: \$427
Business Line	Transmission	Power	Power	Power	Both
Risks	<ul style="list-style-type: none"> •Access to lines of credit •BPA internal infrastructure restrictions 	<ul style="list-style-type: none"> •Initial Execution •Program sustainability •Market risk •Customer Participation 	<ul style="list-style-type: none"> •Initial Execution •Program sustainability •Market risk •Customer Participation 	<ul style="list-style-type: none"> •Need a third-party issuer •Modification of current contracts 	<ul style="list-style-type: none"> •Higher initial cost •Challenge to achieve
Advantages	<ul style="list-style-type: none"> •Tested and used tool •Can be increased over time 	<ul style="list-style-type: none"> •Currently have regional momentum •Provides new access to capital financing tool. 	<ul style="list-style-type: none"> •Currently have regional momentum •Provides new access to capital financing tool. 	<ul style="list-style-type: none"> •Feasible, cost-effective tool •Successfully used in the mid 90's 	Tested and used tool
Costs Compared to US Agency Rate	Currently 100 bps higher	Tax-exempt - 75 bps higher** Taxable – 140 bps higher**	Tax-exempt - 75 bps higher** Taxable – 140 bps higher**	7 year taxable: 100-125 bps higher 7 year tax-exempt: 10-35 bps higher	Higher initial cost but lower over time

*All scenarios include base case assumptions

**Dependent on customer incentive

Individual Tools

Billions



Individual Tools Rate Effects

	2014/15	2016/17	2018/19	2020/21	2022/23	2024/25	2026/27
50% Lease Financing							
Change from Trans Base Case	2.6%	3.7%	4.1%	4.0%	3.9%	2.9%	3.8%
Prepay - High							
Change from Power Base Case	0.0%	2.6%	0.5%	0.2%	0.3%	2.5%	3.6%
Prepay - low							
Change from Power Base Case	0.0%	0.5%	(0.3%)	(0.2%)	(0.3%)	0.6%	1.6%
Conservation							
Change from Power Base Case	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.5%
Revenue Financing							
Change from Trans Base Case	5.4%	6.4%	6.6%	6.4%	6.2%	6.1%	5.9%
Change from Trans 50% LF	2.7%	2.5%	2.4%	2.3%	2.2%	2.1%	2.0%
Change from Power Base Case	1.5%	1.4%	1.3%	1.3%	1.3%	1.3%	1.4%

Lease Financing Funding Levels

- BPA has set a goal to lease finance at least 50% of the Transmission capital program starting in Fiscal year 2013. Stakeholders have asked why the target isn't higher.
- The executive sponsors of the Lease Financing Program have directed that all eligible Transmission projects be lease financed. There are constraints to lease financing:
 - Can only be used for long-lived Transmission assets
 - Excludes assets in Montana at this time
 - Construction can not rely on BPA inventory beyond set limits
 - Land, access roads, and retirements are not eligible
 - Inventory may not be lease financed
 - Assets must be taggable (and tagged)
- 50% is a stretch goal - BPA may be able to reach a higher percentage in the future. For planning purposes, 50% is the portion BPA is comfortable planning to lease finance given the constraints.
- For Fiscal year 2012, BPA is forecasting to lease finance 38% of Transmission's capital program.

Alternate Transmission Financing

- In addition to lease financing, BPA has been considering several opportunities to finance Transmission assets through various agreements with customers.
- Ideas being proposed are:
 - Prepay for capacity / capacity ownership (3rd AC model or variation)
 - Segmented physical ownership - this would preserve BPA's ability to lease finance the segment of the project BPA would eventually own
 - Jointly owned facilities - this could require an ownership committee and could significantly complicate and possibly preclude BPA's ability to lease finance the project
 - Pre-paid transmission service
 - Customer built lines where BPA purchases capacity

Anticipated Accumulation of Cash

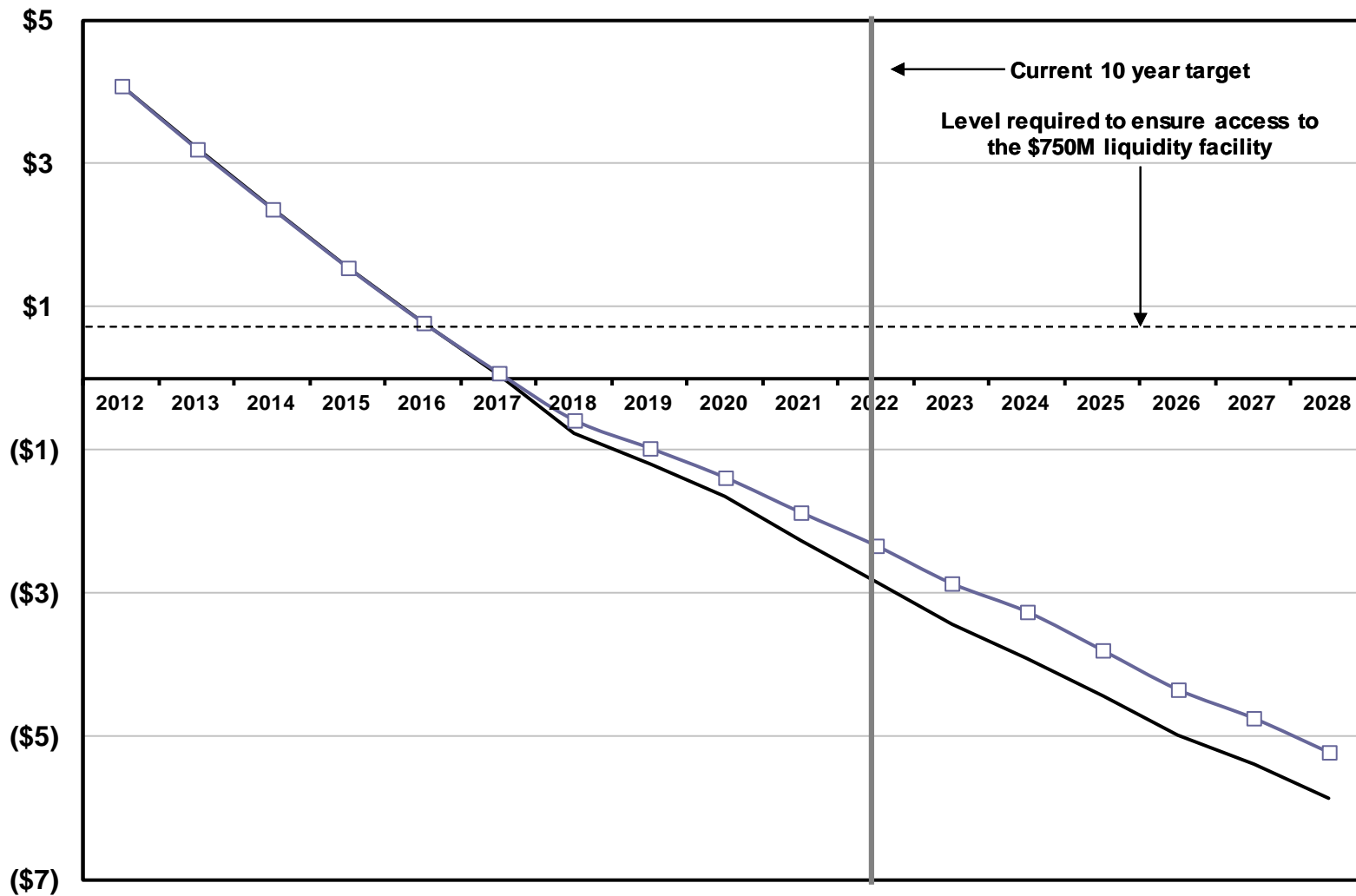
Summary of the AAC

- Since the 1987 general rate case, BPA policy has been to determine revenue requirements based on total accrued expenses (income statement). When this is inadequate to cover cash requirements, Minimum Required Net Revenue are added to the expenses to provide sufficient cash flows.
- Current forecasts show Power Services revenue requirements could accumulate significant cash in the 2016-2024 period.
- This period is when most Energy Northwest debt is scheduled to be repaid, which means that the Federal amortization payments scheduled for Power will be relatively lower than in subsequent years.
- The potential difference between non-cash elements and cash requirements (the AAC) was \$1.1 billion in last fall's presentations.
- Current forecast under the base case is \$665 million, between Fiscal years 2016-24.

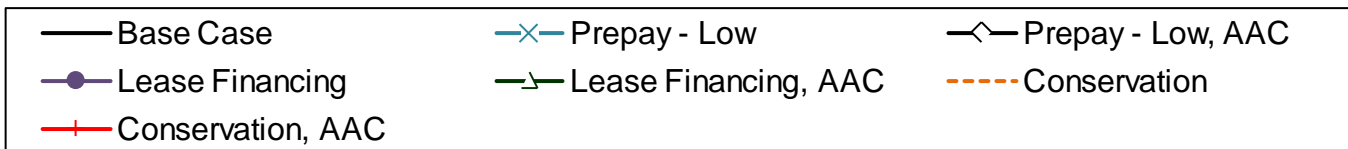
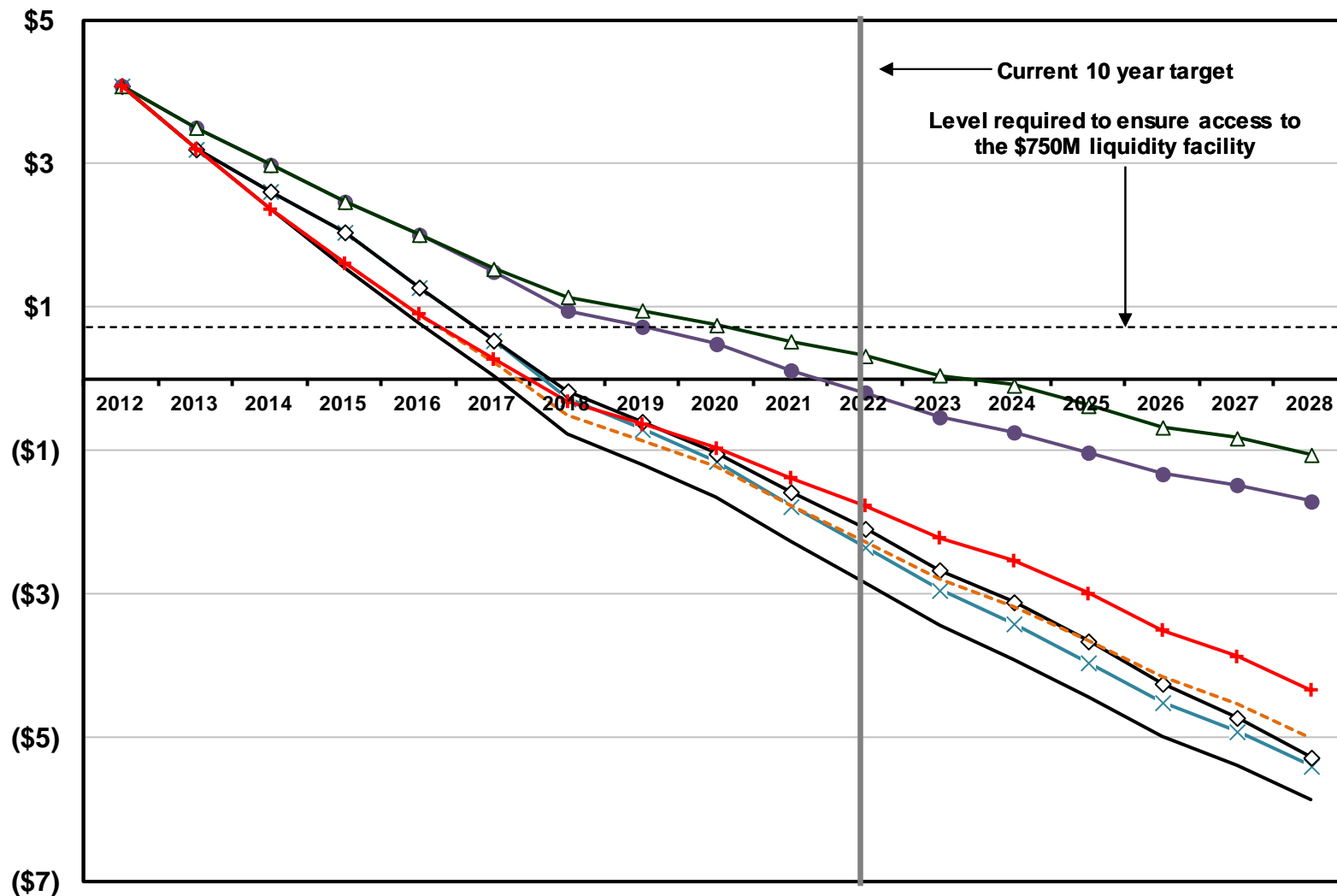
What happened to the AAC

- In 2014-15
 - The presence of the AAC is highly sensitive to both repayment study results and the forecasts of depreciation and amortization (particularly related to short-lived investments.)
 - As discussed in the debt management workshop, extending CGS debt maturing in 2014-2015 caused the repayment study to schedule significantly higher Federal amortization in the coming rate period. This almost completely eliminated the AAC in that period, reducing it to \$9 million in 2015.
 - Given the results of the repayment study, for purposes of these scenarios, we chose to increase Federal amortization in that year by \$9 million to eliminate the AAC and to ensure equitable treatment of Slice and non-Slice customers.
- In 2016-24
 - For every tool that resulted in AAC, we produced a corresponding scenario in which the cash flows were used to reduce borrowing in that year by applying the cash to fund capital investments.

Billions Base Case: with and without AAC



Billions Individual Tools with and without the AAC



Rate Effects of Individual Tools Combined with the AAC

	2014/15	2016/17	2018/19	2020/21	2022/23	2024/25	2026/27
Lease Financing, AAC							
Change from Trans Base Case	2.6%	3.7%	4.1%	4.0%	3.9%	3.9%	3.8%
Prepay – low, AAC							
Change from Power Base Case	0.0%	0.5%	(0.4%)	(0.3%)	(0.6%)	0.3%	1.2%
Conservation, AAC							
Change from Power Base Case	0.0%	0.0%	(0.6%)	(1.0%)	(1.7%)	(2.3%)	(1.9%)

Combinations

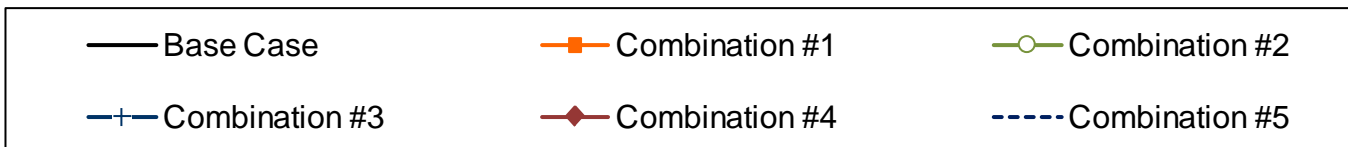
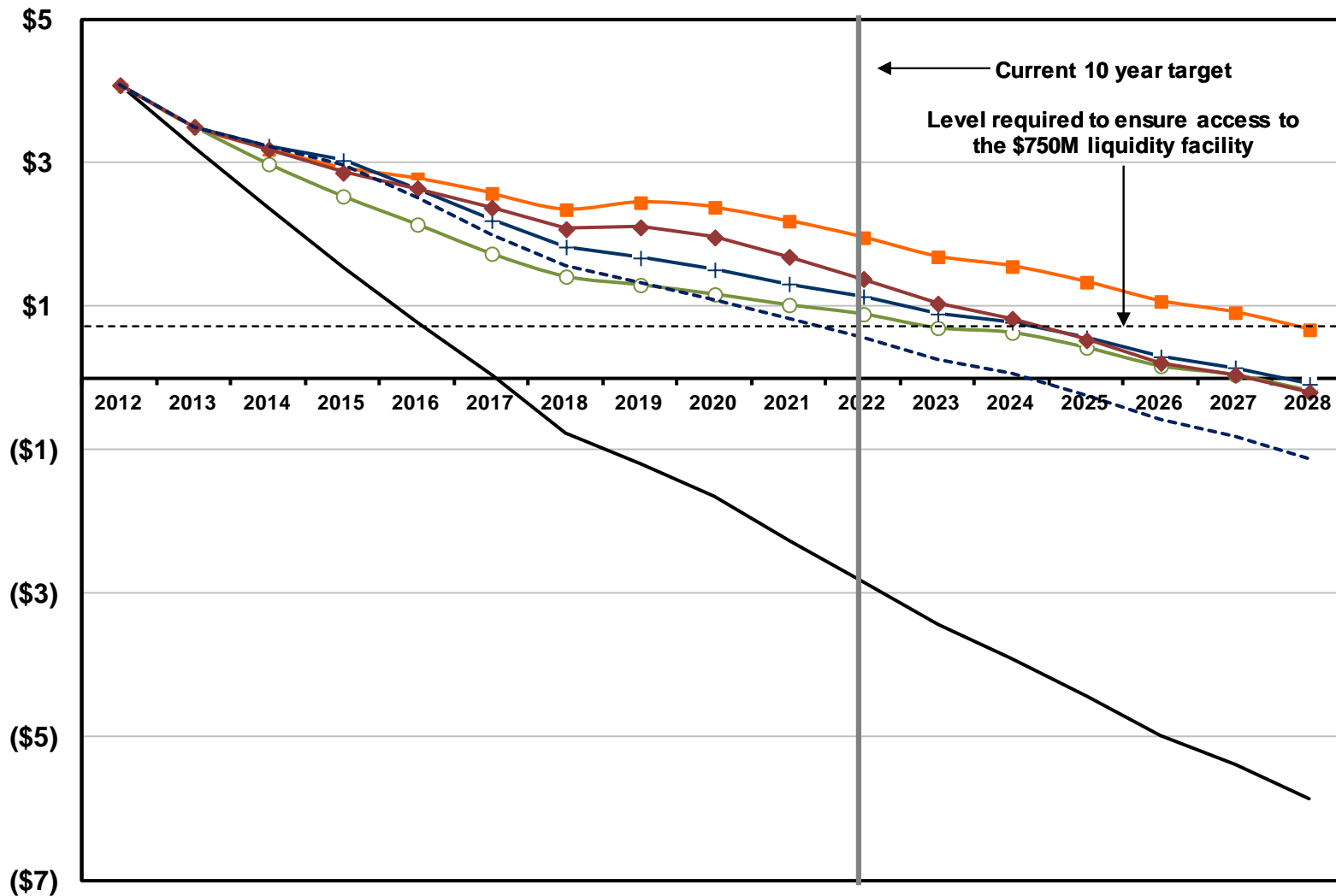
	Combination #1	Combination #2	Combination #3	Combination #4	Combination #5
Lease Financing	Lease Financing 50% of Transmission's capital program beginning in 2013	Lease Financing 50% of Transmission's capital program beginning in 2013	Lease Financing 50% of Transmission's capital program beginning in 2013	Lease Financing 50% of Transmission's capital program beginning in 2013	Lease Financing 50% of Transmission's capital program beginning in 2013
Prepay	High - \$1,700 million in prepayment of customer power purchase agreements in 2014-21		Low - \$500 million in prepayment of customer power purchase agreements in 2014-15	High - \$1,700 million in prepayment of customer power purchase agreements in 2014-21	Low - \$500 million of prepayment of customer power purchase agreements in 2014-15
Conservation	70% of the Conservation budget beginning in 2015	70% of the Conservation budget beginning in 2015	70% of the Conservation budget beginning in 2015		
AAC	Not available	Remaining AAC is used to repay US Treasury debt	Remaining AAC is used to repay US Treasury debt	Not available	Remaining AAC is used to repay US Treasury debt
Reaches the Target?	Yes	Yes	Yes	Yes	No

Combinations

(millions)	Combination # 1	Combination #2	Combination #3	Combination #4	Combination #5
Capital Program	Total FY 2012-22	Total FY 2012-22	Total FY 2012-22	Total FY 2012-22	Total FY 2012-22
1 Transmission	(\$5,791)	(\$5,791)	(\$5,791)	(\$5,791)	(\$5,791)
2 Hydro	(\$2,592)	(\$2,592)	(\$2,592)	(\$2,592)	(\$2,592)
3 EE	(\$1,140)	(\$1,140)	(\$1,140)	(\$1,140)	(\$1,140)
4 Fish and Wildlife	(\$502)	(\$502)	(\$502)	(\$502)	(\$502)
5 Facilities, IT, Security	(\$499)	(\$499)	(\$499)	(\$499)	(\$499)
6 Total Capital	(\$10,524)	(\$10,524)	(\$10,524)	(\$10,524)	(\$10,524)
US Treasury borrowing authority					
7 Available Borrowing Authority (9/30/2011)	\$4,757	\$4,757	\$4,757	\$4,757	\$4,757
8 Treasury amortization	\$2,788	\$2,905	\$2,910	\$2,784	\$2,910
9 Total BPA US Treasury borrowing authority	\$7,545	\$7,662	\$7,667	\$7,541	\$7,667
Access to Capital Tools					
10 Transmission Reserve Financing (\$15m/year)	\$165	\$165	\$165	\$165	\$165
11 50% Lease Financing	\$2,508	\$2,508	\$2,508	\$2,508	\$2,508
12 Prepay	\$1,700		\$500	\$1,700	\$500
13 70% Conservation	\$570	\$570	\$570		
14 Total Tools	\$4,943	\$3,243	\$3,743	\$4,373	\$3,173
15 AAC		\$517	\$258		\$260
16 Total Remaining Capacity	\$1,964	\$898	\$1,144	\$1,390	\$576

Combinations

Billions



Rate Effects

Power Rate Effects	2014/15	2016/17	2018/19	2020/21	2022/23	2024/25	2026/27
Combination # 1	50% LF, \$1.7b prepay, 70% Conservation financing						
Change from Base Case	0.0%	2.7%	0.5%	0.2%	0.4%	2.6%	3.8%
Combination # 2	50% LF, 70% Conservation financing, Use AAC						
Change from Base Case	0.0%	0.0%	(0.6%)	(1.0%)	(1.7%)	(2.3%)	(1.9%)
Combination # 3	50% LF, \$500m prepay, 70% Conservation financing, Use AAC						
Change from Base Case	0.0%	0.6%	(0.3%)	(0.3%)	(0.5%)	0.4%	1.4%
Combination # 4	50% LF, \$1.7b prepay						
Change from Base Case	0.0%	2.6%	0.5%	0.2%	0.3%	2.5%	3.7%
Combination # 5	50% LF, \$500m prepay, Use AAC						
Change from Base Case	0.0%	0.5%	(0.4%)	(0.3%)	(0.6%)	0.3%	1.2%

Transmission Rate Effects*	2014/15	2016/17	2018/19	2020/21	2022/23	2024/25	2026/27
Change from Base Case	2.6%	3.7%	4.1%	4.0%	3.9%	2.9%	3.8%

*The same 50% Lease Financing scenario was the same in all combinations.

Power Prepay Update

- BPA and two customers held conversations with the all three rating agencies
 - FitchRatings: July 17th
 - Moody Investor Service: July 23rd
 - Standard and Poor's: July 23rd

- BPA is on target to release the Request for Offer on August 6th with responses due November 30th

- BPA has had input that the credit markets like the prepay program and customers should be able to find funding through public offerings or private placements

Debt Optimization Two

WNP-1 and WNP-3 Debt Extension

- Another way to preserve borrowing authority would be to extend maturing debt for EN's WNP-1 and -3 to their maximum maturity of 2028.
- If this program were to be implemented, it would be used to restore borrowing authority in a given year to a predetermined amount to achieve the 10-year target.
- BPA will evaluate existing CGS debt differently than Projects 1 and 3 debt given CGS license extension, and will consider it in light of ratepayer equity over the long-term. CGS debt extension will not be included within the context of a new debt optimization program, but will be analyzed separately.
- BPA does not intend to pursue this until there is a better understanding of the success of the power prepayment program.
- Executive management at BPA has serious reservations about this possibility.

Options if the Prepay Program is not Fully Subscribed

- Should the prepayment program not be fully subscribed in a given rate period, the following options are available.
- For example, if BPA is seeking \$500 million of prepayment subscription, but only receives \$400 million, these alternatives could be used to obtain the other \$100 million.
- In this example, BPA could:
 - Increase reliance on conservation financing
 - Revenue finance by \$100 million
 - Reduce or delay \$100 million of the capital program that can only be financed with borrowing authority
 - Or some combination of the above

Capital Project Prioritization

- BPA is in the process of developing a methodology for prioritizing capital projects.
- A workshop will be held in August/September to share the proposed framework.
- A more fully developed methodology will be shared early in 2013.

Capital Program Modifications

- Another action that can be taken to ensure sufficient access to capital is to reduce planned capital investment.
- During the current IPR process, participants may provide input on program level forecasts and the assumptions supporting those forecasts.
- The Access to Capital Plan that will be developed by the end of the Fiscal year will include consideration of reductions to capital, and any participant comments received will be considered as that plan is developed.

Summary

- BPA has multiple financing tools it can utilize as part of its total access to capital.
- These tools, when combined, help BPA maintain the availability of US Treasury borrowing authority on a rolling 10-year basis.
- BPA would appreciate comments on the use of the various tools and cost framework.
- Reductions to planned capital investments are another component of ensuring Access to Capital.
- BPA will be drafting an access to capital plan to resolve this critical challenge. This plan will be influenced by the comments received.
- BPA will offer a power prepayment program.
- BPA is planning to establish third-party conservation financing beginning in Fiscal Year 2015.
- BPA will continue to aggressively pursue lease financing opportunities.

Non-Routine Extraordinary Maintenance (NREX)

- What is NREX?
 - Necessary work required for safe, reliable, operation and maintenance of Corps and Reclamation dams
 - Upcoming work is mostly associated with unit reliability, water control, cranes and dam infrastructure (some of which are joint items that require matching appropriations)
 - NREX for FY 2014-15 include the following:
 - Grand Coulee Third Powerplant overhaul,
 - Minidoka generator 8 and 9 overhaul and
 - turbine cavitation repairs, rings seal gate overhauls, bulkhead gate rehabilitation, discharge tube and draft tube rehabilitation, turbine guide bearings, fire protection and life safety requirements and other equipment and maintenance/repairs

NREX Spending Levels

(Millions of Dollars)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Total
Reclamation									
GC-TPP Overhaul	\$ 17	\$ 21	\$ 27	\$ 25	\$ 27	\$ 24	\$ 31	\$ 31	\$ 203
GC - Other Non-Routine	7	7	14	16	14	18	11	11	98
Other PP - Non Routine	2	2	4	5	4	2	4	4	27
Corps									
Corps Non-Routine	18	18	18	18	18	18	18	18	144
Total	\$ 44	\$ 48	\$ 63	\$ 64	\$ 63	\$ 62	\$ 64	\$ 64	\$ 472

Capital vs. Expense Accounting Treatment and Financing

- This issue was discussed during the FY 2010 IPR workshop. Key points from that discussion:
 - Corps and Reclamation have determined NREX to be expense per their respective capitalization policies
 - BPA researched accounting treatment for NREX at other utilities and PMAs and in general, the research has shown that NREX is consistently expensed except for isolated cases when treated as regulatory asset

Next Steps

- If you need clarification or further information related to these Access to Capital workshop materials, please email requests to BPAFinance@bpa.gov
- Participants have an opportunity to submit comments on BPA's Initial IPR Publication and proposed IPR levels during a ten week public comment period beginning June 5, 2012 and concluding August 10, 2012. Comments can be submitted online; by email; or by mail to: BPA, P.O. Box 14428, Portland, OR 97293-4428.
 - Please send questions to: BPAFinance@BPA.gov

Integrated Program Review

Financial Disclosure

This information has been made publicly available by BPA on July 24, 2012 and contains information not reported in agency financial statements.

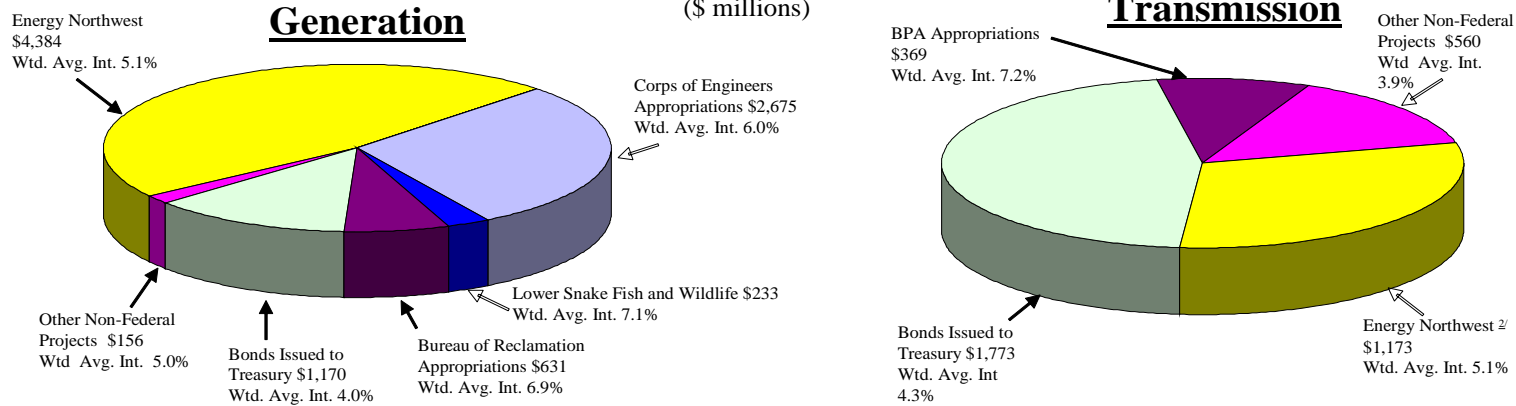
Appendix



A Look at the Total Portfolio:

BPA's Outstanding Liabilities

Federal Columbia River Power System (FCRPS) Total Liabilities to Federal and Non Federal Parties as of 9/30/2011



\$ millions	Generation		Transmission		Total	
	Liabilities Outstanding	WAI Rate	Liabilities Outstanding	WAI Rate	Liabilities Outstanding	WAI Rate
Total Appropriations ^{1/}	\$3,539	6.2	\$369	7.2	\$3,908	6.3
Total Bonds Issued to Treasury	1,170	4.0	1,773	4.4	2,943	4.2
Total Federal Liabilities	\$4,709	5.7	\$2,142	4.9	\$6,851	5.4
BPA Liabilities to Energy Northwest	\$4,384	5.1	\$1,173 ^{2/}	5.1	\$5,557	5.1
BPA Liabilities to Other Non Federal Parties	156	5.0	560	3.9	716	4.2
Total Non Federal Liabilities	\$4,540	5.1	\$1,732	4.7	\$6,273	5.0
Total FCRPS Liabilities	\$9,250	5.4	\$3,874	4.8	\$13,124	5.2

1/ Federal Appropriation amounts are less than the amount per the FCRPS financial statements because the repayment obligation doesn't begin until the related assets are placed in service. Appropriation amounts exclude appropriations for construction work still in progress (CWIP), which was \$217 million in FY 2011. Unspent appropriations received by the COE and BOR as well as some adjustments are also excluded.

2/ Transmission Services (TS) principal is different from the Non-Federal repayment obligation due to: 1) premium bonds issued, 2) timing differences, and 3) transactions costs. TS is assigned the repayment obligation for these items, which equals the additional Federal prepayment made on TS' behalf.

NOTE: This data does not include irrigation assistance liability of \$706 million at zero percent interest.

Capital Related Revenue Requirement Components

Base Case

Power Access to Capital Base Case

(\$thousands)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1 Non-Federal Debt Service	514,368	439,667	564,056	571,607	562,810	355,181	401,175	380,003	390,697	399,704	328,474	107,644	113,388	114,134	107,504
2 Depreciation/Amortization	223,068	227,388	227,242	240,476	254,803	269,417	284,343	298,040	311,344	319,056	319,440	323,795	328,166	332,542	336,477
3 Federal Net Interest 1/	239,565	251,522	263,947	275,804	292,051	310,360	332,222	349,209	364,661	376,153	391,378	407,001	413,460	421,652	427,703
4 MRNR	-	-	-	-	-	-	-	-	-	-	-	40,616	43,862	47,337	63,651
5 <i>Total Revenue Requirement</i>	977,001	918,578	1,055,245	1,087,886	1,109,663	934,958	1,017,740	1,027,252	1,066,702	1,094,913	1,039,293	879,056	898,877	915,665	935,335
6 Cash Flow (AAC)	63	30	636	40,755	156,279	35,437	35,196	146,658	106,539	75,151	68,599	0	0	0	0

Transmission Access to Capital Base Case

(\$thousands)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1 Depreciation/Amortization	193,164	205,086	220,925	235,756	237,074	249,125	252,879	256,615	260,331	264,030	267,710	271,371	275,014	278,639	282,246
2 Interest Expense															
3 DSR Interest	45,419	38,163	30,380	22,457	13,780	5,128	4,881	3,945	2,961	1,928	844				
4 Non-Federal Interest	48,756	54,232	56,820	59,265	58,727	59,614	58,434	56,638	54,247	52,142	51,117	50,420	49,772	48,954	47,858
5 Federal Net Interest	99,284	119,546	149,608	183,163	211,194	236,296	249,120	267,539	282,892	301,814	319,425	333,381	344,492	358,967	362,425
6 MRNR	119,446	117,516	116,764	105,594	100,968	101,269	95,840	91,673	91,885	80,939	70,857	65,812	69,797	78,152	79,578
7 <i>Total Revenue Requirement</i>	506,070	534,542	574,497	606,235	621,742	651,433	661,154	676,409	692,316	700,853	709,953	720,983	739,075	764,713	772,107
8 Cash Flow (AAC)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Capital Related Revenue Requirement Components

Transmission

(\$thousands)	Changes From Base														
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
50% Lease Financing															
Depreciation/Amortization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest Expense															
DSR Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-Federal Interest	27,275	47,570	67,770	87,379	105,691	121,449	134,924	149,934	167,073	184,561	202,049	219,538	237,026	254,514	272,002
Federal Net Interest	(21,501)	(37,474)	(54,771)	(72,242)	(86,124)	(98,838)	(110,265)	(123,531)	(138,520)	(153,277)	(167,758)	(182,483)	(196,423)	(210,782)	(225,465)
MRNR	13,842	25,076	28,050	28,422	26,319	23,732	21,790	20,473	18,659	16,285	13,678	11,366	8,326	5,636	4,789
<i>Total Revenue Requirement</i>	<i>19,616</i>	<i>35,172</i>	<i>41,049</i>	<i>43,558</i>	<i>45,885</i>	<i>46,344</i>	<i>46,449</i>	<i>46,876</i>	<i>47,212</i>	<i>47,569</i>	<i>47,969</i>	<i>48,420</i>	<i>48,929</i>	<i>49,368</i>	<i>51,326</i>
Revenue Financing															
Depreciation/Amortization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest Expense															
DSR Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-Federal Interest	27,275	47,570	67,770	87,379	105,691	121,449	134,924	149,934	167,073	184,561	202,049	219,538	237,026	254,514	272,002
Federal Net Interest	(22,257)	(39,818)	(58,924)	(79,931)	(97,954)	(113,106)	(127,105)	(143,094)	(160,938)	(178,618)	(197,175)	(215,796)	(231,739)	(249,925)	(266,372)
MRNR	44,576	57,376	62,140	66,100	67,750	67,501	68,130	69,369	70,222	70,519	71,708	72,994	72,009	72,903	73,446
<i>Total Revenue Requirement</i>	<i>49,594</i>	<i>65,128</i>	<i>70,986</i>	<i>73,548</i>	<i>75,487</i>	<i>75,844</i>	<i>75,949</i>	<i>76,209</i>	<i>76,357</i>	<i>76,462</i>	<i>76,582</i>	<i>76,736</i>	<i>77,296</i>	<i>77,492</i>	<i>79,076</i>
Transmission Revenue Financing Amounts	31,452	33,237	35,162	92,888	42,370	44,508	46,801	49,279	51,635	54,345	57,253	60,273	63,353	66,483	69,887

Capital Related Revenue Requirement Components

Power

(\$thousands)	Changes From Base														
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Prepay - high															
Non-Federal Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation/Amortization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Federal Net Interest	(5,334)	(14,001)	(23,886)	(36,877)	(47,380)	(58,091)	(66,941)	(69,582)	(68,093)	(65,064)	(62,664)	(61,265)	(60,158)	(59,007)	(58,003)
MRNR 1/	4,937	16,382	97,245	85,854	0	127,872	129,209	15,002	57,861	89,254	95,802	149,035	147,391	150,173	150,000
<i>Total Revenue Requirement</i>	<i>(397)</i>	<i>2,381</i>	<i>73,359</i>	<i>48,977</i>	<i>(47,380)</i>	<i>69,781</i>	<i>62,267</i>	<i>(54,581)</i>	<i>(10,232)</i>	<i>24,190</i>	<i>33,139</i>	<i>87,770</i>	<i>87,233</i>	<i>91,166</i>	<i>91,997</i>
1/ or Cash Flow	(63)	(30)	(636)	(40,755)	(155,391)	(35,437)	(35,196)	(146,658)	(106,539)	(75,151)	(68,599)	0	0	0	0
Prepay - low															
Non-Federal Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation/Amortization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Federal Net Interest	(5,622)	(15,460)	(19,449)	(18,730)	(17,214)	(15,787)	(14,608)	(13,185)	(11,515)	(9,845)	(8,175)	(7,224)	(6,720)	(6,204)	(5,710)
MRNR 1/	4,937	14,970	49,364	9,244	0	14,563	14,805	0	0	0	0	42,927	42,567	42,928	43,183
<i>Total Revenue Requirement</i>	<i>(685)</i>	<i>(490)</i>	<i>29,914</i>	<i>(9,486)</i>	<i>(17,214)</i>	<i>(1,224)</i>	<i>198</i>	<i>(13,185)</i>	<i>(11,515)</i>	<i>(9,845)</i>	<i>(8,175)</i>	<i>35,703</i>	<i>35,846</i>	<i>36,724</i>	<i>37,472</i>
1/ or Cash Flow	(63)	(30)	(636)	(40,755)	(50,000)	(35,437)	(35,196)	(50,000)	(50,000)	(50,000)	(49,998)	0	0	0	0
Conservation															
Non-Federal Debt Service	0	1,303	4,479	8,336	12,369	16,530	20,815	25,230	29,726	34,238	38,750	43,263	80,297	116,571	119,408
Depreciation/Amortization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Federal Net Interest	0	(1,538)	(4,821)	(8,415)	(12,140)	(15,960)	(19,871)	(23,898)	(28,031)	(32,146)	(36,233)	(40,311)	(43,806)	(45,282)	(46,431)
MRNR 1/	0	0	361	0	0	0	0	0	0	0	0	(606)	(34,129)	(47,337)	(63,651)
<i>Total Revenue Requirement</i>	<i>0</i>	<i>(236)</i>	<i>19</i>	<i>(79)</i>	<i>229</i>	<i>569</i>	<i>944</i>	<i>1,331</i>	<i>1,695</i>	<i>2,093</i>	<i>2,517</i>	<i>2,346</i>	<i>2,363</i>	<i>23,951</i>	<i>9,326</i>
1/ or Cash Flow	0	0	(997)	(1,063)	(646)	0	(1)	(1,205)	(721)	0	2	(40,009)	(9,733)	21,024	7,156

Capital Related Revenue Requirement Components

Power

(\$thousands)	Changes From Base														
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Revenue Financing															
Non-Federal Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation/Amortization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Federal Net Interest	(389)	(1,777)	(3,521)	(6,063)	(10,690)	(15,428)	(19,077)	(24,349)	(30,690)	(36,492)	(42,285)	(47,598)	(52,203)	(57,371)	(62,983)
MRNR 1/	31,756	33,351	35,300	37,843	42,450	47,246	50,895	56,231	62,690	68,377	74,240	80,055	83,245	100,142	94,218
<i>Total Revenue Requirement</i>	<i>31,367</i>	<i>31,573</i>	<i>31,779</i>	<i>31,780</i>	<i>31,759</i>	<i>31,817</i>	<i>31,818</i>	<i>31,882</i>	<i>32,000</i>	<i>31,885</i>	<i>31,955</i>	<i>32,457</i>	<i>31,042</i>	<i>42,771</i>	<i>31,235</i>
1/ or Cash Flow	(63)	(30)	(636)	(40,755)	(156,279)	(35,437)	(35,196)	(146,658)	(106,539)	(75,151)	(68,599)	0	0	0	0
Power Revenue Financing Amounts															
AAC	63	30	636	40,755	156,279	35,437	35,196	146,658	106,539	75,151	68,599	-	-	-	-
Revenue Financing	<u>31,756</u>	<u>33,351</u>	<u>36,300</u>	<u>40,056</u>	<u>48,043</u>	<u>47,246</u>	<u>50,895</u>	<u>61,941</u>	<u>67,452</u>	<u>68,377</u>	<u>74,242</u>	<u>85,627</u>	<u>89,338</u>	<u>106,558</u>	<u>111,802</u>
Total	31,820	33,380	36,936	80,811	204,322	82,683	86,091	208,599	173,991	143,527	142,841	85,627	89,338	106,558	111,802
AAC															
Non-Federal Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation/Amortization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Federal Net Interest	0	0	(8)	(490)	(2,770)	(4,923)	(5,765)	(7,906)	(10,783)	(12,847)	(14,561)	(15,375)	(15,295)	(15,237)	(15,198)
MRNR 1/	0	0	0	0	0	0	0	0	0	0	0	(1,200)	(914)	(503)	(761)
<i>Total Revenue Requirement</i>	<i>0</i>	<i>0</i>	<i>(8)</i>	<i>(490)</i>	<i>(2,770)</i>	<i>(4,923)</i>	<i>(5,765)</i>	<i>(7,906)</i>	<i>(10,783)</i>	<i>(12,847)</i>	<i>(14,561)</i>	<i>(16,575)</i>	<i>(16,209)</i>	<i>(15,740)</i>	<i>(15,959)</i>
1/ or Cash Flow	(0)	(0)	(619)	(39,638)	(152,001)	(35,437)	(35,196)	(142,643)	(103,623)	(75,150)	(68,599)	(39,416)	(42,948)	(46,834)	(62,890)

Capital Related Revenue Requirement Components

Power

	Changes From Base														
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
(\$thousands)															
Prepay - low, AAC															
Non-Federal Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation/Amortization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Federal Net Interest	(5,622)	(15,460)	(19,449)	(18,730)	(18,456)	(18,212)	(17,033)	(16,739)	(16,806)	(16,059)	(14,911)	(14,159)	(13,536)	(12,899)	(12,292)
MRNR 1/	4,937	14,970	49,364	9,244	0	14,563	14,804	0	0	0	0	41,249	40,827	41,310	41,556
<i>Total Revenue Requirement</i>	<i>(685)</i>	<i>(490)</i>	<i>29,914</i>	<i>(9,486)</i>	<i>(18,456)</i>	<i>(3,649)</i>	<i>(2,229)</i>	<i>(16,739)</i>	<i>(16,806)</i>	<i>(16,059)</i>	<i>(14,911)</i>	<i>27,091</i>	<i>27,291</i>	<i>28,411</i>	<i>29,264</i>
1/ or Cash Flow	(63)	(30)	(636)	(40,755)	(153,370)	(35,437)	(35,196)	(144,011)	(104,991)	(75,151)	(68,599)	0	0	0	0
Conservation, AAC															
Non-Federal Debt Service	0	1,303	4,479	8,336	12,369	16,530	20,815	25,230	29,726	34,238	38,750	43,263	80,297	116,571	119,408
Depreciation/Amortization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Federal Net Interest	0	(1,538)	(4,821)	(10,204)	(22,713)	(35,062)	(42,173)	(54,361)	(69,742)	(81,956)	(92,559)	(99,742)	(103,157)	(105,537)	(107,907)
MRNR 1/	0	0	361	0	0	0	0	0	0	0	0	(1,827)	(34,960)	(47,337)	(63,651)
<i>Total Revenue Requirement</i>	<i>0</i>	<i>(236)</i>	<i>19</i>	<i>(1,868)</i>	<i>(10,345)</i>	<i>(18,532)</i>	<i>(21,358)</i>	<i>(29,132)</i>	<i>(40,016)</i>	<i>(47,718)</i>	<i>(53,809)</i>	<i>(58,305)</i>	<i>(57,819)</i>	<i>(36,303)</i>	<i>(52,151)</i>
1/ or Cash Flow	0	0	(997)	39,716	159,248	35,437	35,195	148,229	107,993	75,151	68,603	(38,789)	(8,902)	43,624	16,012
Combination #1															
Non-Federal Debt Service	0	1,303	4,479	8,336	12,369	16,530	20,815	25,230	29,726	34,238	38,750	43,263	80,297	116,571	119,408
Depreciation/Amortization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Federal Net Interest	(5,334)	(15,539)	(28,717)	(45,330)	(59,576)	(74,108)	(86,869)	(93,558)	(96,233)	(97,331)	(99,018)	(101,758)	(104,418)	(104,653)	(104,356)
MRNR 1/	4,937	16,382	98,239	86,917	0	127,874	129,209	16,206	58,581	89,253	95,804	152,078	117,949	82,277	79,439
<i>Total Revenue Requirement</i>	<i>(397)</i>	<i>2,145</i>	<i>74,001</i>	<i>49,923</i>	<i>(47,207)</i>	<i>70,295</i>	<i>63,155</i>	<i>(52,122)</i>	<i>(7,927)</i>	<i>26,160</i>	<i>35,537</i>	<i>93,584</i>	<i>93,829</i>	<i>94,195</i>	<i>94,491</i>
1/ or Cash Flow	(63)	(30)	(636)	(40,755)	(156,037)	(35,437)	(35,196)	(146,658)	(106,539)	(75,151)	(68,599)	0	0	0	0
Combination #2															
see Conservation, AAC															

Capital Related Revenue Requirement Components

Power

(\$thousands)	Changes From Base														
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Combination #3															
Non-Federal Debt Service	0	1,303	4,479	8,336	12,369	16,530	20,815	25,230	29,726	34,238	38,750	43,263	80,297	116,571	119,408
Depreciation/Amortization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Federal Net Interest	(5,622)	(16,998)	(24,281)	(27,183)	(30,645)	(34,215)	(36,945)	(40,665)	(44,843)	(48,202)	(51,143)	(54,465)	(57,336)	(57,843)	(57,900)
MRNR 1/	4,937	14,970	50,360	10,308	0	14,563	14,804	0	0	2	0	40,487	7,134	(27,363)	(29,087)
<i>Total Revenue Requirement</i>	<i>(685)</i>	<i>(725)</i>	<i>30,558</i>	<i>(8,540)</i>	<i>(18,276)</i>	<i>(3,122)</i>	<i>(1,326)</i>	<i>(15,436)</i>	<i>(15,117)</i>	<i>(13,962)</i>	<i>(12,392)</i>	<i>29,285</i>	<i>30,095</i>	<i>31,365</i>	<i>32,421</i>
1/ or Cash Flow	(63)	(30)	(636)	(40,755)	(153,387)	(35,437)	(35,196)	(144,045)	(105,010)	(75,151)	(68,597)	0	0	0	0
Combination #4															
<i>see Prepay - high</i>															
Combination #5															
<i>see Prepay - low, AAC</i>															