

2013 Debt Management Written Follow-Up Responses

November 22, 2013



Follow-up on questions received during the October 23, 2013 workshop**Assets – Are replenishment projections in nominal or real dollars?**

Except for Columbia Generation Station, capital projections used in all scenarios (Power and Transmission) and presented in slides 16, 17, 40 and 41 of the debt management packet are in 2013 dollars, not adjusted for inflation.

Present Value analysis

BPA will provide present value analysis on projected capital-related revenue requirement for future scenarios. BPA agrees this will be a valuable metric to evaluate different scenarios and provide accurate feedback on specific debt management proposals.

BPA Borrowing Authority from the U.S. Treasury

To finance its capital programs, the Bonneville Power Administration is authorized by Congress to issue to the U.S. Treasury up to \$7.70 billion of interest-bearing debt with terms and conditions comparable to debt issued by U.S. government corporations. Of the \$7.70 billion, \$750 million can be issued to finance Northwest Power Act related expenses and \$1.25 billion is restricted for conservation and renewable resources, “Cap 2” noted below.

The 1974 Transmission System Act (\$1.25 billion) and the 1984 Energy and Water Development Appropriation Act (\$1.25 billion) established “Cap 1” (\$2.50 billion total); the Northwest Electric Power Planning and Conservation Act of 1980 and the 1983 Continuing Appropriations bill established “Cap 2” (\$1.25 billion); the 2003 Energy and Water Appropriations bill established “Cap 3” (\$0.70 billion); and the 2009 American Recovery and Reinvestment Act (ARRA) established “Cap 4” (\$3.25 billion), capital projects financed under this Cap are subject to additional requirements set forth in the ARRA.

The following table illustrates the remaining borrowing authority as of September 30, 2013 (in millions) by appropriation (Cap):

	Cap 1 Transmission Act & Energy and Water	Cap2 NW Power Act	Cap 3 Energy & Water Appropriations Bill	Cap 4 American Recovery & Reinvestment Act	Total
Total Used as of Sept. 30, 2013	\$ 1,530	\$ 1,088	\$ -	\$ 1,267	\$ 3,885
% Used	61%	87%	0%	39%	50%
Total Limit	\$ 2,500	\$ 1,250	\$ 700	\$ 3,250	\$ 7,700
Remaining as of Sept. 30, 2013	\$ 970	\$ 162	\$ 700	\$ 1,983	\$ 3,815
				Less Reserved for Expense Note:	\$ (750)
				Remaining for Capital Projects as of Sept. 30, 2013:	\$ 3,065

Follow-up on questions received from PPC on November 19, 2013

Access to Capital – In addition to the changes explained on slide 32, what other assumptions changed between the original and updated FY-13 plans?

In tandem with the repayment model upgrade, there was a change in how remaining borrowing authority was calculated between the scenarios. When determining remaining borrowing authority for the Original FY13 Plan, total amortization of Federal debt (appropriations and bonds) was considered for borrowing authority, less the amount of due appropriations in a given year. That net amount was used to determine how much borrowing authority was restored for that year. In the Updated FY13 Plan, only the Federal bonds paid and the new Federal bonds issued for an individual year were considered for borrowing authority analysis because only issuance and repayment of Federal bonds, not appropriations, affect remaining borrowing authority. This change allows us to be more precise when tying remaining borrowing authority to revenue requirement as the high interest appropriations that are being paid are now reflected in revenue requirement only. While this is not the only factor in these changes, it is certainly the largest. Also, please bear in mind, for scenario analysis purposes, repayment study results are meant to be used more as a guide rather than a hardened schedule of individual debt repayment and issuances.

Prepay Program – Can Prepay proceeds only be used to finance Federal Hydro capital projects? What is the limit on the amount of additional prepay that could be done if Prepay continues to be used solely for hydro capital investments?

Please refer to slide 40. If prepays continue to be used solely for Fed Hydro capital investments, the only portion of the capital program eligible for a given year is the row labeled "Fed Hydro (Lapsed)." If other categories of capital investments become eligible for using prepay funds, those rows may also be considered. As you can see, Fed Hydro is the single largest capital program, but others are substantial as well.

Financial Disclosure:

The remaining borrowing authority as of September 30, 2013 has been made publicly available by BPA and contains BPA-approved Financial Information.

The rest of the information contained in this document has been made publicly available by BPA on November 22, 2013 and reflects information not reported in BPA's financial statements.