2012 Debt Management

Written Follow-Up Responses

July 17, 2012

Additional Follow-Ups will be addressed at the July 26 Access to Capital Meeting

Tacoma Power Request:

Slides 22-23 (from the debt management presentation): Does increasing the federal repayment in 2014 from $134,461 to $170,944 affect the amount of planned net revenue for risk (PNRR) that BPA would include in the power revenue requirement? If so, please provide the impact.

BPA Response:

It is believed increasing the federal repayment in 2014 from $134,461 to $170,944 would not affect the amount of planned net revenue for risk (PNRR) that BPA would include in the power revenue requirement. However, questions about PNRR should be raised in appropriate rate case forums in order to be addressed in the proper context.

Tacoma Power Request:

Slide 33 (from the debt management presentation): Please expand the table on the right portion of the slide to include a column showing the minimum decommission funding levels required by the USNRC and additional rows presenting all Updated Funding Plan Contributions after 2039.

BPA Response:

There are no minimum decommissioning funding contributions. The NRC minimum is a set dollar amount that BPA needs to have when the license expires. The most recent set dollar amount target is from November 2010 and is $459 million in 2010 dollars. The chart below corrects the BPA Fiscal Years column to show the correct numbers through 2044.

BPA Fiscal Years	March 2011 Funding Plan Contributions	Updated Funding Plan Contributions	Delta
2012	11	9	(2)
2013	12	4	(8)
2014	14	4	(10)
2015	17	4	(13)
2016	25	4	(21)
2017	31	4	(27)
2018	39	5	(34)
2019	48	5	(43)
2020	59	5	(54)
2021	73	5	(68)
2022	90	5	(85)
2023	111	6	(106)
2024	98	6	(92)
2025	-	6	6
2026	-	6	6
2027	-	7	7
2028	-	7	7
2029	-	7	7
2030	-	7	7
2031	-	8	8
2032	-	8	8
2033	-	8	8
2034	-	9	9
2035	-	9	9
2036	-	9	9
2037	-	10	10
2038	-	10	10
2039	-	10	10
2040	-	11	11
2041	-	11	11
2042	-	12	12
2043	-	12	12
2044	-	9	9
Total	627	242	(385)

Tacoma Power Request:
Slide 34 (from the debt management presentation): Columns E, F, and G identify three actions that could affect proposed IPR levels: ISFSI Settlement, EN Refinancing for Savings, and Wasco Refinancing. Please provide a brief description of these transactions.

BPA Response:
1. ISFSI Settlement: Energy Northwest recently settled a lawsuit with DOE for $48.7 million for a breach of contract by DOE that led to EN making expenditures on an on-site dry cask storage facility. A portion of those settlement funds were restricted to certain uses, including payment of debt. The restricted portion of $32 million noted in the table is being used to reduce non-Federal debt service for the upcoming rate period.

2. EN Refinancing for Savings: BPA, in conjunction with Energy Northwest, routinely takes advantage of refinancing opportunities to lower debt service costs. The latest traditional refinancing was completed this past March and gleaned debt service savings for the FY 2014-15 rate period of about $6 million total.

3. Northern Wasco: BPA backs other non-Federal bonds in addition to Energy Northwest debt for certain generation projects. This includes those bonds issued by Northern Wasco for a project in which BPA initially participated. These outstanding bonds were recently refinanced to a lower interest rate and will save ratepayers about $1 million total in debt service costs for the next rate period.

Snohomish PUD Request:
Slide 10, 15 (from the debt management presentation): Please provide the description for footnote 1/(i.e., Cash Flow and MRNR).

BPA Response:
The converse of needing MRNR (Minimum Required Net Revenue) in the revenue requirement (not having enough cash to satisfy cash requirements) is generating cash flows. The footnote shows the expected cash flows.

Snohomish PUD Request:
Slide 10 (from the debt management presentation): Please provide detail that supports Cash Flow in a format similar to Table 5: Generation Revenue Requirement Statement of Cash Flow, BP-12-FS-BPA-02: Power Revenue Requirement Study, pg 37.

BPA Response:

Potential
STATEMENT OF CASH FLOWS
($thousands)

		A 2014	B 2015
1	CASH FROM OPERATING ACTIVITIES		
2	MINIMUM REQUIRED NET REVENUES 1/	0	0
3	NON-CASH ITEMS:		
4	DEPRECIATION AND AMORTIZATION	223,790	228,193
5	AMORTIZATION OF CAPITALIZED BOND PREMIUMS	0	0
6	CAPITALIZATION ADJUSTMENT	(45,937)	(45,937)
7	ACCRUAL REVENUES	(3,524)	(3,524)
8	CASH PROVIDED BY OPERATING ACTIVITIES	174,329	178,732
9	CASH FROM INVESTMENT ACTIVITIES:		
10	INVESTMENT IN:		
11	UTILITY PLANT (INCLUDING AFUDC)	(355,318)	(300,701)
12	CONSERVATION	(75,200)	(92,000)
13	FISH & WILDLIFE	(60,275)	(41,807)
14	CASH USED FOR INVESTMENT ACTIVITIESS	(490,793)	(434,508)
15	CASH FROM BORROWING AND APPROPRIATIONS:		
16	INCREASE IN BONDS ISSUED TO U.S. TREASURY	391,450	385,750
17	REPAYMENT OF BONDS ISSUED TO U.S. TREASURY	(29,950)	(65,000)
18	INCREASE IN FEDERAL CONSTRUCTION APPROPRIATIONS	99,343	48,758
19	REPAYMENT OF FEDERAL CONSTRUCTION APPROPRIATIONS	(10,241)	0
20	PAYMENT OF IRRIGATION ASSISTANCE	(52,427)	(51,989)
21	CASH PROVIDED BY BORROWING AND APPROPRIATIONS	398,175	317,519
22	ANNUAL INCREASE (DECREASE) IN CASH	81,712	61,743

1/ Line 22 must be greater than or equal to zero to indicate that cash cost recovery requirements are being achieved. If not, net revenues (MRNR) are added so that net cash flows for the year (Line 22) are zero.

Snohomish PUD Request:

Slide 18 (from the debt management presentation): Please detail how the impact of $131 million to borrowing authority was determined based on the information shown in Slide 18 (from the debt management presentation).

BPA Response:

By removing CGS debt service from 2014-15, the repayment program increased federal amortization by $131 million. The repayment program does not react in a strict dollar-for-dollar manner, as it is also solving around shortfalls it sees in future years. By increasing the federal amortization, BPA assumes it would use the entire amount to pay federal debt, rather than discretionary appropriations, which would restore borrowing authority. Slides 22 and 23 (from the debt management presentation) offer a full explanation of how borrowing authority was maximized to $140 million, as shown on Slide 23 (from the debt management presentation).

Snohomish PUD Request:

Slide 26 (from the debt management presentation): Please provide data re: capitalization of near-term interest under the 2012 Uranium Tails Fuel Transaction. Which ratepayers is BPA referring to by the comment, "...structure of principal due dates ensure ratepayer equity..." (e.g. DSI vs. Public Power? Block/Slice? Load Following?).

BPA Response:

The 2012 Uranium Tails (UT) Fuel bond financing has not yet occurred and structuring decisions are currently being analyzed. In order to ensure ratepayer equity between SLICE and non-SLICE customers across rate periods, BPA is expecting to capitalize interest for the first two years before semi-annual debt service is due. For additional information, there is an Energy Northwest public workshop on July 19th to address the UT Fuel transaction in more specific detail.

Snohomish PUD Request:

Slide 30 (from the debt management presentation): Given that lease financing is more expensive that federal funding, what are BPA's criteria or policy for determining the threshold interest rate differential for lease financing vs. Treasuries? What, to BPA, is the favorable debt/capital ratio that ensures the agency's liquidity in light of competing projects/priorities? Also, please provide a comparison of similar agency's debt/capital ratio compared to BPA's.

BPA Response:

BPA will address lease financing vs. Treasury interest rate differential at the July 26, 2012 access to capital workshop. 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. BPA does not have data of similar agencies' debt/capital ratio.

FINANCIAL DISCLOSURE

FY 2011 actuals have been made publicly available by BPA and contains Agency-approved Financial Information.

FY 2012-13 forecasts for Rate Case and Start of Year have been made publicly available by BPA and contains Agency-approved Financial Information.

FY 2013-15 IPR target and Proposed IPR levels have been made publicly available by BPA on June 5, 2012 and reflect information not reported in agency financial statements.