Debt Management Workshop

June 17, 2014

1pm – 4pm

BPA Rates Hearing Room

203-716-7500

866-812-5041

Passcode: 3421688 #

Agenda

- Background Information and Update
- Regional Cooperation Debt Refinancing Program
- Scenario One: CGS Regional Cooperation Debt Refinancing
- Scenario Two: EN Regional Cooperation Debt Refinancing
- Access to Capital Update
- Recommendation and Next Steps

Forecasts and projections shown in this presentation are contingent on a number of factors including interest rates, capital forecasts, and other factors.

Introduction

- Maximizing the long-term operational and economic value of the Federal River Columbia River Power System assets is an important strategic objective for BPA.
- Low-cost, competitive and stable power and transmission rates in the near and long-term are of vital importance to the region and BPA.
- During the Capital Investment Review process, it was our goal to engage stakeholders in helping BPA make hard decisions regarding the many challenges associated with making the needed investments to meet the requirements of an aging federal power and transmission system, while maintaining low rates.
- A long-term strategy to fully achieve this priority will not happen overnight but will require time and deliberation.
- Prudent, near-term debt management actions can help us assure a low-cost, sustainable capital strategy.

Introduction, continued

- Significant pressure has been placed on BPA over the past decade to mitigate rate increases; debt management and financial reserve deployment actions resulting in rate relief have been focused on the near-term and have created additional risk to BPA's financial health.
- Planning for BPA's future 10, 15, or 30 years from now will help benefit the region through competitive, low-cost, sustainable power and transmission services.
- The region, stakeholders, and BPA will be faced with hard decisions to maintain BPA's path for long-term financial health and stability.
- BPA does not anticipate near-term increases in its U.S. Treasury Borrowing Authority.

Debt Management Objectives

- Your participation in this process is critical, now is the time to engage and share your insight regarding debt management tools and strategies to maintain long-term financial health and stability.

- The debt management process has three primary objectives:
  - **Access to Capital**: Maintain continual access to U.S. Treasury Borrowing Authority on a rolling 10-year basis.
  - **Cost Stability:** Long-term cost trajectories that align with the business objectives of each business unit.
    - **Power**: Tier 1 sales are capped, therefore, any increases to capital-related costs translate into increases for Tier 1 rates. Maintaining stable capital-related costs to match the stability of Tier 1 sales is a primary focus.
    - **Transmission**: Aligning increases in transmission capital-related costs with revenues associated with existing assets and expansion plans to provide needed capacity and flexibility into the future is a foremost objective.
  - **Least Cost:** Ensure capital financing requirements are met at lowest overall cost.

Goals for the Day

- Provide participants with background information.
- Describe the actions that have already been planned in both Power and Transmission.
- Offer scenarios.
- Provide a recommended proposal.

Next Steps

- On June 26th from 1-4 in the rates hearing room, BPA will host a follow-up Debt Management meeting.
- The debt management process will have a public comment period from June 18th to July 11th. BPA would appreciate comments on:
  - Proposed refinancing through Energy Northwest (EN) Regional Cooperation Debt related to Projects 1 and 3, and Columbia Generating Station (CGS).
  - Future debt management opportunities and planning.
- BPA will be publishing its Initial Rate Proposal for BP-16 in November. Any debt management actions that are to be included in BP-16 need to be decided on in July.
  - BPA will ask the EN Executive Board for a letter of support for the refinancing of the Projects 1 and 3 July 1, 2015 – July 1, 2017 maturities.

Debt Management Scenarios

For discussion on June 17th:

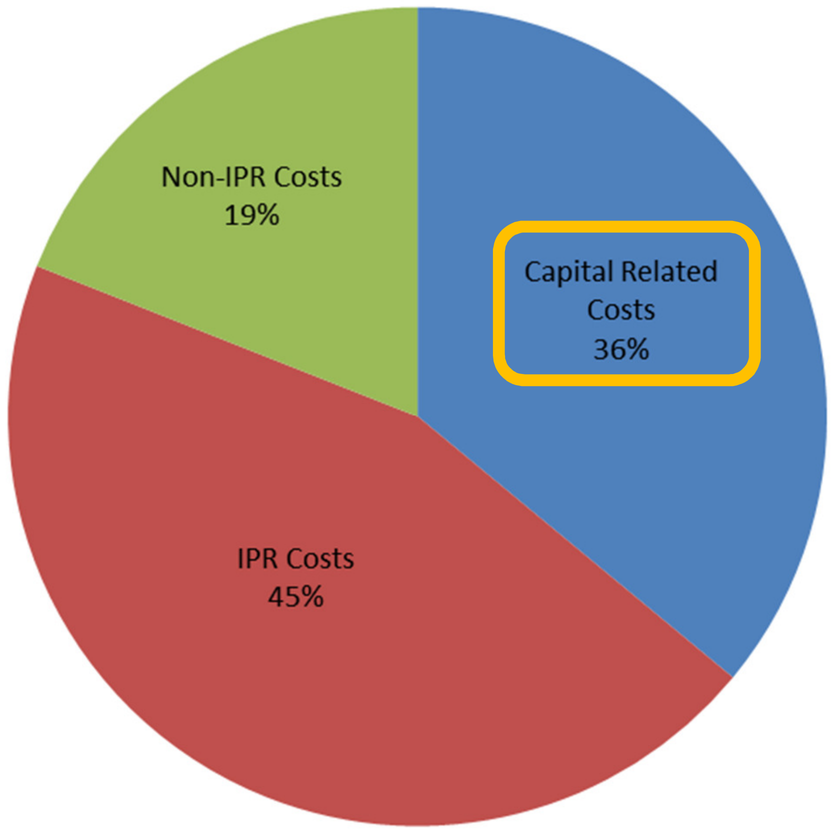
- Scenario One: CGS Regional Cooperation Debt Refinancing
- Scenario Two: EN (CGS and Projects 1 and 3) Regional Cooperation Debt Refinancing

On June 26th, BPA will conduct a second debt management meeting including an illustration of future debt management opportunities enabled by the Regional Cooperation Debt Refinancing Program.

- Scenario Three: Expensing Conservation
- Scenario Four: CGS Regional Cooperation Debt Reshaped
- Scenario Five: BPA Capital Projection Sensitivity

Power

Potential Power Revenue Requirement for BP-16



Average FY 14/15	$937 million
Average FY 16/17	$1,060 million
Delta	$123 million

Preliminary Power Rate Effect for FY 2016-17

	A	B	C	D	E
	Change from BP-14 to 2014 Jan Initial IPR (FY16/17)		Change from BP-14 to 2014 Proposed IPR (FY 16/17)		Change from 2014 Jan Initial IPR to 2014 Proposed IPR
IPR COSTS	$(Million)	% Change in Rates	$(Million)	% Change in Rates	$(Million)
1 Columbia Generating Station	4	0.2%	(19)	-1.0%	(22)
2 Bureau of Reclamation	16	0.8%	16	0.8%	0
3 Corps of Engineers	19	0.9%	19	1.0%	(0)
4 Fish and Wildlife	15	0.8%	16	0.8%	0
5 Energy Efficiency	3	0.2%	1	0.1%	(2)
6 Internal Operations & Undistributed Reduction	9	0.4%	6	0.3%	(2)
7 Other Costs & Undistributed Reduction [1/]	(6)	-0.3%	(27)	-1.4%	(21)
8 **IPR Sub-total**	**60**	**3.0%**	**12**	0.6%	**(47)**
9 **Capital-Related Costs**[2/]	**49**	**2.4%**	**38**	2.0%	(11)
9a BP-14 Debt Mngmt Actions	85	4.2%	85	4.4%	-
Non-IPR Rate Analysis Costs & Credits					
10 Rate Discounts	3	0.1%	8	0.4%	5
11 Residential Exchange	16	0.8%	14	0.7%	(1)
12 Transmission and Ancillary Services	4	0.2%	13	0.7%	8
13 Net Power Purchase and Sale	(2)	-0.1%	(5)	-0.3%	(3)
14 4(h)10(C)	4	0.2%	4	0.2%	-
15 Generation Inputs	2	0.1%	2	0.1%	-
16 DSI Sales	(10)	-0.5%	(10)	-0.5%	1
17 Other Credits	(1)	-0.1%	(1)	0.0%	0
18 **Non-IPR Sub-total**	**16**	**0.8%**	**26**	1.3%	**10**
19 **Total Net Revenue Requirement**	**209**	10.4%	**161**	8.4%	**(48)**
20 Load Change to Rate		0.2%		0.3%	
21 **Total Change in Rate**		**10.6%**		**8.7%**	**-1.9%**

[1/] Includes Long Term Generating Projects, Operating Generation Settlement Payments (Colville), and Non-Operating Generation.

[2/] Includes Depreciation, Amortization, MRNR, Net Interest and Non-Federal Debt Service. Financing assumptions are based on current practice and do not reflect debt management actions proposed at the Oct. 23, 2013 Debt Management Workshop.

A Look at Capital Costs Related Components:

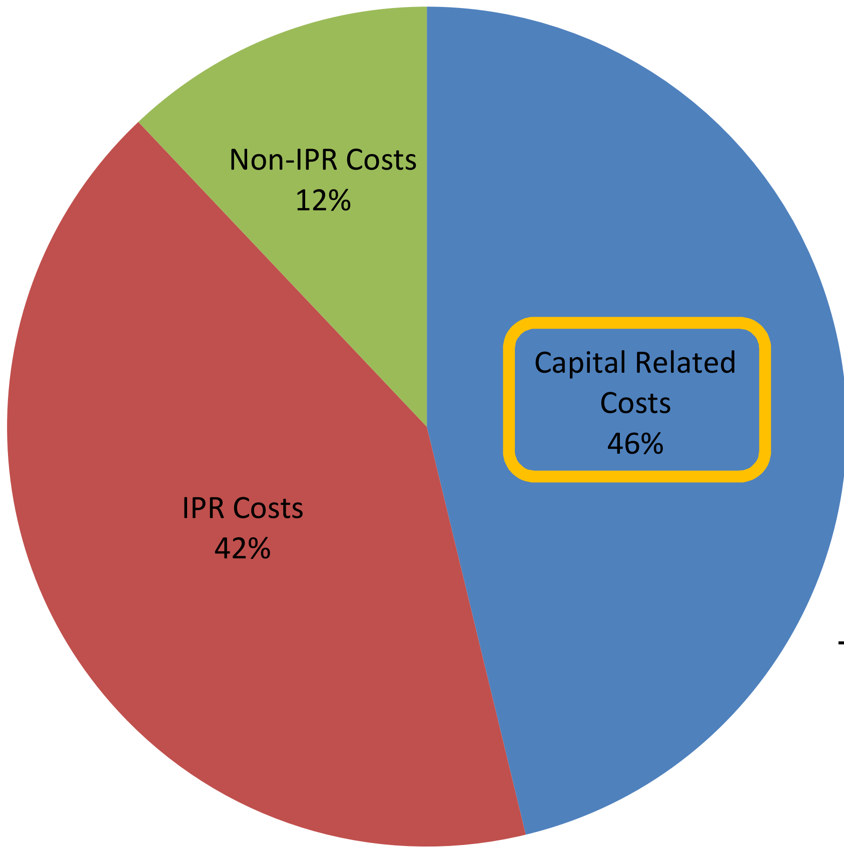
Revenue Requirement Elements for FY 16/17 as reflected in IPR slides

	POWER	A	B	C	D
	($thousands)	**2016**	**2017**	**Annual Average**	**Change from BP-14**
1	**Non-Federal Debt Service**	571,251	571,933	571,592	93,529
2	**Depreciation & Amortization**	233,400	248,805	241,102	14,238
3	**Interest Expense**				
4	On Appropriated Funds	229,810	226,992	228,401	6,919
5	Capitalization Adjustment	(45,937)	(45,937)	(45,937)	-
6	On Treasury Bonds	58,402	76,921	67,662	(782)
7	Non-Federal Interest	13,273	12,469	12,871	(1,537)
8	AFUDC	(6,160)	(4,749)	(5,455)	5,717
9	Interest Income	(9,863)	(17,044)	(13,454)	1,364
10	**Net Interest**	239,524	248,652	244,088	11,681
11	**Minimum Required Net Revenue** [1/]	3,524	3,524	3,524	3,524
12	Total Capital Related Costs	1,047,698	1,072,913	1,060,306	122,972

[1/] Added to ensure cash flow is sufficient to meet scheduled principal payments.

Transmission

Potential Transmission Revenue Requirement for BP-16



Average FY 14/15	$488 million
Average FY 16/17	$512 million
Delta	$24 million

Preliminary Transmission Rate Effect for FY 2016-17

		A	B	C	D	E	F
		Change from BP-14 to Jan Initial IPR (FY 16/17)		Change from BP-14 to 2014 Proposed IPR (FY 16/17)		Change from Jan Initial IPR to 2014 Proposed IPR	
	Expenses	$(Million)	% Change in Rates	$(Million)	% Change in Rates	$(Million)	
1	Operations	1	0.1%	11	1.0%	10	
2	Maintenance	6	0.5%	7	0.6%	1	
3	Engineering	1	0.1%	7	0.6%	7	
4	Internal Support & Undistributed Reduction	4	0.3%	4	0.4%	1	
5	**IPR Sub-total**	**12**	**1.0%**	**30**	**2.6%**	**18**	
6	Ancillary Services 1/	7	0.7%	13	1.1%	6	
7	Use of Reserves for Rate Relief 2/	20	1.8%	20	1.7%	0	
8	**Non-IPR Sub-total**	**27**	**2.4%**	**33**	**2.9%**	**6**	
9	**Capital Related Costs 3/**	**82**	**7.2%**	**24**	**2.1%**	**-58**	
10	**IPR & Non-IPR Change** (Row 5+8+9)	**121**	**10.6%**	**87**	**7.6%**	**-34**	**-3.0%**
11	**Revenues**		**-0.3%**		**-1.5%**		**-1.2%**
12	**Total Change in Rates** (Row 10+11) 4/		**10.3%**		**6.1%**		**-4.2%**

1/ The Ancillary Services forecast has been modified to reflect levels filed in the Errata to BP-14 Final Proposal.
2/ Use of reserves in BP-14 included $20 million/year for rate mitigation.
3/ Includes Net Interest Expense, Depreciation/Amortization and Minimum Required Net Revenues. Financing assumptions are based on current practice and do not reflect debt management actions proposed at the October 23, 2013 or the June 17, 2014 Debt Management Workshops.
4/ Change in rates reflects average across all segments.

A Look at Capital Costs Related Components:

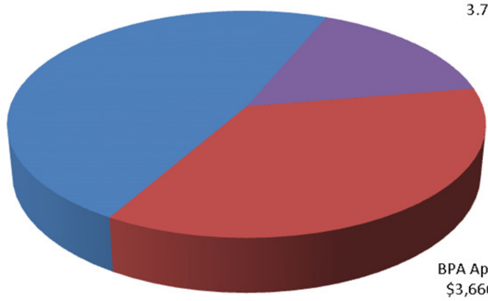
Revenue Requirement Elements for FY 16/17 as Reflected in IPR Slides

	TRANSMISSION	A	B	C	D
	($thousands)	2016	2017	Annual Average	Change from BP-14
1	**Depreciation & Amortization**	233,545	250,423	241,984	44,681
2					
3	**Interest Expense**				
4	Federal Appropriations	14,091	10,078	12,085	(2,314)
5	Capitalization Adjustment	(18,968)	(18,968)	(18,968)	-
6	On Long-Term Debt	122,496	149,140	135,818	13,372
7	Amortization of Capitalized Bond Premiums	561	561	561	-
8	Debt Service Reassignment Interest	31,431	23,072	27,252	(13,308)
9	Non-Federal Interest (Includes COI & LGIA)	48,913	50,282	49,598	7,210
10	Premiums/(Discounts)	-	(2)	(1)	(1)
11	AFUDC	(21,518)	(17,416)	(19,467)	18,389
12	Interest Income	(11,485)	(17,178)	(14,332)	(2,671)
13	**Net Interest Expense** (Sum Lines 2-10)	165,520	179,568	172,544	20,676
14					
15	**Minimum Required Net Revenue**	108,865	86,192	97,529	(41,268)
16					
17	**Total Capital Related Cost** (Lines 1+11+12)	507,930	516,183	512,057	24,090

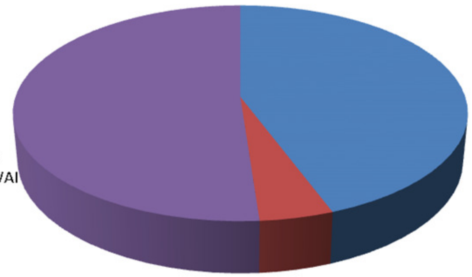
Debt and BPA – Background

Federal Columbia River Power System (FCRPS)
Total Liabilities to Federal and Nonfederal Parties
as of 9/30/2013
($ millions)

Generation



Transmission

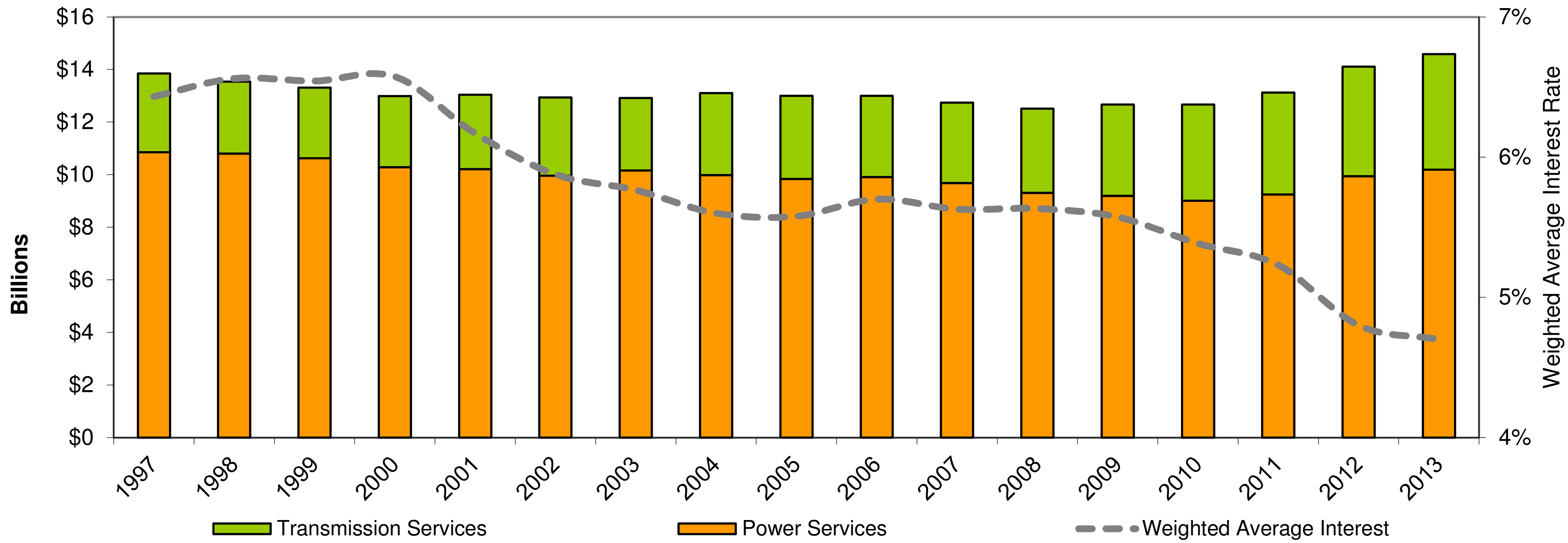


$ millions	Generation		Transmission		Total	
	Liabilities Outstanding	WAI Rate	Liabilities Outstanding	WAI Rate	Liabilities Outstanding	WAI Rate
Total Appropriations [1/]	3,666	6.0	201	7.2	3,867	6.1
Total Bonds Issued to Treasury	1,632	3.7	2,253	3.9	3,885	3.8
Total Federal Liabilities	$5,298	5.3	$2,454	4.2	$7,752	5.0
Total Nonfederal Liabilities	$4,887	4.5	$1,950	4.2	$6,837	4.4
Total FCRPS Liabilities	$10,185	4.9	$4,404	4.2	$14,589	4.7

1/ Federal Appropriation amounts are less than the amount per the FCRPS financial statements because the repayment obligation does not begin until the related assets are placed in service. Appropriation amounts exclude appropriations for construction work still in progress (CWIP), which was $194.2 million in FY 2013. Unspent appropriations received by the COE and BOR as well as some adjustments are also excluded.

NOTE: This data does not include irrigation assistance liability of $606.9 million at zero percent interest.

FCRPS – Total Liabilities Over Time



- Each year, BPA pays off both principal and interest.
- BPA continues to invest into the FCRPS and CGS.
- BPA's total liabilities have remained stable over time.
- BPA's weighted average interest rate has decreased significantly over time, in part due to the Debt Optimization Program.

DEBT MANAGEMENT

Recent and Proposed Actions

The Asset/Liability Matching Program

- In FY 2010, BPA Treasury implemented a $45 million asset/liability matching pilot program which was increased to $100 million for the following year.
  - Debt that would otherwise be issued with long-term fixed interest rates is issued with short-term variable rate, matching a like portfolio of short-term investments, lowering interest cost and minimizing risk.
  - Interest rate resetting and re-investment pricing are matched to minimize risk.
- This program has exceeded expectations: spreads between borrowings and investments have been extremely tight over the past several years creating larger than anticipated savings. No other issues have developed or revealed themselves.
- In FY 2012, BPA Treasury increased the size of the matching program to $300 million. This amount was targeted because it was tied to the previously adopted working capital number used in the rate setting process.

The Asset/Liability Matching Program, continued

- In April 2014, after evaluation by BPA's Enterprise Risk group, BPA Treasury received approval to increase the size of the program to $700 million, which is just over 4% of BPA's debt portfolio.
  - The targeted completion date of the expanded program is the end of FY 2015.
  - Upon satisfying the $700 million target of variable rate debt, it will be hedged by short term investments.
- Under the current interest rate assumptions, the program is expected to capture over $35 million of interest savings by the end of FY 2017.
  - Total savings for Power are estimated to be $16 million.
  - Total savings for Transmission are estimated to be $19 million.
  - In addition to the increased size of the matching program, savings are also due to:
    - A more refined borrowing plan issuing debt to the anticipated expected repayment date.
    - Updated interest rate forecasts.

Debt Optimization and Regional Cooperation Debt

Background

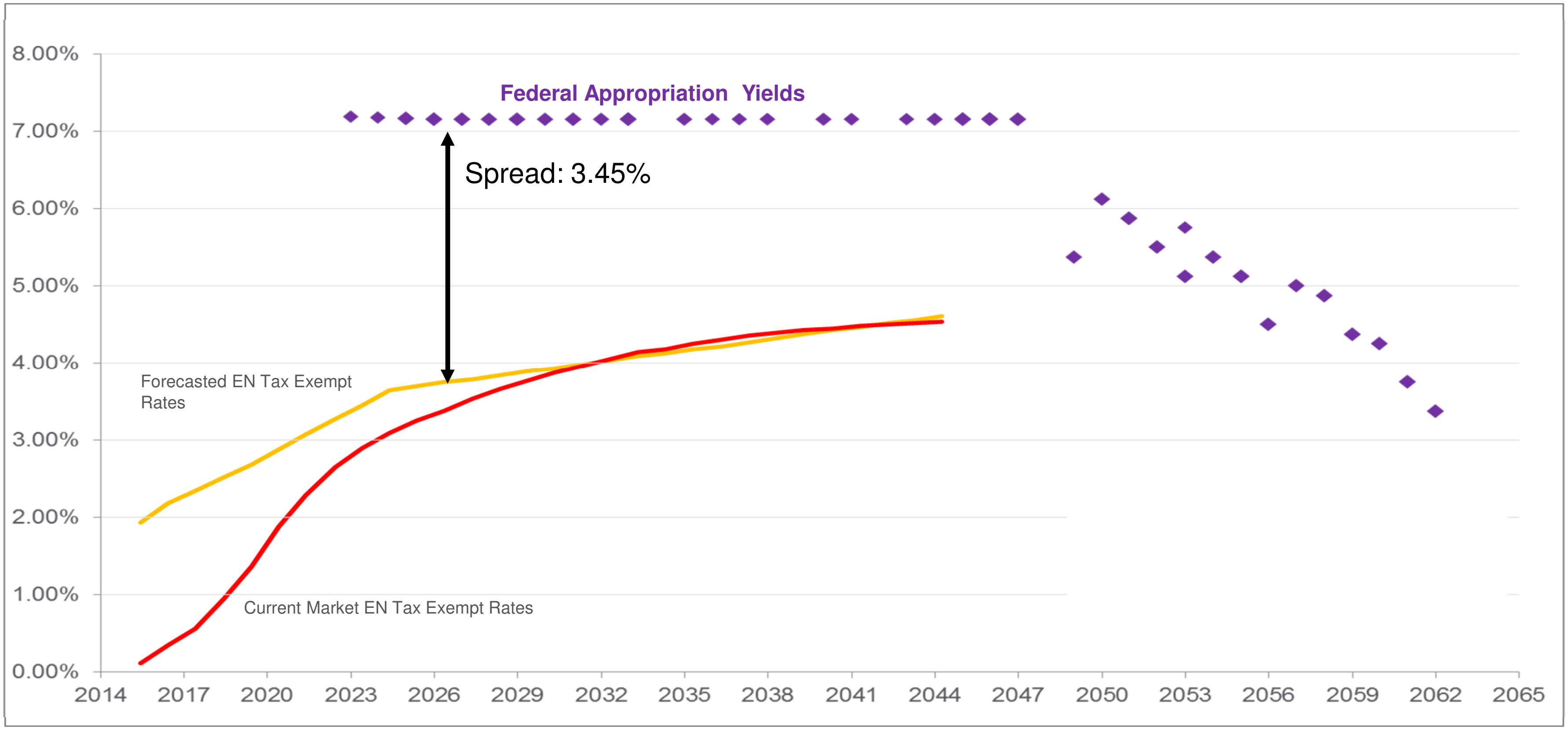
- BPA and EN have been working closely together to provide enormous financial value to the Region for over 25 years through coordinated management of the debt issued by Energy Northwest for CGS and Projects 1 and 3, EN's other two net billed projects. In the past, these mutually supported debt management actions have reduced pressure on BPA's revenue requirements and rates innumerable times.
- Through the Debt Optimization Program (2001-2009), BPA collaborated with EN to refinance debt and restore U.S. Treasury Borrowing Authority.
- Debt Optimization was a successful program.
  - It restored over $2 billion in U.S. Treasury Borrowing Authority, allowing for additional investments into the Federal Columbia River Power System.
  - It helped to reduce BPA's weighted average interest rate by 1%, saving an estimated $500 million in interest expense savings for the ratepayers of the Pacific Northwest.
- Debt Optimization allowed BPA to invest in assets for the region at lower costs.

Debt Optimization and Regional Cooperation Debt

Background

- The Debt Optimization transactions used the EN debt for the region under a comprehensive debt management plan.
- In 2012, EN received license extension for Columbia Generation Station (CGS), allowing operation until 2044.
    - As a result, EN began issuing new debt associated with CGS to mature as late as 2044 to match the current license period.
- To reflect the notion that CGS and Projects 1 and 3 debt extended is debt borne by the Region in BPA's rates and is being extended for the benefit of the Region's ratepayers as an integral part of all BPA's debt, BPA and EN have agreed that all such debt so extended will be reflected where practical and germane as "Regional Cooperation Debt."

Outstanding Yields vs. Borrowing Rates



- Much of BPA's Federal Appropriations carry high interest rates.
- By refinancing Federal Appropriations with Regional Cooperation Debt, Energy Northwest can provide ratepayers with long-term financial sustainability at lowest cost.

Regional Cooperation Debt

Background

- BPA and EN, under a comprehensive debt portfolio management (Federal and Nonfederal), have the unique opportunity to leverage EN's ability to issue low interest rate tax-exempt debt and extract clear economic benefits for the region.
  - BPA currently has a significant amount of ~7% Federal Appropriations outstanding.
  - Using EN's low-cost debt as a refinancing tool provides a clear way to reduce interest expense for the region.
- Extending EN debt to enable the prepayment of Federal obligations does not equal an extension of aggregate ratepayer obligations.
  - BPA rates recover both Federal and Nonfederal debt service payments.
  - Prior actions to pay down Federal obligations, including Debt Optimization, did not defer aggregate ratepayer obligations.

Regional Cooperation Debt

Background

- BPA has formally asked the EN Executive Board to consider an extension of all eligible CGS Regional Cooperation Debt attributed to the Power Business Line maturing in FY 2016-24.
- BPA has formally asked the EN Executive Board to consider an extension of all eligible Projects 1 and 3 Regional Cooperation Debt attributed to the Power Business Line maturing in FY 2014-18 and paying a like amount of Federal debt within a reasonable period of time.

EN Regional Cooperation Debt Refinancing

- Currently, all Regional Cooperation Debt for EN Projects 1 and 3 matures by 2018, and CGS matures by 2024.
- Projects 1 and 3 debt can currently be extended at tax-exempt rates to 2028.
- Each year on July 1st, BPA and EN pay off a portion of this debt, permanently decreasing the amount available for extension.
  - To preserve the option while this scenario is being evaluated, BPA and EN are issuing a short-term bond anticipation note to defer the final repayment date of Projects 1 and 3 debt otherwise maturing on July 1, 2014.

EN's low-cost Projects 1 and 3 Regional Cooperation Debt could be refinanced to enable BPA to pre-pay higher interest rate U.S. Treasury debt, reducing interest expense and extending BPA's access to U.S. Treasury Borrowing Authority.

Benefits of Regional Cooperation Debt Refinancing

- Between now and 2024, $3.3 billion of Regional Cooperation Debt associated with the Power Business Line is maturing.
- By collaborating with EN to refinance Regional Cooperation Debt, BPA can pay off high interest rate (~7%) Federal Appropriations and (~5%) Federal Bonds.
  - Federal Appropriations are obligations owed by BPA to the U.S. Treasury for funds appropriated to BPA and other Federal agencies for the original construction and ongoing capital additions of the Federal Columbia River Power System, including the original investments in the dams.
  - Federal Appropriations are currently the most expensive debt in BPA's portfolio. The spread between BPA's Federal Appropriation interest rates and BPA/EN forecasted tax-exempt interest rates is ~3.5%.

EN can provide the lowest cost borrowing to help meet future capital needs.

Benefits of a Regional Cooperation Debt Refinancing

- Scenarios that refinance the Regional Cooperation Debt to pay Federal debt could:
  - Improve the long-term financial health of BPA and the region.
  - Help lower interest expense and stabilize capital-related revenue requirement.
  - Restore reliable U.S. Treasury Borrowing Authority to continue solving the access to capital challenge.
  - Not extend BPA's weighted average maturity.
  - Not increase BPA's weighted average interest rate.

Debt Management Scenarios

For discussion on June 17th:

- Scenario One: CGS Regional Cooperation Debt Refinancing
- Scenario Two: EN (CGS and Projects 1 and 3) Regional Cooperation Debt Refinancing

On June 26th, BPA will conduct a second debt management meeting including an illustration of future debt management opportunities enabled by the Regional Cooperation Debt Refinancing Program.

- Scenario Three: Expensing Conservation
- Scenario Four: CGS Regional Cooperation Debt Reshaped
- Scenario Five: BPA Capital Projection Sensitivity

SCENARIO ONE:

CGS REGIONAL COOPERATION DEBT REFINANCING

Scenario One

Proposed Debt Management Actions

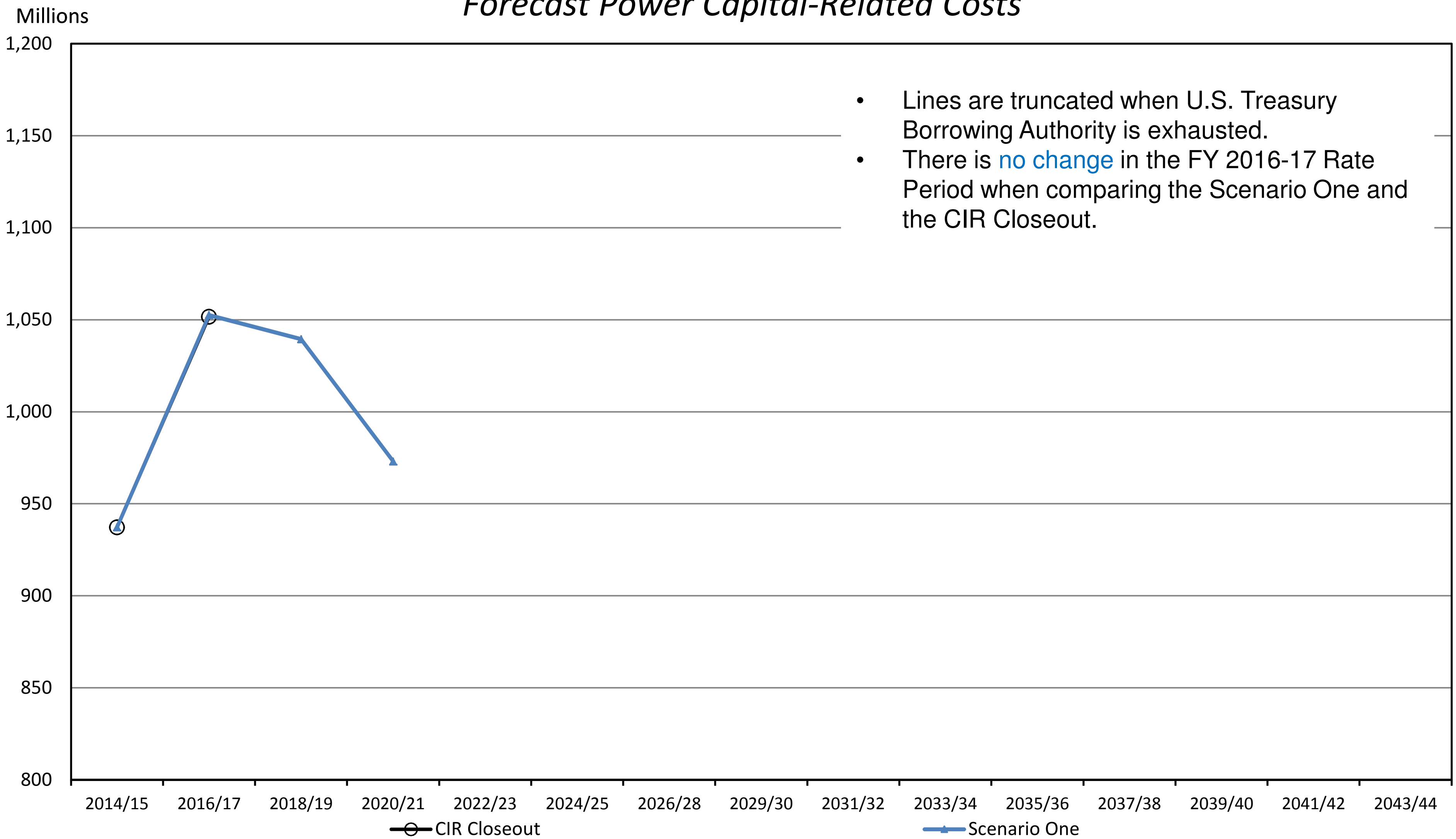
- **CGS Regional Cooperation Debt Refinancing**
  - Extends $1,514 million of CGS Regional Cooperation Debt associated with the Power Business Line maturing in 2016-24.
  - Pays off $1,514 million additional high interest rate Federal debt by 2024.
  - Includes a 50% Lease Purchase Program and 70% Nonfederal Conservation Financing as part of the U.S. Treasury Borrowing Authority graph.

CGS Regional Cooperation Debt Power (thousands) Current Scheduled Maturities	
2014*	0
2015*	0
2016	2,685
2017	2,825
2018	46,455
2019	219,380
2020	231,451
2021	242,458
2022	261,794
2023	266,225
2024	240,704
Total	**1,513,977**

*The 2014 and 2015 CGS Regional Cooperation Debt Refinancing's were included in the base case, and do not provide incremental benefit

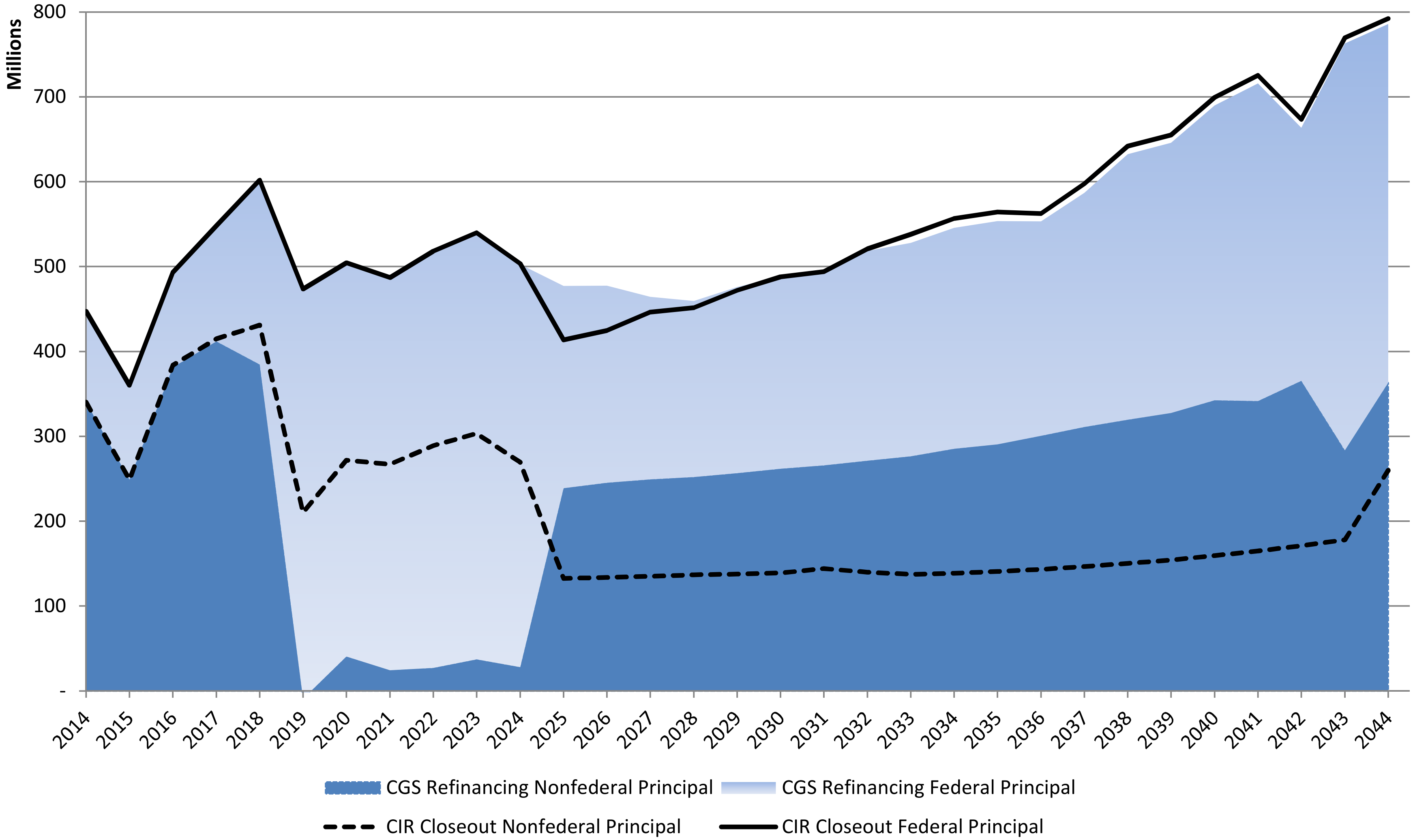
Scenario One: CGS Regional Cooperation Debt Refinancing

Forecast Power Capital-Related Costs



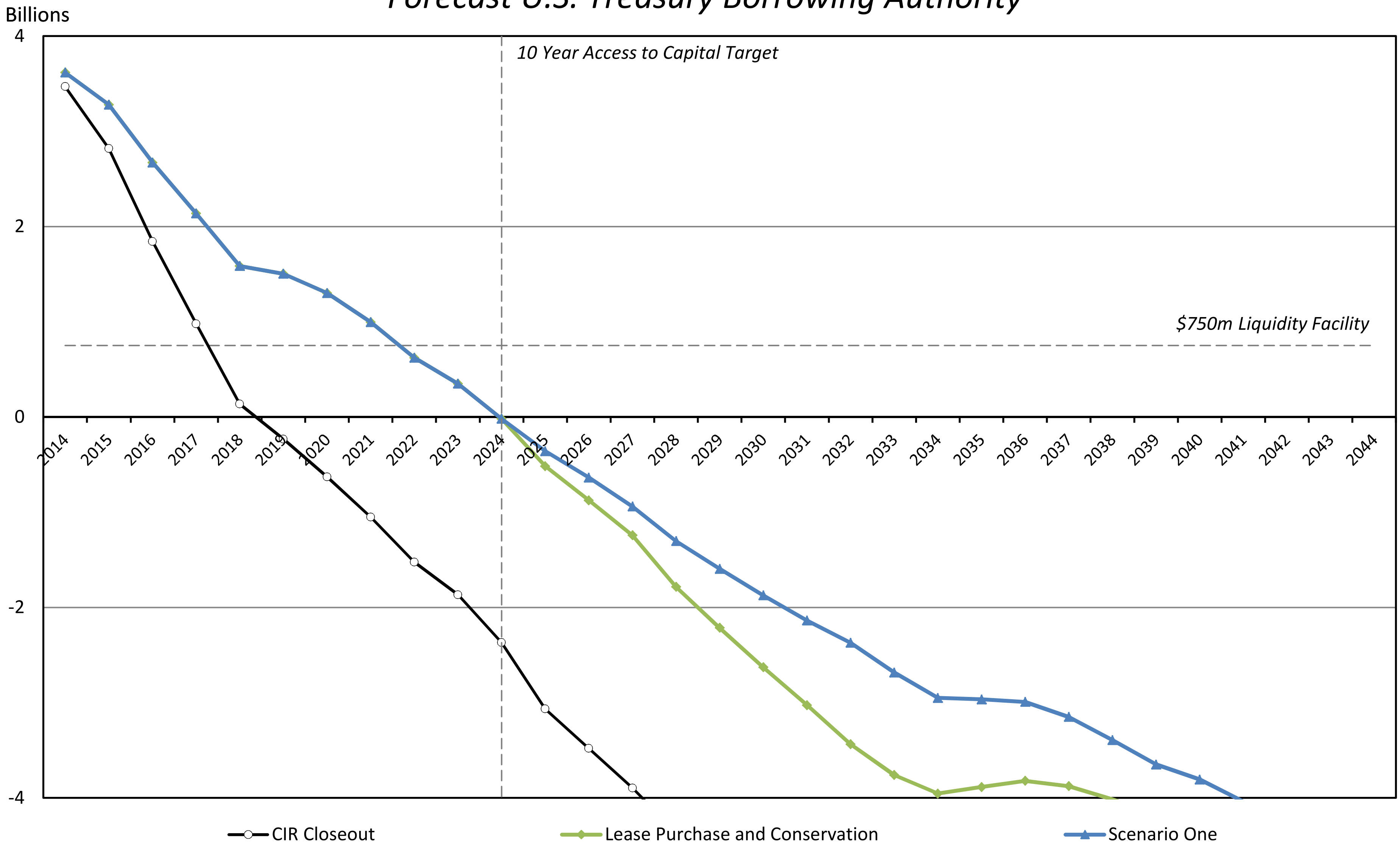
Scenario One: CGS Regional Cooperation Debt Refinancing

Forecast Power Principal Payments



Scenario One: CGS Regional Cooperation Debt Refinancing

Forecast U.S. Treasury Borrowing Authority



Scenario One: CGS Regional Cooperation Debt Refinancing

- There is no change in the FY 2016-17 Rate Period capital-related costs when comparing the Scenario One and the CIR Closeout.
- Refinancing all of the CGS Regional Cooperation Debt for the Power Business Line:
  - Decreases interest expense.
  - Increases principal repayment.
  - Restores U.S. Treasury Borrowing Authority.

Scenario One		
Action (millions)		
Regional Cooperation Debt Refinanced	$1,514	
Additional Federal Debt Repaid	$1,514	

Benefits (millions)	2014-28	2014-44
Estimated Interest Savings	$111	$139
Estimated U.S. Treasury Borrowing Authority Restored	$480	$87
Estimated Annual Average Change in Power Capital-Related Costs	$2	-$2
U.S. Treasury Borrowing Authority Available Until	2021	
Change in Weighted Average Maturity (years)	-2.3	-0.2

SCENARIO TWO:

EN REGIONAL COOPERATION

DEBT REFINANCING

Scenario Two

Proposed Debt Management Actions

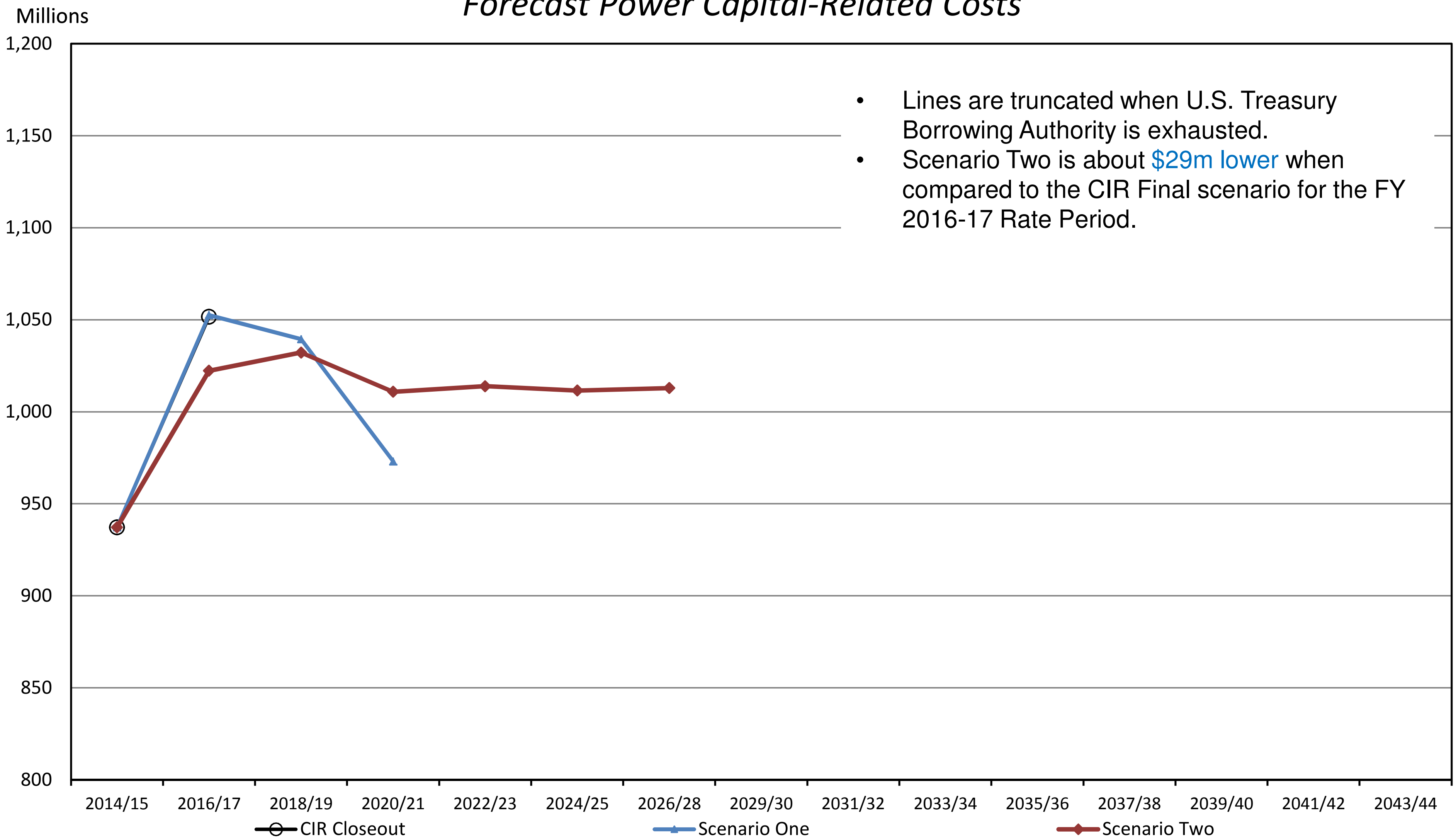
- **EN Regional Cooperation Debt Refinancing**
  - Extends $3,260 million of EN Regional Cooperation Debt (Projects 1 and 3, and CGS) associated with the Power Business Line maturing in 2014-24.
  - Pays off $3,260 million additional high interest rate Federal debt by 2024.
  - Includes a 50% Lease Purchase Program and 70% Nonfederal Conservation Financing as part of the U.S. Treasury Borrowing Authority graph.

EN Regional Cooperation Debt Power (thousands) Current Scheduled Maturities				
	Project 1	CGS	Project 3	Total
2014*	235,438	0	85,177	320,615
2015*	137,683	0	91,630	229,313
2016	214,320	2,685	169,860	386,865
2017	241,850	2,825	140,505	385,180
2018	0	46,455	429,800	476,255
2019	0	219,380	0	219,380
2020	0	231,451	0	231,451
2021	0	242,458	0	242,458
2022	0	261,794	0	261,794
2023	0	266,225	0	266,225
2024	0	240,704	0	240,704
Total	**829,291**	**1,513,977**	**916,972**	**3,260,240**

*The 2014 and 2015 CGS Regional Cooperation Debt Refinancing's were included in the base case, and do not provide incremental benefit

Scenario Two: EN Regional Cooperation Debt Refinancing

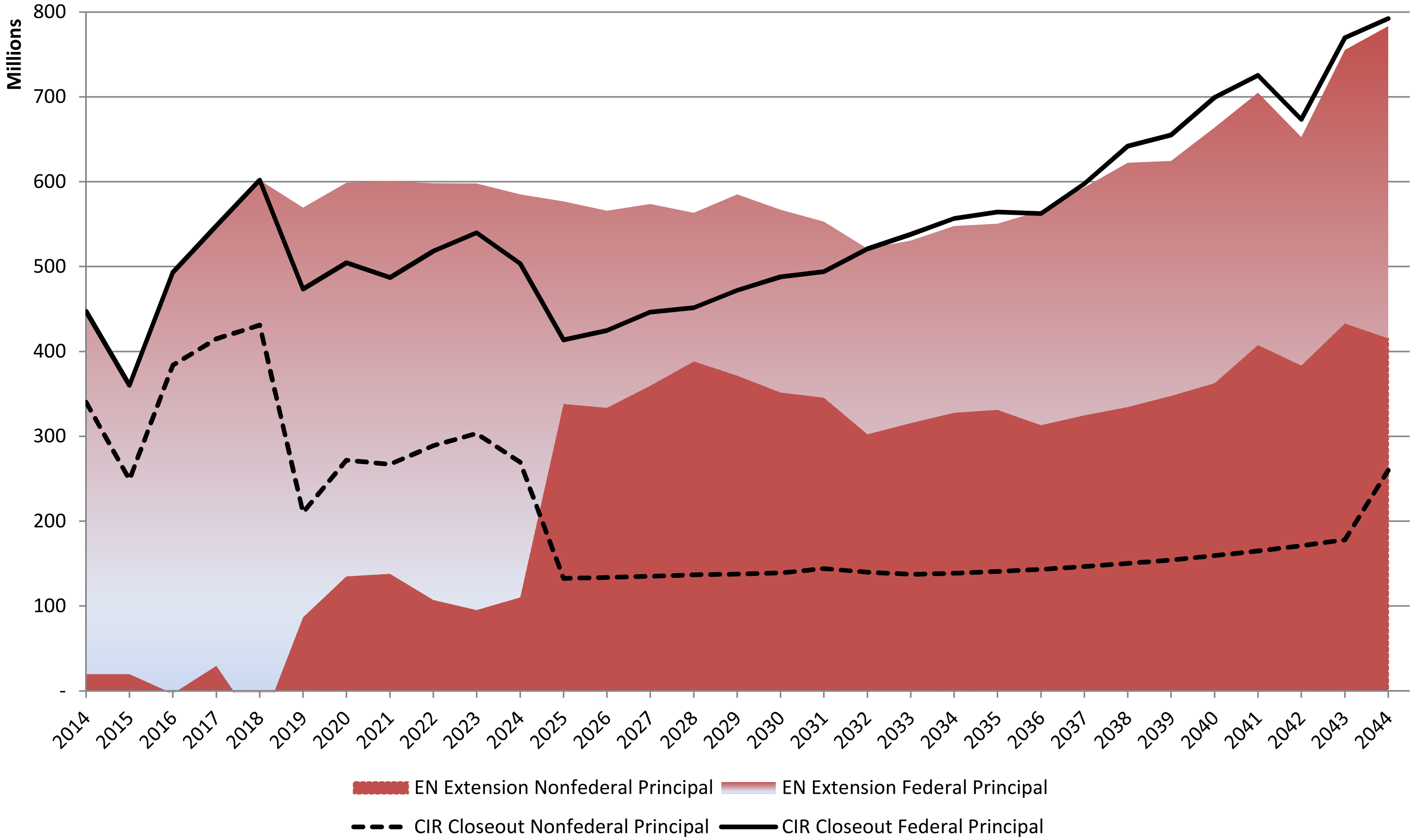
Forecast Power Capital-Related Costs



- Lines are truncated when U.S. Treasury Borrowing Authority is exhausted.
- Scenario Two is about $29m lower when compared to the CIR Final scenario for the FY 2016-17 Rate Period.

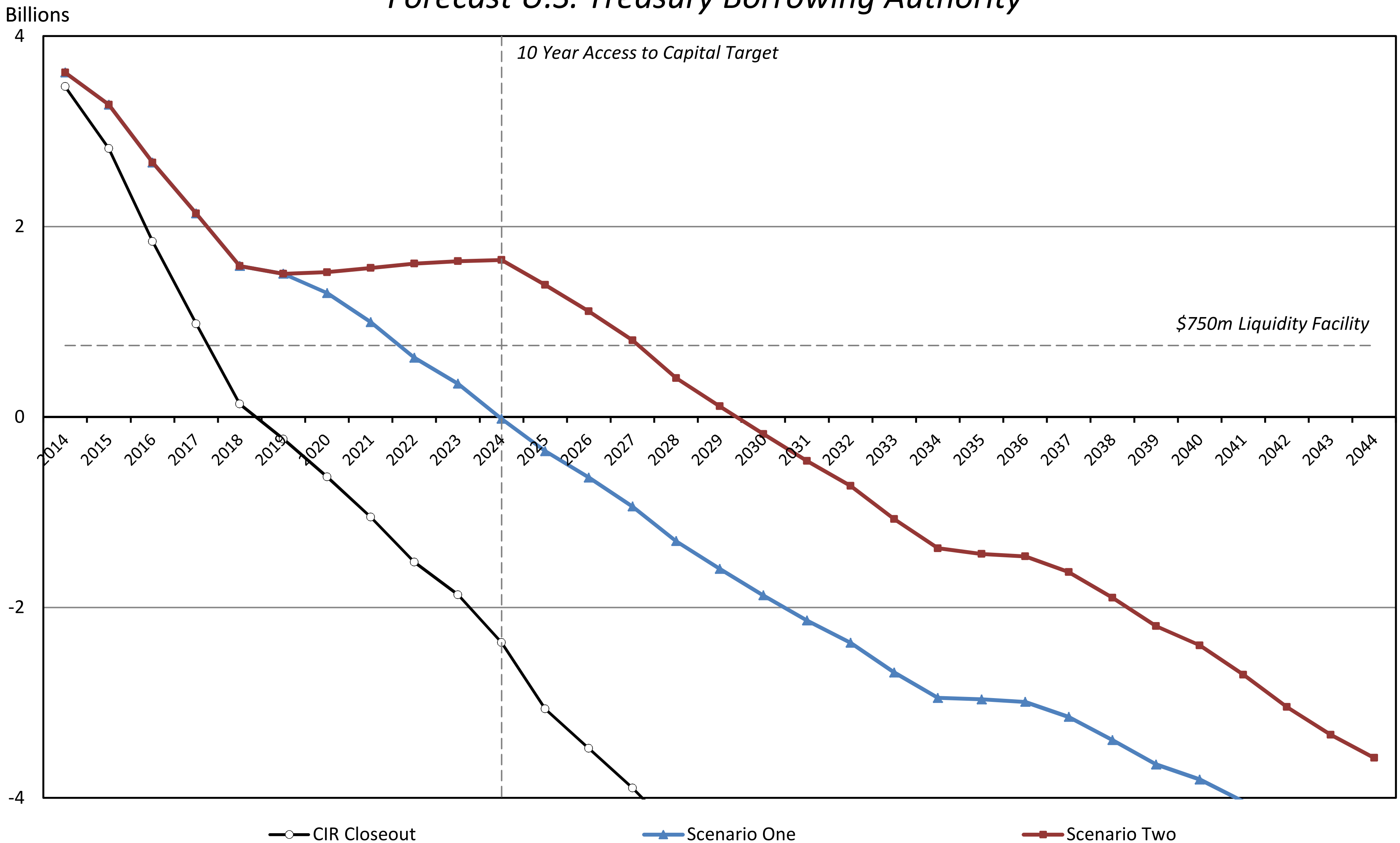
Scenario Two: EN Regional Cooperation Debt Refinancing

Forecast Power Principal Payments



Scenario Two: EN Regional Cooperation Debt Refinancing

Forecast U.S. Treasury Borrowing Authority



Scenario Two: EN Regional Cooperation Debt Refinancing

- Scenario Two's capital-related costs are about $29m lower per year when compared to the CIR Close out for the FY 2016-17 Rate Period.
- This equates to an approximate additional 1.5% reduction in Power FY 2016-17 rates.
- Extending all of the EN Regional Cooperation Debt for the Power Business Line:
  - Decreases interest expense.
  - Increases principal repayment.
  - Restores U.S. Treasury Borrowing Authority.
  - Mitigates near-term increases of the Power Business Line's capital-related costs

Scenario Two	
Action (millions)	
Regional Cooperation Debt Refinanced	$3,260
Additional Federal Debt Repaid	$3,260

Benefits (millions)	2014-28	2014-44
Estimated Interest Savings	$790	$1,750
Estimated U.S. Treasury Borrowing Authority Restored	$2,193	$1,178
Estimated Annual Average Change in Power Capital-Related Costs	$17	-$19
U.S. Treasury Borrowing Authority Available Until	2027	
Change in Weighted Average Maturity (years)	-1.6	-1.7

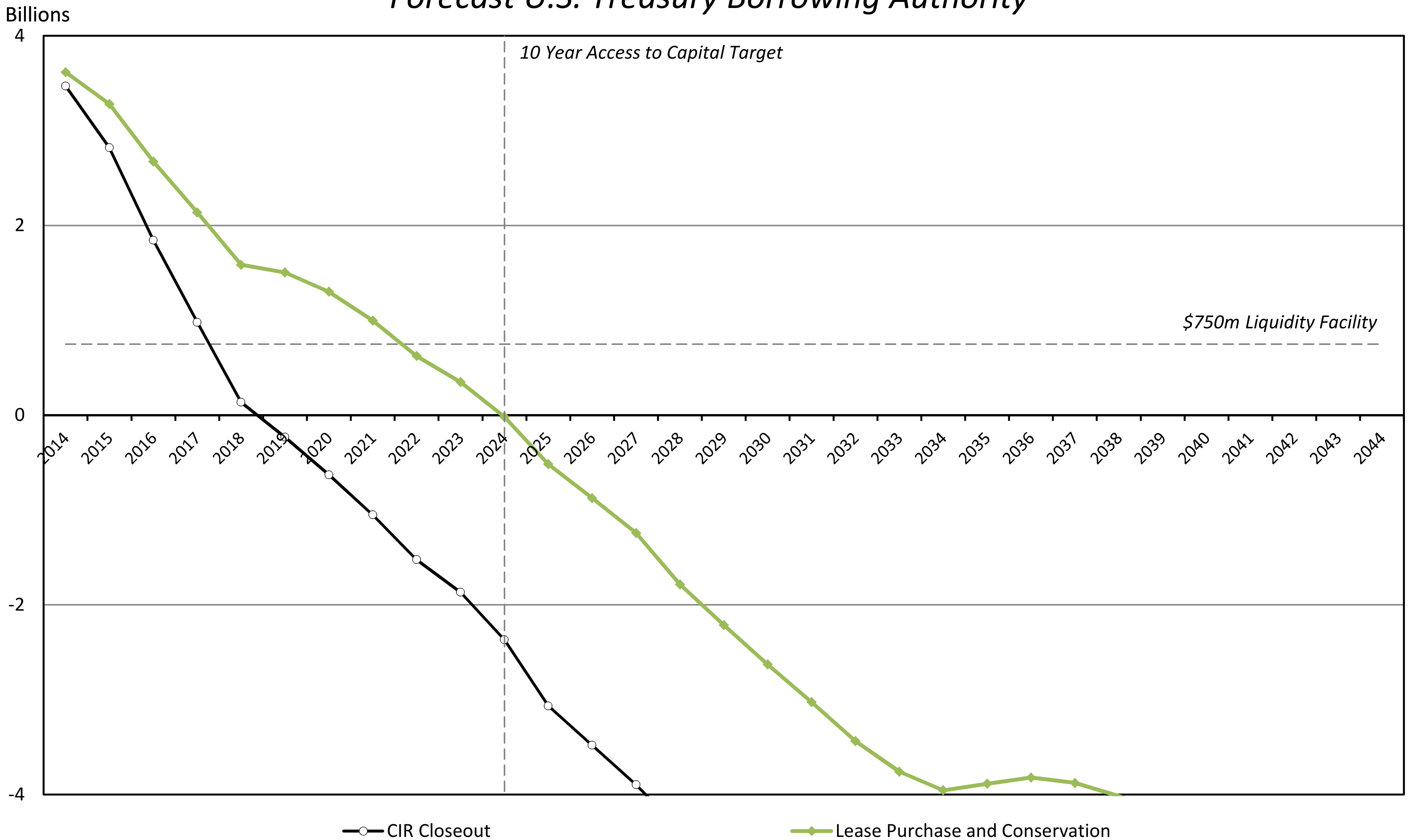
ACCESS TO CAPITAL

Access to Capital

- In addition to U.S. Treasury Borrowing, BPA assumes the use of numerous Capital financing tools in order to reach its goal of having 10-years of access to U.S. Treasury Borrowing Authority.
- Using only a combination of 50% Lease Purchase Program and 70% Nonfederal Conservation Financing beginning in 2016, BPA is not able to demonstrate access to U.S. Treasury Borrowing Authority through 2024.
  - Sustaining U.S. Treasury Borrowing Authority through 2024 is contingent on EN Regional Cooperation Debt Refinancing or other capital sources like Power Prepays, Revenue/Reserve Financing or lower capital spend thresholds.

Lease Purchase Program and Conservation

Forecast U.S. Treasury Borrowing Authority



Recommendation

Scenario Two, the strategic refinancing of EN Regional Cooperation Debt is a financially prudent action which:

- Decreases interest expense.
- Increases principal repayment.
- Mitigates near term increases of the Power Business Line’s capital-related costs.

Next Steps

- On June 26th from 1-4 in the rates hearing room, BPA will host a follow-up Debt Management meeting.
- The debt management process will have a public comment period from June 18th to July 11th. BPA would appreciate comments on:
    - Proposed refinancing of EN Regional Cooperation Debt.
    - Initial scenarios and additional thoughts on BPA's longer-term debt strategy.
- BPA will be publishing its Initial Rate Proposal for BP-16 in November. Any debt management actions that are to be assumed in BP-16 need to be decided on by the middle of August.
    - BPA will ask the EN Executive Board for a letter of support for the refinancing of the Projects 1 and 3 July 1, 2015 – July 1, 2017 maturities.

Financial Disclosure

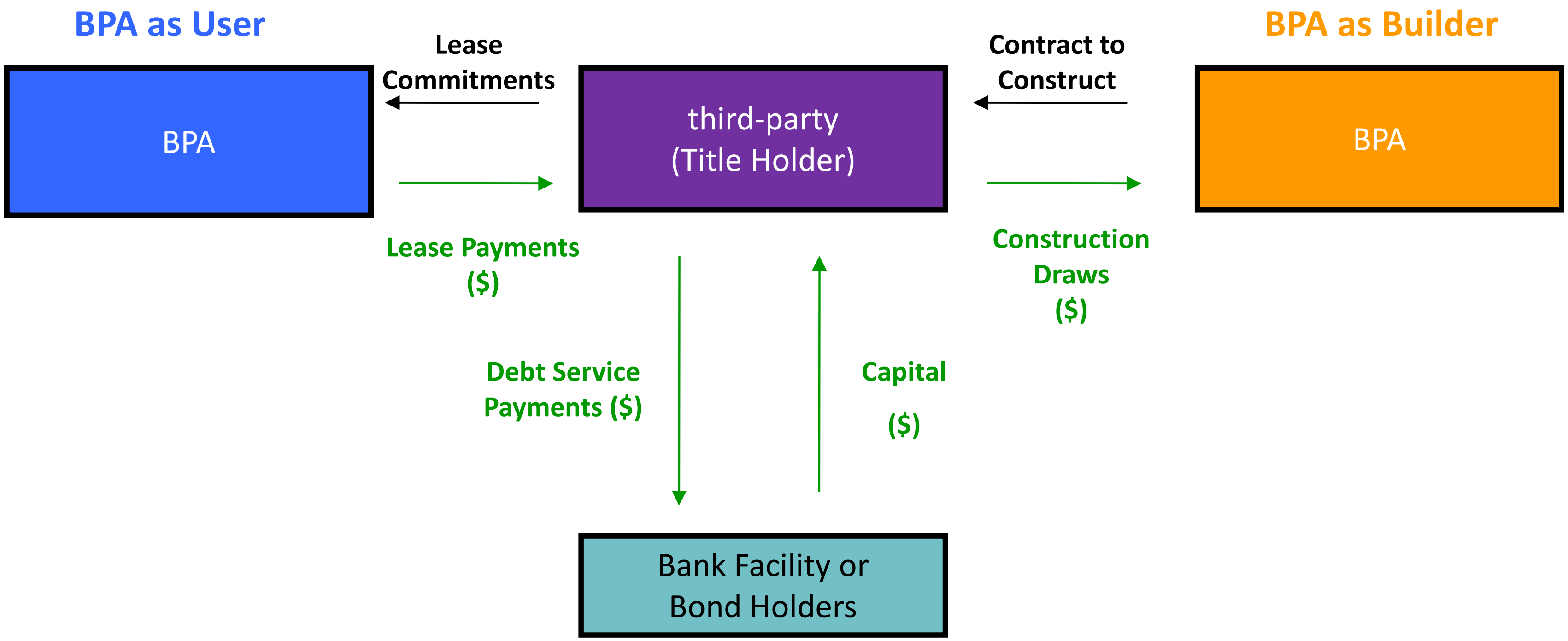
This information has been made publically available by BPA on June 16th, 2014 and contains information not reported in agency financial statements.

Forecast and projections shown in this presentation are contingent on a number of factors including interest rates, capital forecasts, and other factors.

APPENDIX

LEASE PURCHASE PROGRAM

Lease Purchase Program



- Preserves U.S. Treasury Borrowing Authority.
- BPA retains full use and benefit of the assets.

Lease Purchase Program

- BPA enters into a series of individual lease commitments with one or more third parties.
- BPA's lease payment commitments are made regardless of whether the related facility is completed, operable, or operating.
- The third-party irrevocably pledges BPA lease payments to the payment of bank loans or other debt.
- The related project assets are not pledged as collateral.
- The third-party initially holds title to the assets, but BPA obtains full benefit and use of the assets.
- BPA pays all costs to operate and maintain the assets.
- At the end of the lease, BPA will acquire title to the assets for a nominal charge.
- BPA has only used this mechanism to finance Transmission capital projects.
  - BPA does not own the Corps of Engineers and Bureau of Reclamation assets
  - Conservation and Fish & Wildlife capital are intangible assets and BPA typically doesn't hold title.
- Lease financing cannot be used for all Transmission capital projects. Land and access roads are some examples of projects that are excluded from the program.
- Assets not leased initially become a permanent lost opportunity for preserving borrowing authority.

Lease Purchase Program

- BPA has implemented two types of lease purchasing:

  1. The third-party can issue long-term bonds to finance the construction of the asset. This method is used primarily to finance stand alone, large projects such as the Schultz-Wautoma line. In this situation, BPA enters into a long-term lease with the third-party to match the terms of the financing.

  2. The third-party may use funds from a short-term line of credit to finance the construction. This structure is also used to finance multiple smaller projects. BPA enters into a short-term lease with the third-party (seven years) to match the terms of the financing. After the construction of the assets is complete, the third-party issues long-term bonds and renegotiates the term of the lease to reflect the remaining useful lives of the related assets.

     – Project completion guarantee's that BPA and the issuer know construction costs, thus mitigating the risk of over or under borrowing.

     – By pooling short-term leases the costs of issuance also decreases due to a reduction in the number of transactions that take place.

Lease Purchase Program

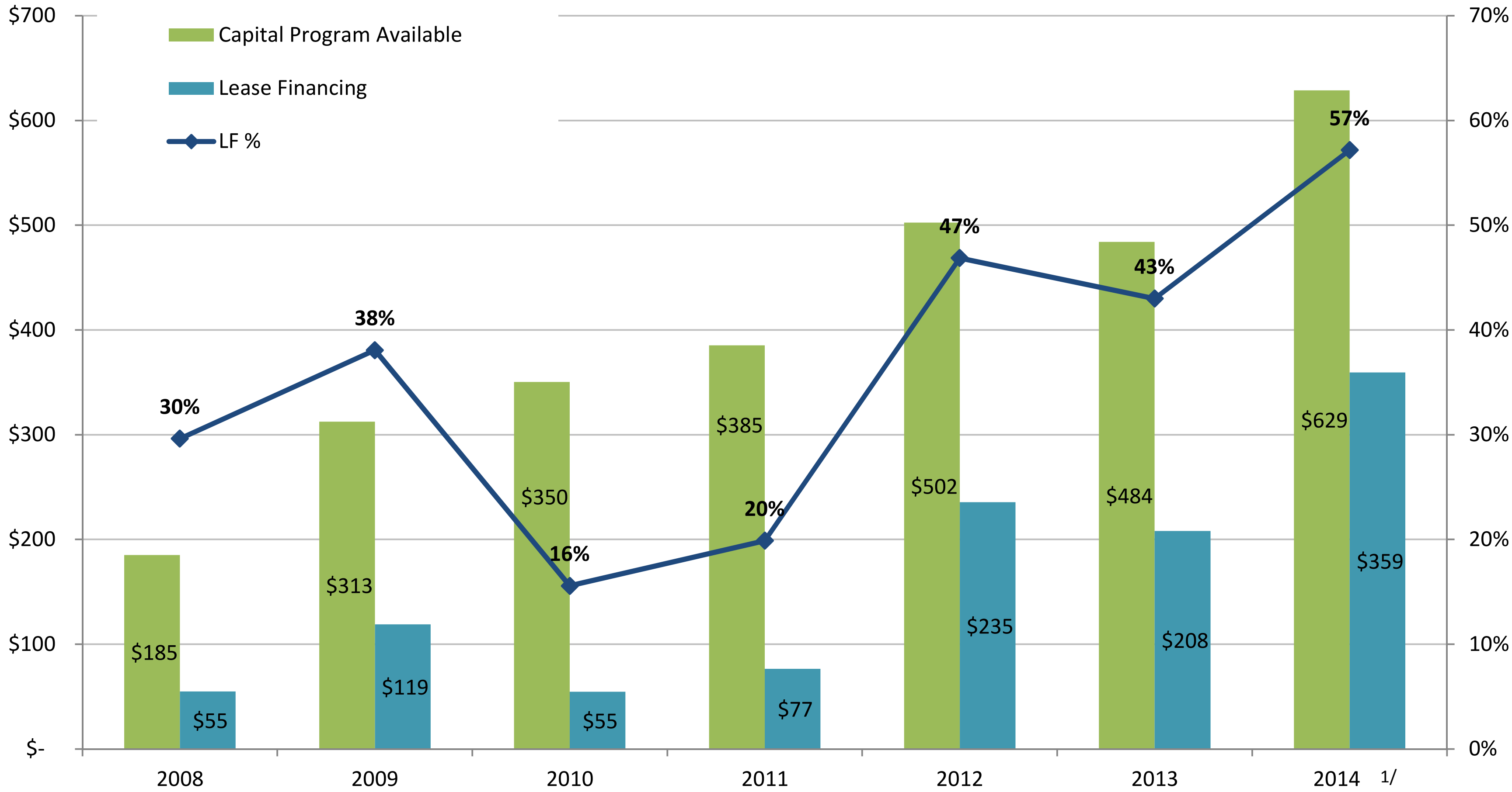
- Since the start of the Lease Purchase program in 2004, BPA has entered into roughly $1.1 billion leases for projects located in three different states with six different third parties:
  - BPA has lease agreements with the Northwest Infrastructure Financing Corporation (NIFC), NIFC III, NIFC IV, NIFC V, and NIFC VI. All of these third parties are bankruptcy remote, special purpose entities under Global Securitization Services.
  - BPA also has four lease agreements with the Port of Morrow, (PoM) a municipal corporation and port district in the State of Oregon.

Lease Financing Program	Leases Signed	All-In WAI	Expiration	Remaining Available
NIFC	120	5.52%	1/1/34	0
NIFC III	200	4.11%	1/1/15	0
NIFC IV	100	4.24%	1/1/16	0
NIFC V	118	2.81%	7/1/16	0
NIFC VI	197	2.35%	1/1/19	3
PoM 001	85	3.76%	9/1/42	0
PoM 002	100	2.49%	3/1/20	0
PoM 003	200	3.02%	9/18/20	0
PoM 004	52	3.01%	2/20/21	148
Total 1/	**1,171**	**3.46%**		**151**

1/ Includes the operating costs of the leases

Lease Purchase Program

Capital Spending by Year



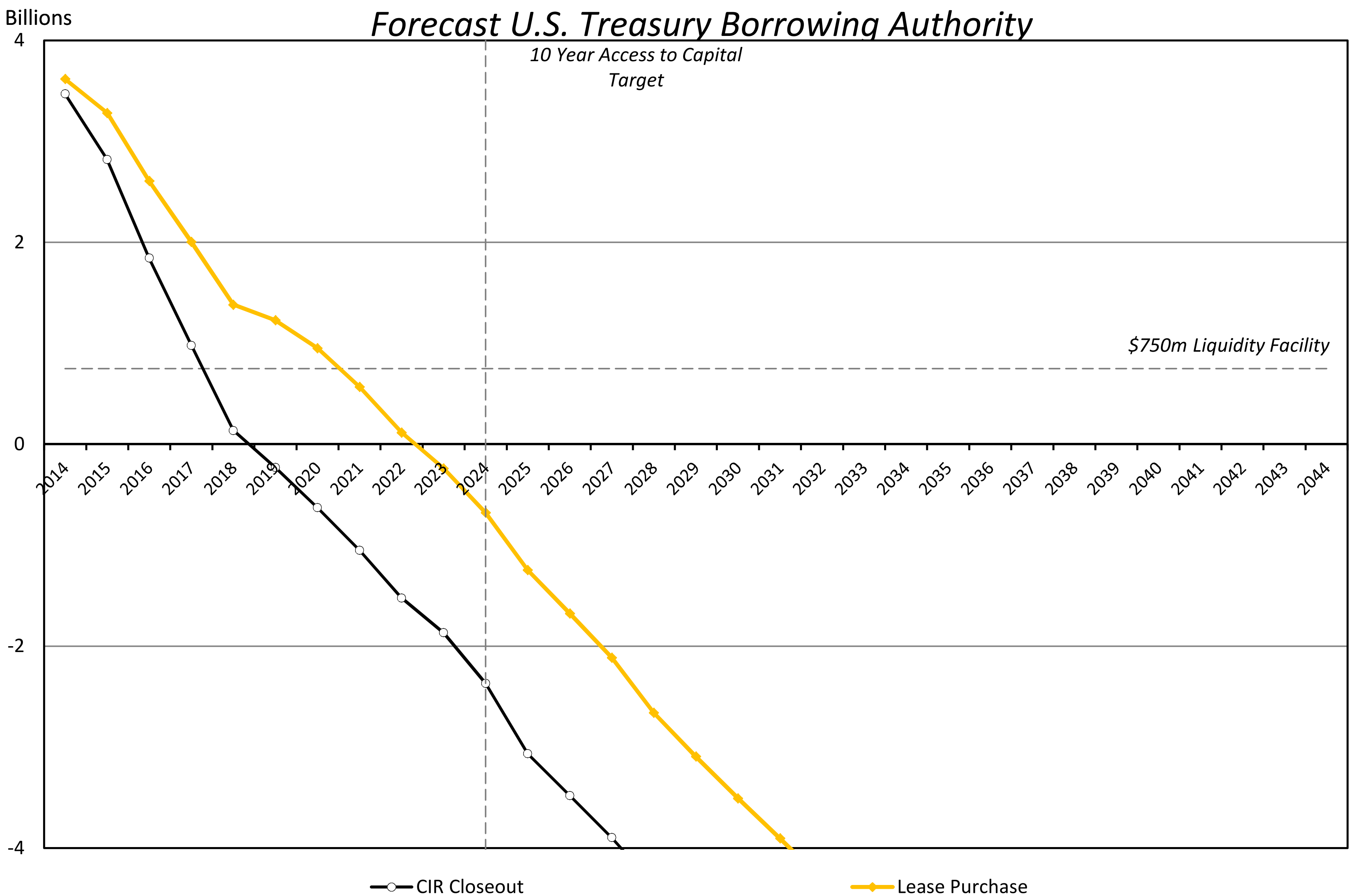
1/ Current fiscal year amounts for capital program available are based on forecasts as reported in Q2.

Lease Purchase Program

- **Challenges:** Access to Lines of Credit–this issue only affects the Lease Purchase program whereby the third-party uses a line of credit to finance the initial investment.
  - A seven year repayment term on the short-term line of credit is a requirement for the Lease Purchase program. During the financial crisis, it was difficult to obtain lines of credit sufficient to provide enough capital for the duration of the term. There continues to be a risk to the availability of credit.

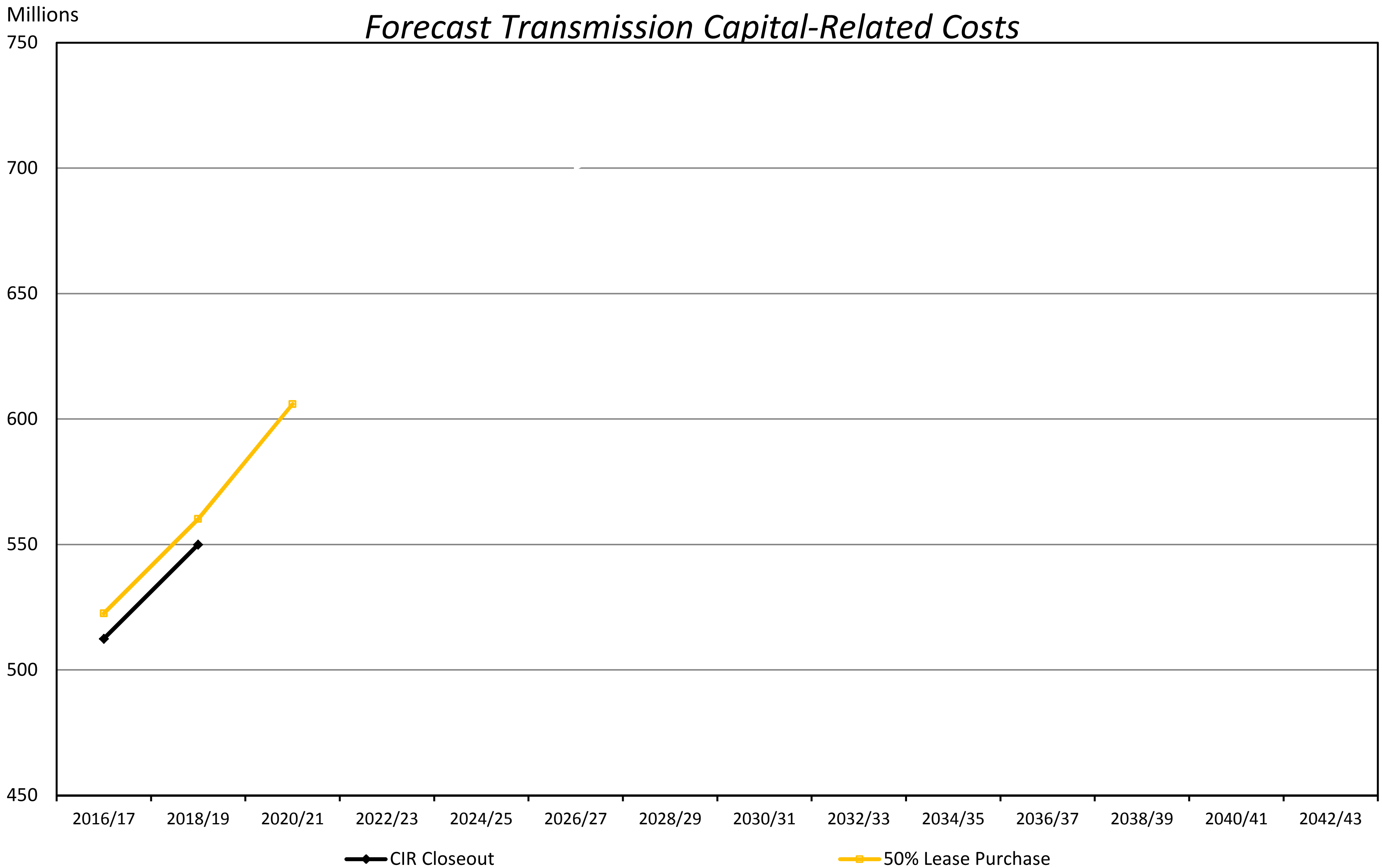
- **Summary**
  - BPA has only used this mechanism to finance Transmission capital projects.
  - Lease financing cannot be used for all Transmission capital projects.
  - Assets not leased initially become a permanent lost opportunity for preserving borrowing authority.

Lease Purchase Program



Lease Purchase Program

Forecast Transmission Capital-Related Costs



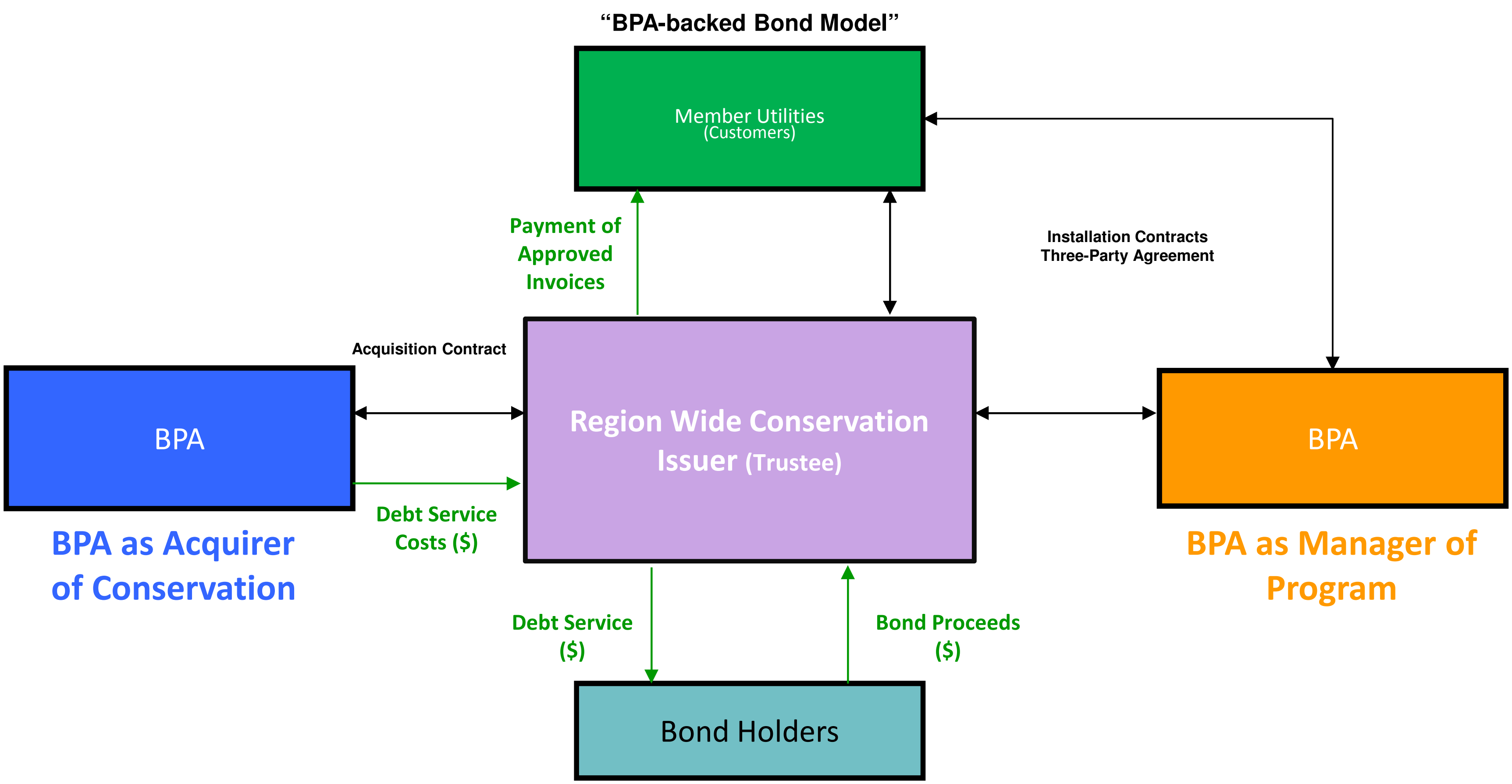
THIRD-PARTY CONSERVATION FINANCING

How Third-Party Conservation Bond Financing Works

- To use a third-party as a source of financing, BPA would need to contract to acquire the conservation from a third-party.
- The third-party would issue debt secured by BPA's acquisition payments.
- The third-party would obtain the energy savings by contracting with BPA's customers to fund through the bond proceeds the implementation of measures in the customers' utility service areas. BPA will be a signatory to these energy savings agreements.
- BPA would be assigned responsibility for management of the conservation program.
- This financing mechanism would be relatively invisible to participating . The new energy savings agreements will be very similar to BPA's energy savings agreements except that payment will be made by the trustee from bond proceeds.
- Energy Northwest is considering the role of regional Issuer/third-party for this program.

Financing Construct Envisioned

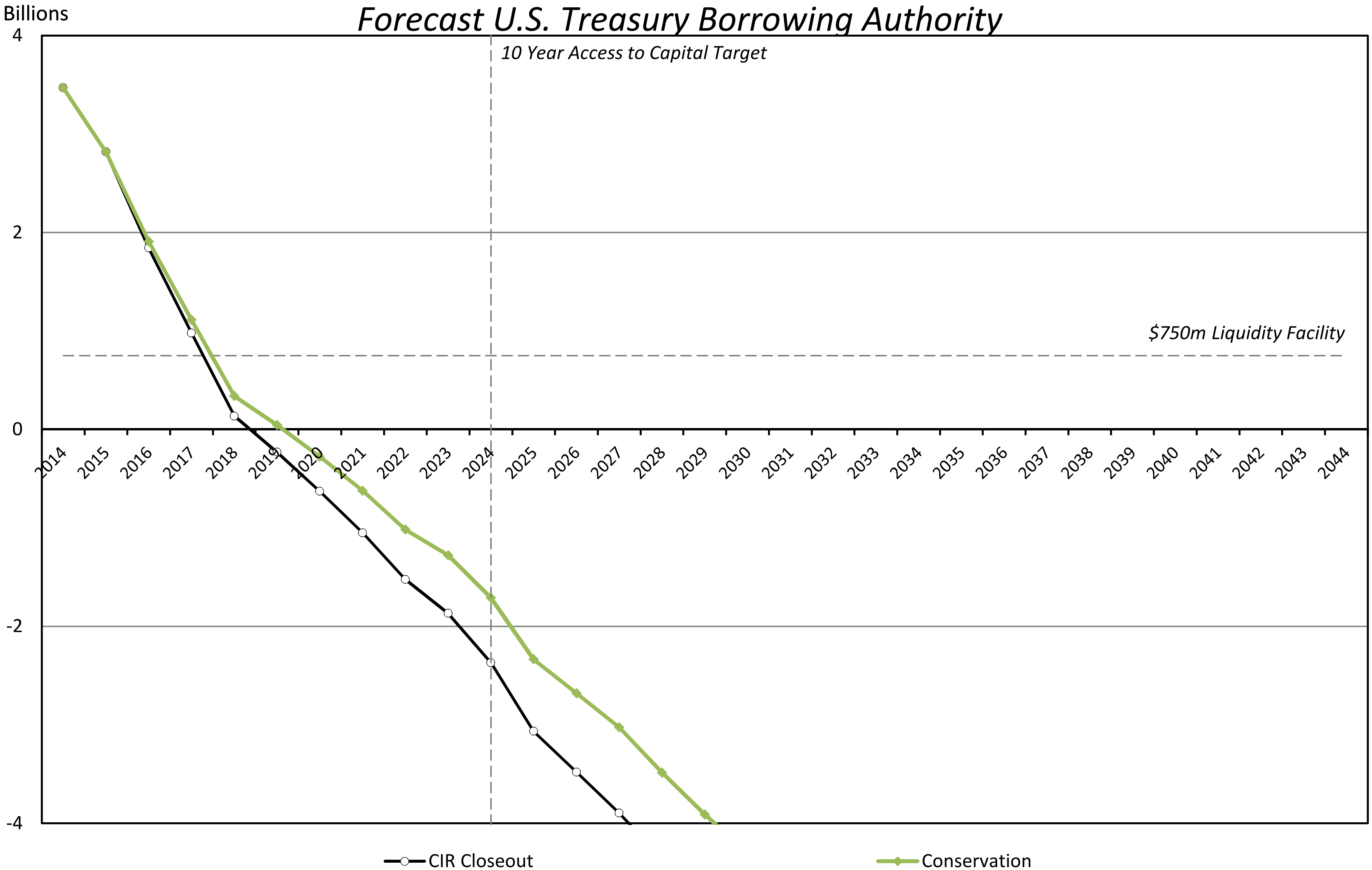
Taxable/Tax-Exempt Financing



Re-Introduction to Third-Party Conservation Financing

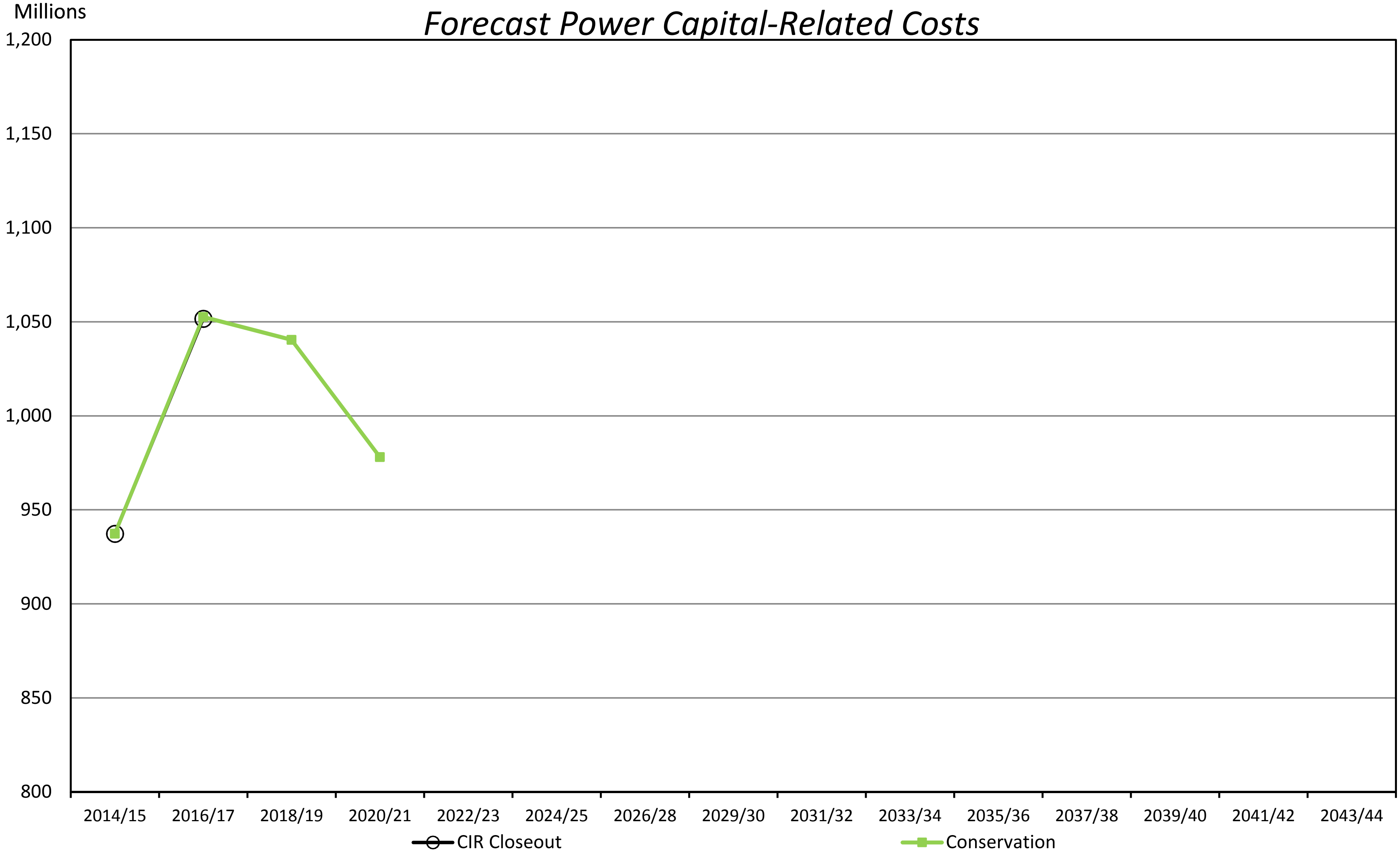
- Third-party conservation non-Federal financing can be a significant funding tool to help with BPA's access to capital situation (estimate about 50-70% of annual budget).
- Conservation third-party financing is a viable, effective funding source either through taxable or ideally, tax-exempt bond issuance.
- Currently the size of the multi-year conservation program for BPA is substantial enough to warrant a permanent, long-term funding tool.
- BPA is familiar with Nonfederal financing and its requirements and previously completed several third-party financings in the mid-90's.
- As part of BPA's Access to Capital plan, third-party financing of conservation is targeted for implementation by SOY 2016.

Conservation Financing



Conservation Financing

Forecast Power Capital-Related Costs



BPA Financing Tools

Financing Tools[1]	10 Year	30 Year
Treasury Rate	2.65%	3.47%
Agency Rate (BPA Treasury Borrowings)	3.01%	4.15%
Lease Purchasing (Taxable)	3.49%	4.52%
Third-Party (Tax-Exempt)	2.61%	3.70%

[1]As of June 11, 2014

Assumptions: All Scenarios

- CIR Capital.
- An increase of the matching program for U.S. Treasury Borrowing Authority to $700 million.
- Lease Financing borrowings through February 2014.
- Updated depreciation.
- BPA's official 2014 interest rate forecasts.

Assumptions: BPA CIR Closeout Capital

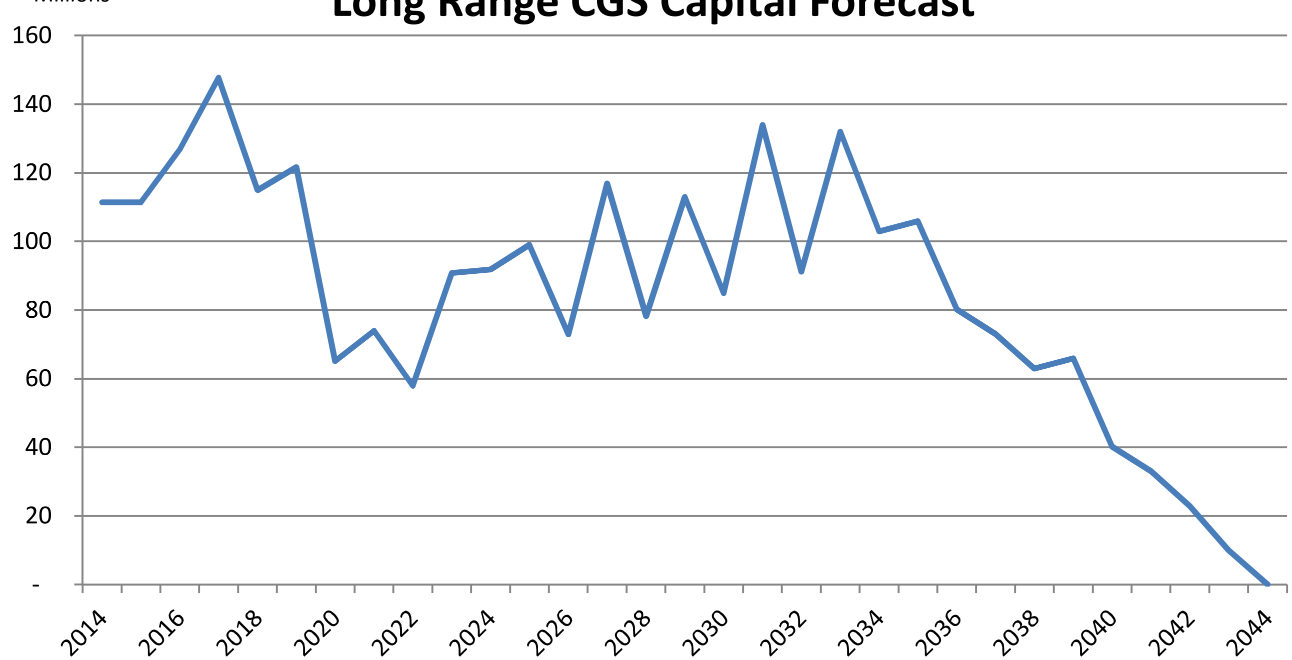
Capital Spending Levels - IPR

Nominal Dollars in Millions (Includes overheads, AFUDC and LGIA projects)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Transmission											
Sustain	313.6	430.4	320.5	236.5	260.8	259.8	269.5	279.1	286.3	290.4	2,946.8
Expansion	217.6	196.3	209.5	231.3	137.8	128.4	102.5	0.8	-	-	1,224.3
Federal Hydro											
Sustain	189.4	189.0	206.2	221.8	257.0	282.0	307.0	332.0	349.0	355.0	2,688.4
Expansion	0.7	11.3	17.9	8.4	-	-	-	-	-	-	38.4
Information Technology											
Sustain	16.0	6.2	11.8	8.4	10.0	5.0	2.5	12.0	4.7	6.5	83.2
Expansion	27.0	25.0	21.0	17.0	-	-	-	-	-	-	90.0
Facilities											
Sustain	5.6	13.9	26.9	18.1	28.1	28.1	28.1	28.1	28.1	28.1	233.3
Expansion	47.1	19.2	21.7	3.1	3.1	3.1	3.1	3.1	3.1	3.1	109.9
Security/Environmental/Fleet											
Sustain	18.5	20.5	18.6	20.6	19.6	22.0	19.2	16.2	16.5	16.5	188.2
Expansion	5.1	4.0	-	-	-	-	-	-	-	-	9.1
Sustain and other undistributed reductions	-	-	-	-	(107.4)	(123.2)	(145.4)	(177.3)	(185.4)	(188.0)	(926.8)
Energy Efficiency	75.2	92.0	94.8	97.6	100.5	103.6	106.7	109.9	113.1	116.3	1,009.6
Fish and Wildlife	50.0	51.8	54.8	30.8	18.6	34.8	35.0	33.6	29.0	29.3	367.8
AFUDC	43.4	52.2	63.2	39.2	38.1	45.0	24.8	26.3	27.1	28.8	388.0
Total without headroom	1,009.1	1,111.9	1,066.9	932.9	766.3	788.6	753.2	663.8	671.6	686.0	8,450.2
Headroom - lower end of cap range	-	-	-	6.0	8.0	10.0	18.0	20.0	20.0	28.0	110.0
Headroom - upper end of cap range	-	-	-	56.0	108.0	130.0	158.0	160.0	170.0	178.0	960.0
Total Capital - upper end of cap range	1,009.1	1,111.9	1,066.9	988.9	874.3	918.6	911.2	823.8	841.6	864.0	9,410.2

Assumptions: CGS Capital

- BPA assumed CGS new money issuances that are consistent with EN's current long-range capital plan.
- The long-range plan forecasts 10 years, assumptions past that were developed in tandem with EN and show decreasing funding needs as the plant nears the end of its license.



EN Fiscal Year	Total Capital (millions)
2014	111,361
2015	111,412
2016	126,908
2017	147,744
2018	114,967
2019	121,636
2020	65,126
2021	73,938
2022	57,891
2023	90,762
2024	91,837
2025	99,002
2026	72,910
2027	116,909
2028	78,220
2029	113,002
2030	84,910
2031	133,909
2032	91,220
2033	132,002
2034	102,910
2035	105,909
2036	80,220
2037	73,002
2038	62,910
2039	65,909
2040	40,220
2041	33,002
2042	22,910
2043	10,000
2044	-
Total	2,632,658

Assumptions: EN Regional Cooperation Debt Refinancing

- All eligible CGS Regional Cooperation Debt due in 2016-24 and EN Regional Cooperation Debt due 2014-18 is extended.
- A like amount of Federal debt is paid in place of all extended Regional Cooperation Debt within a reasonable period of time.
- All results shown include a 50% Lease Purchase Program and 70% Nonfederal Conservation Financing.

EN and BPA Regional Cooperation Debt – Term Sheet

Regional Cooperation Debt – Term Sheet

Regional Cooperation Debt Program

- The Regional Cooperation Debt Refinancing Program ("Program") is the extension of the average maturity of BPA-supported Energy Northwest net billed project bonds (Columbia Generating Station, Project 1 and Project 3) on an integrated basis with BPA's overall debt portfolio, as described herein.
- To reflect the notion that Energy Northwest debt extended under the Regional Cooperation Debt Refinancing Program is debt borne by the Region in BPA's rates and is being extended for the benefit of the Region's ratepayers as an integral part of all of BPA's debt, all such Columbia Generating Station, Project 1 and Project 3 debt so extended will be reflected where practical and germane as "Regional Cooperation Debt." While all of the net billed bonds can be viewed as Regionally-supported debt, it is particularly important for the Region to appreciate that Energy Northwest is taking action in furtherance of the Program with a broad view of its Regional responsibilities and is willing for the good of the Region to carry the Regional Cooperation Debt on its books as a liability for a longer period than previously scheduled.
- Each of the Program's bond financing transactions must be approved by the Energy Northwest Executive Board.
- BPA will provide to Energy Northwest information on BPA's financial operations with respect to the Program. BPA will provide to Energy Northwest the information in Appendix 1 annually to help it assess the continuing progress of the Program. Energy Northwest may determine that more or less information may be needed at a given point in time and BPA and Energy Northwest will work to assure that the appropriate level of transparency is provided as the Program is implemented.

Regional Cooperation Debt for Columbia Generating Station

- Coincident with each Integrated Program Review or its successor process, BPA will offer public workshops and seek comment on future Columbia Generating Station debt management plans designed to be mutually acceptable to Energy Northwest and our ratepayers.

Regional Cooperation Debt for Projects 1 and 3

- Annually, BPA will demonstrate that the prepayment of federal appropriations repayment obligations has been made (or within a reasonable period will be made) in an amount equal to the related Projects 1 and 3 Regional Cooperation Debt.
- The issuance of Projects 1 and 3 Regional Cooperation Debt is expected to occur annually through Energy Northwest's Fiscal Year 2018. BPA will demonstrate that, as of the end of its Fiscal Year 2018, the Program resulted in reducing the aggregate weighted average maturity of the combination of (i) Projects 1 and 3 debt, and (ii) federal appropriations repayment obligations. The demonstration will compare the reduction in the aggregate weighted average maturity of federal appropriations repayment obligations that were prepaid as a result of Projects 1and 3 Regional Cooperation Debt issuances to the amount by which the aggregate weighted average maturity of the Projects 1 and 3 debt was increased under the Program.
- BPA's actions under the Program must be consistent with applicable law, including BPA's statutory obligation to pay federal obligations after meeting non-federal obligations.

EN and BPA Regional Cooperation Debt – Term Sheet

Regional Cooperation Debt – Term Sheet

Appendix 1: Financial Information Annual Update

Capital Review
- Capital Investment Review Update
- Historical Capital Spending (10 yr. history)
- Proposed Capital Spending (10 yr. CIR projection)

Access to Capital
- Sources of Capital Background
- Treasury Borrowing Authority Update

BPA Operation and Financial Metrics
- Order in Which BPA's Costs are Met
- Historical Power Rates
- BPA Rates Assure Cost Recovery
- Operating Revenues & Expenses
- Financial Reserves
- Days Liquidity on Hand
- Financial Performance and Coverage
    - Non-Federal Debt Service Coverage Ratio
    - Total Debt Service Coverage Ratio
- Debt Ratio
- Bond Ratings (S&P, Moody's, Fitch)

Debt Management
- Total Debt Liabilities over Time
- History of Annual Debt Payments
- Total Debt Pie Chart
- BPA Current Debt Service
    - Power
    - Transmission
- Upcoming Debt Transactions
- Report on Use of Freed Up Cash from EN Debt Refinancing
    - E.g., showing that highest interest rate Federal Debt was paid off

2