Debt Management Workshop

June 26, 2014

1pm – 3:45pm

BPA Rates Hearing Room

203-277-6654

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Passcode: 5491871 #

Agenda

- Introduction
- Discussion of three illustrative scenarios representing examples of future planning considerations
  - Scenario Three: Expensing Conservation examples
  - Scenario Four: CGS Regional Cooperation Debt Reshaped example
  - Scenario Five: BPA Capital Projection Sensitivity examples
- 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 Columbia River Power System assets is an important strategic objective for BPA.
- Prudent, near-term debt management actions can help us assure a low-cost, sustainable capital strategy.
- 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.
- Today we are going to share illustrative examples that explore potential future debt management actions. These examples illustrate a range of potential outcomes when limited variables are adjusted. Actual future debt management scenarios would most likely have more variables factored into the design. By isolating or limiting the variables we can illustrate their impacts to capital-related costs and remaining U.S. Treasury Borrowing Authority.

Next Steps

- The debt management process will have a public comment period from June 18th to July 15th. BPA would appreciate comments in regards to:
  - Proposed refinancing through Energy Northwest (EN) Regional Cooperation Debt related to Projects 1 and 3 as well as Columbia Generating Station (CGS).
  - Future debt management opportunities and planning.
- BPA will be filing its Initial Rate Proposal for BP-16 in November. Any debt management actions that are to be included in BP-16 need to be determined on in 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, 2018 maturities.

Debt Management Scenarios

Previously discussed on June 17th:

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

Scenario Two is the recommended proposal for BP-16

Today's discussion: An illustration of future debt management opportunities enabled by the Regional Cooperation Debt Refinancing Program.

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

All scenarios include a 50% Lease Purchase Program as part of the U.S. Treasury Borrowing Authority graph.

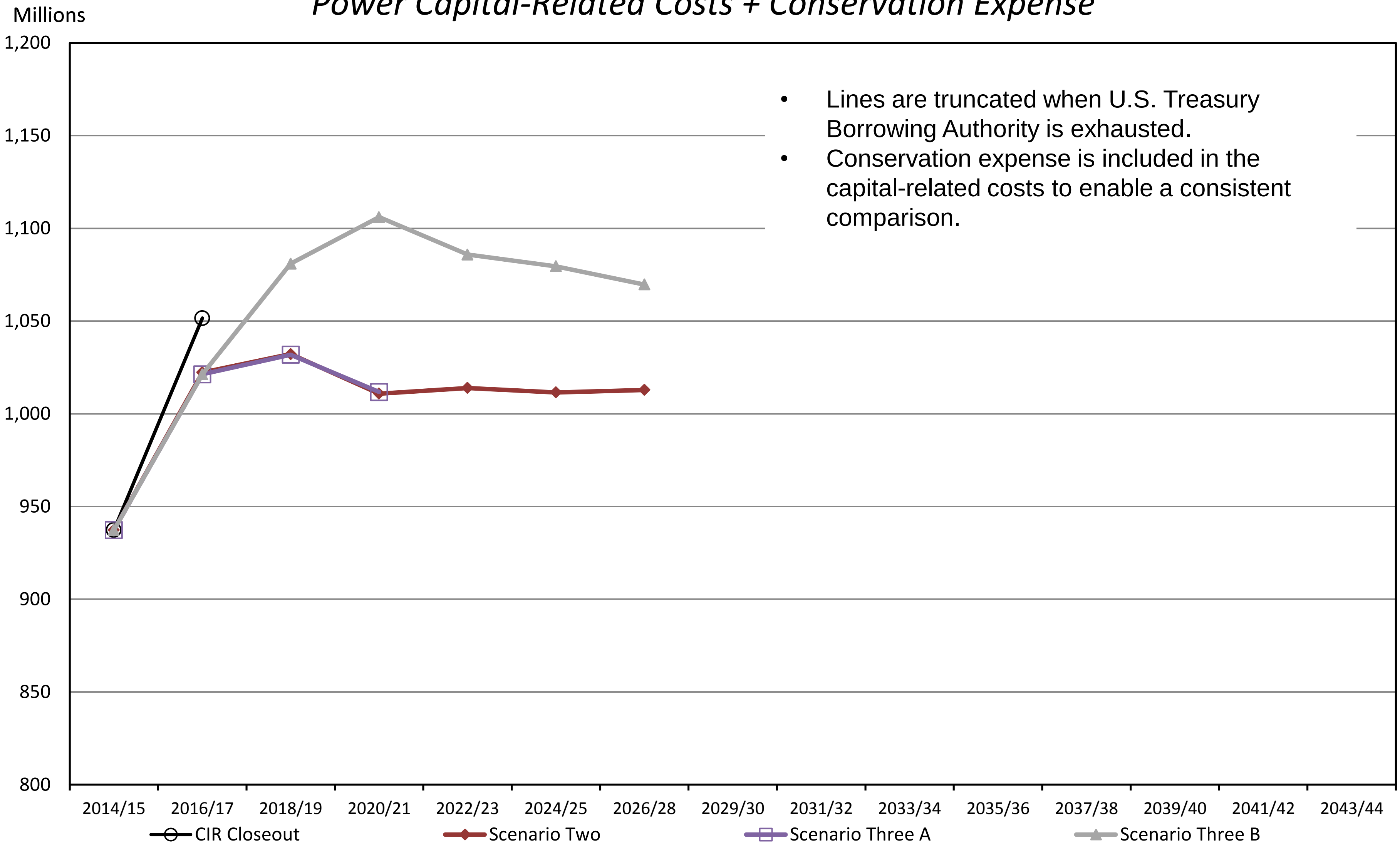
SCENARIO THREE:
EXPENSING CONSERVATION

Scenario Three

- Expensing Conservation examples
  - These examples all assume a full refinancing of all EN Regional Cooperation Debt.
    - A like amount of Federal debt is paid within the same year for all the refinanced debt associated with Projects 1 and 3 Regional Cooperation Debt.
    - Not all of the CGS Regional Cooperation Debt refinancing pays a like amount of Federal debt. Some of this freed up capacity is used to offset the impacts of expensing conservation.
    - Conservation expense is included in the capital-related costs to enable a consistent comparison of impacts.
  - All conservation projections are Federally financed with a normal 12 year term until 2019, at which point **all** subsequent projected capital needs are expensed.
  - **Scenario Three A: CRC** – Capital related costs consistent with Scenario Two
    - This scenario kept Power's capital-related costs consistent with Scenario Two, which resulted in changes to BPA's access to U.S. Treasury Borrowing Authority.
  - **Scenario Three B: BA** – U.S. Treasury Borrowing Authority maintained through 2028 consistent with Scenario Two
    - This scenario maintains access to U.S. Treasury Borrowing Authority through 2028, resulting in changes to Powers capital-related costs.

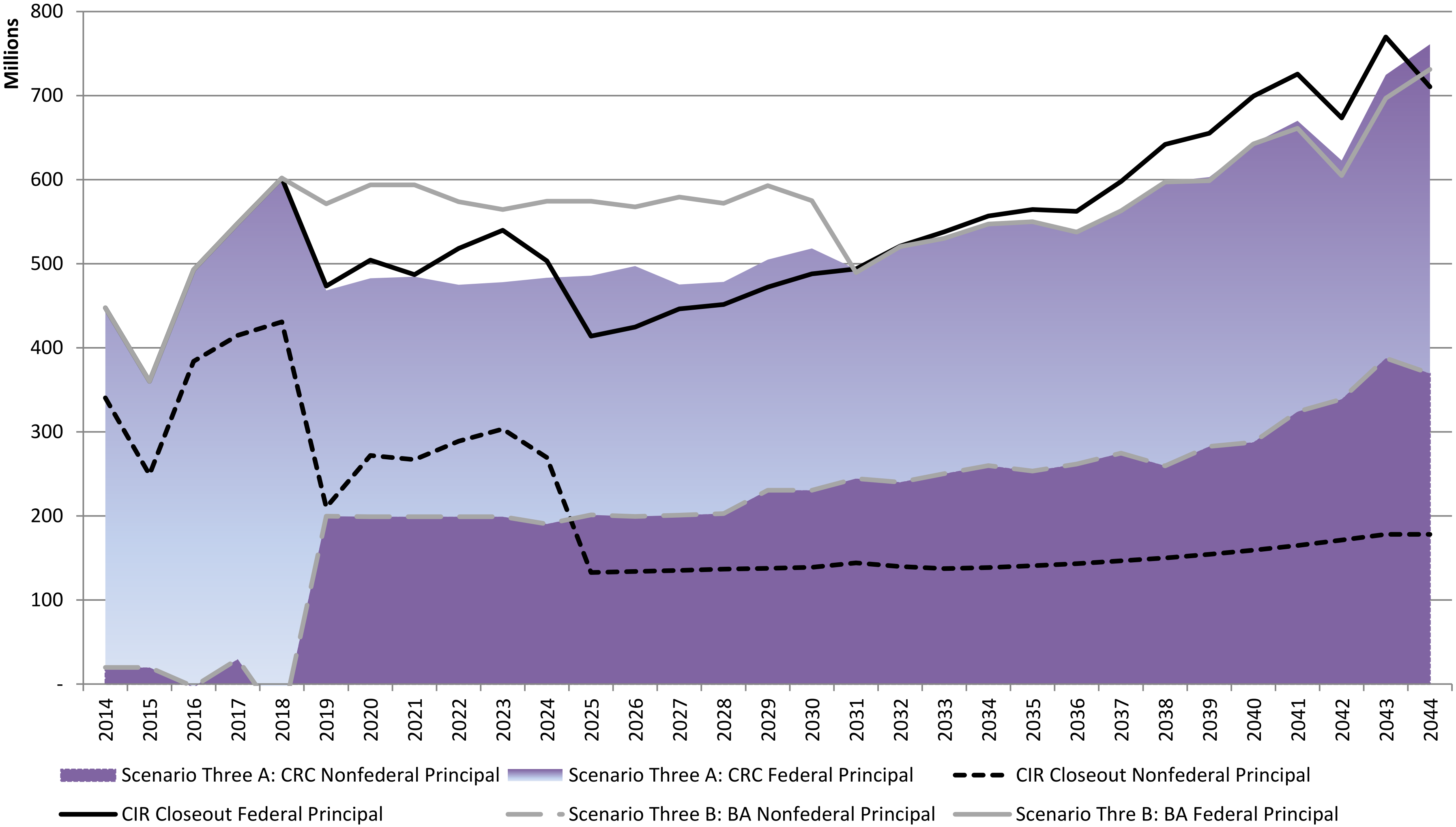
Scenario Three: Expensing Conservation

Power Capital-Related Costs + Conservation Expense



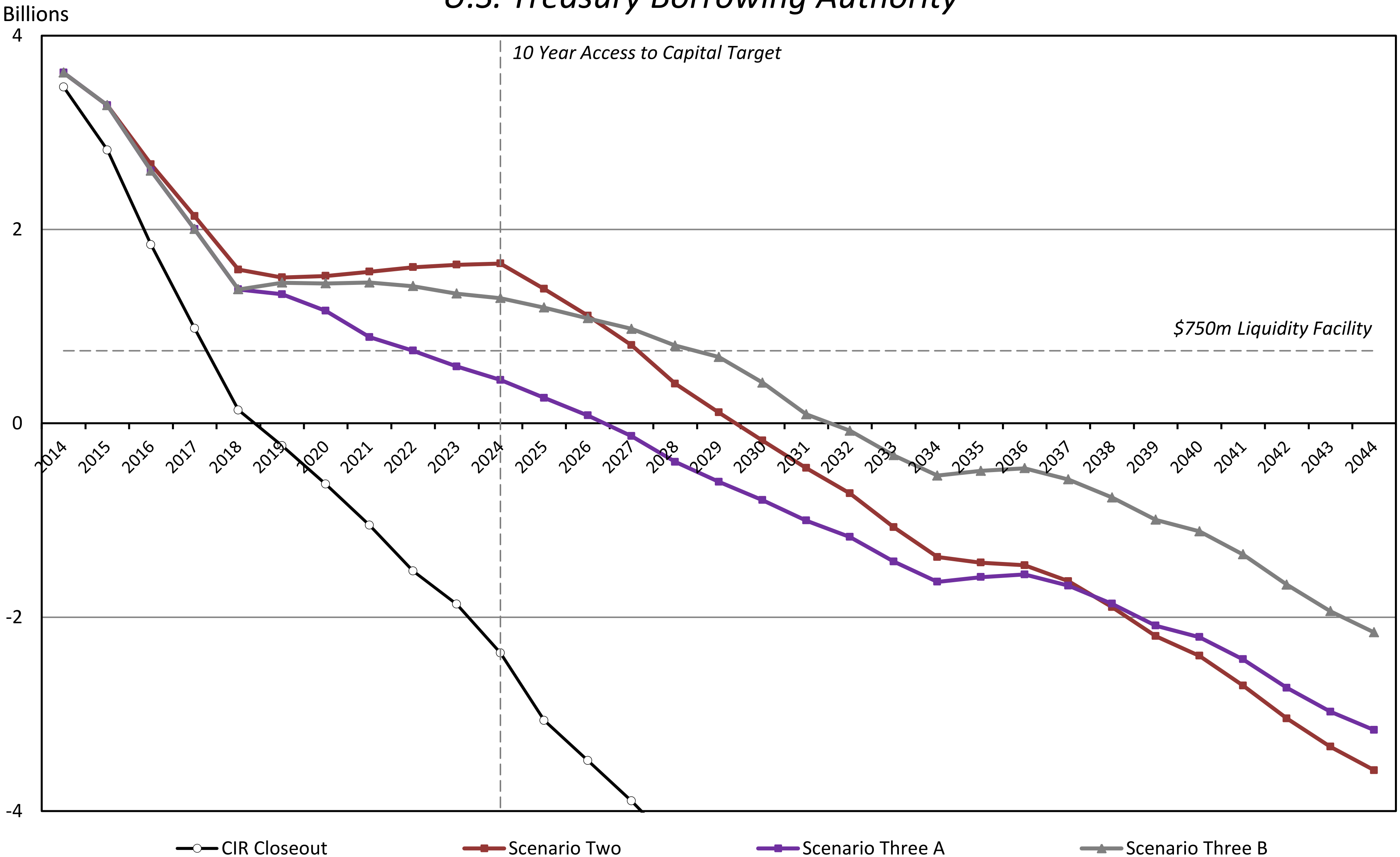
Scenario Three: Expensing Conservation

Power Principal Payments



Scenario Three: Expensing Conservation

U.S. Treasury Borrowing Authority



Scenario Three: Expensing Conservation

- There is no change to capital-related costs from Scenario Three in the FY 2016-17 rate period, as compared to Scenario Two.
- Expensing Conservation beginning in 2019:
  - Reduces interest expense.
  - Increases available U.S. Treasury Borrowing Authority.

As compared to Scenario Two	Scenario Three A: CRC		Scenario Three B: BA	
Action (millions)	**2014-28**	**2014-44**	**2014-28**	**2014-44**
Conservation Financing moved to expense	$1,054	$2,670	$1,054	$2,670
Federal Borrowing Authority issuance avoided	$1,054	$2,670	$1,054	$2,670

Benefits (millions)	2014-28	2014-44	2014-28	2014-44
Estimated Interest Savings	$677	$1,606	$954	$2,778
Estimated U.S. Treasury Borrowing Authority Restored*	($808)	$416	$393	$1,422
Estimated Annual Average Change in Power Capital-Related Costs	$3	$21	$49	$14
U.S. Treasury Borrowing Authority Restored Until	2022		2028	
Change in Weighted Average Maturity (years)	0.3	0.5	0.1	0.0

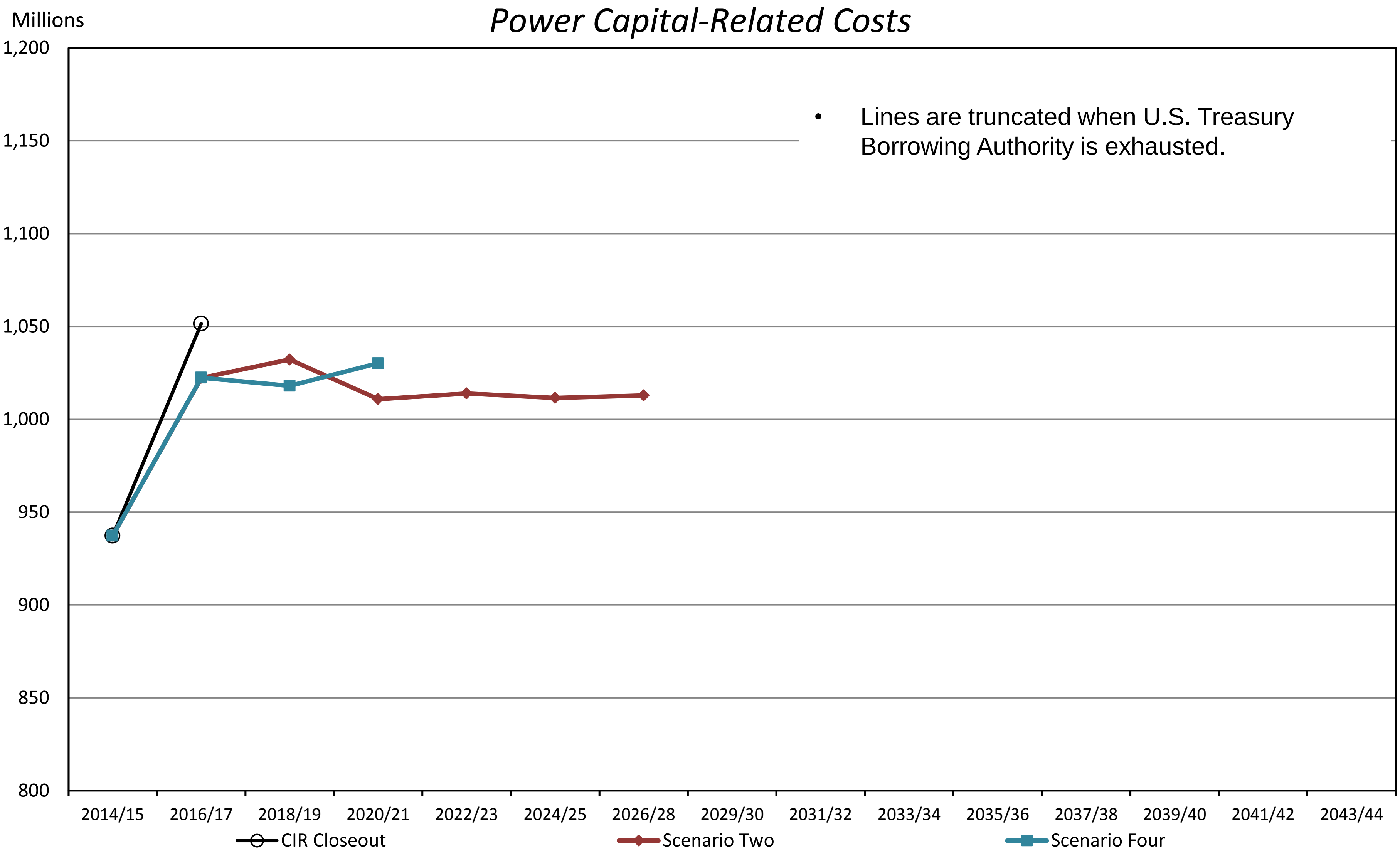
*or not issued

SCENARIO FOUR:
CGS REGIONAL COOPERATION DEBT RESHAPED

Scenario Four

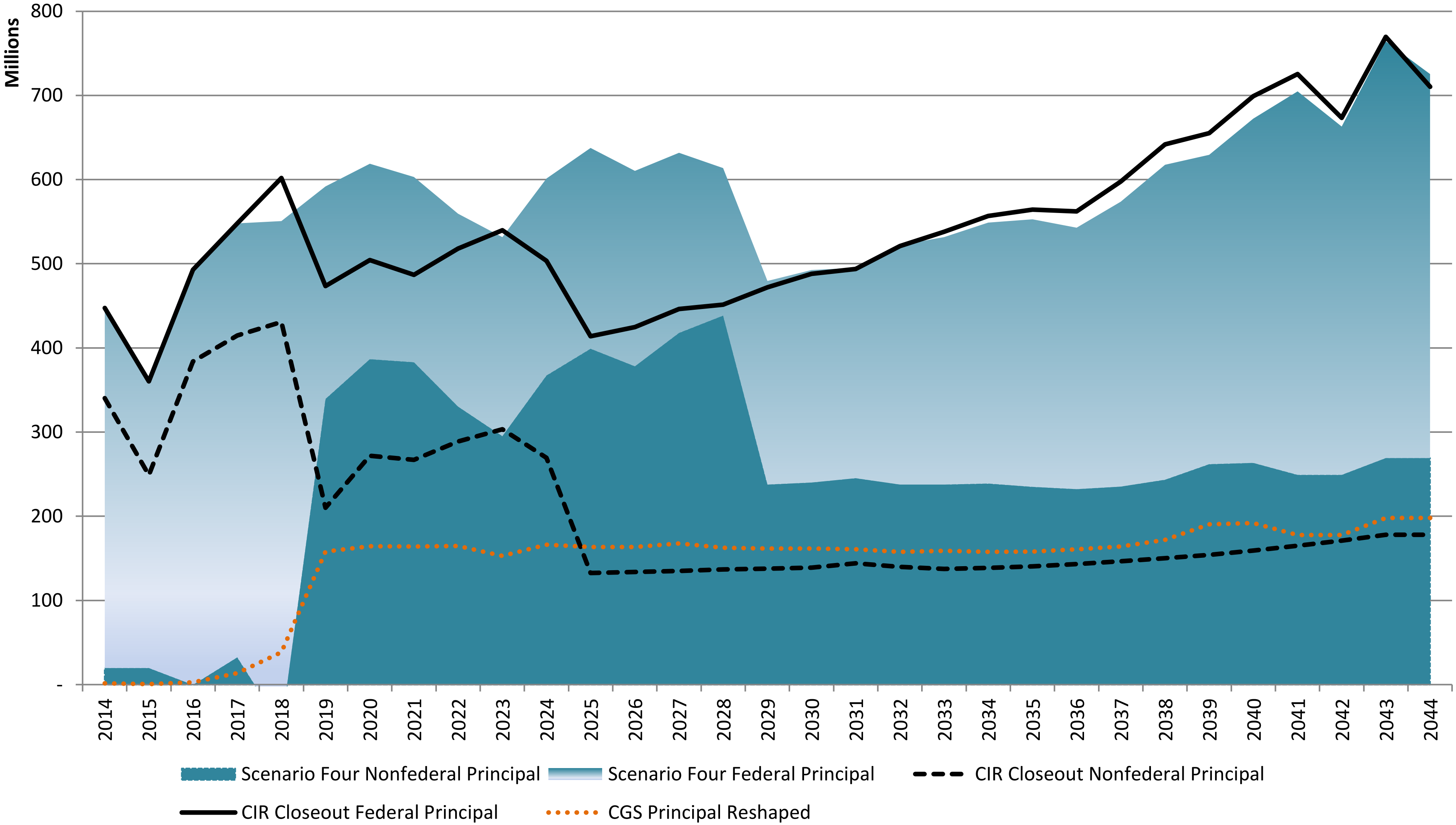
- CGS Regional Cooperation Debt Reshaped
  - CGS Regional Cooperation Debt debt is shaped so that in every year, beginning in 2019, CGS principal payments are equal.
    - This does not include the principal payments on any debt issued for fuel purchases.
  - This scenario does not pay a like amount of federal debt for any of the reshaped CGS Regional Cooperation Debt principal.
  - The Projects 1 and 3 Regional Cooperation Debt is refinanced, and a like amount of high interest rate Federal debt is pre-paid in its place.

Scenario Four: CGS Regional Cooperation Debt Reshaped



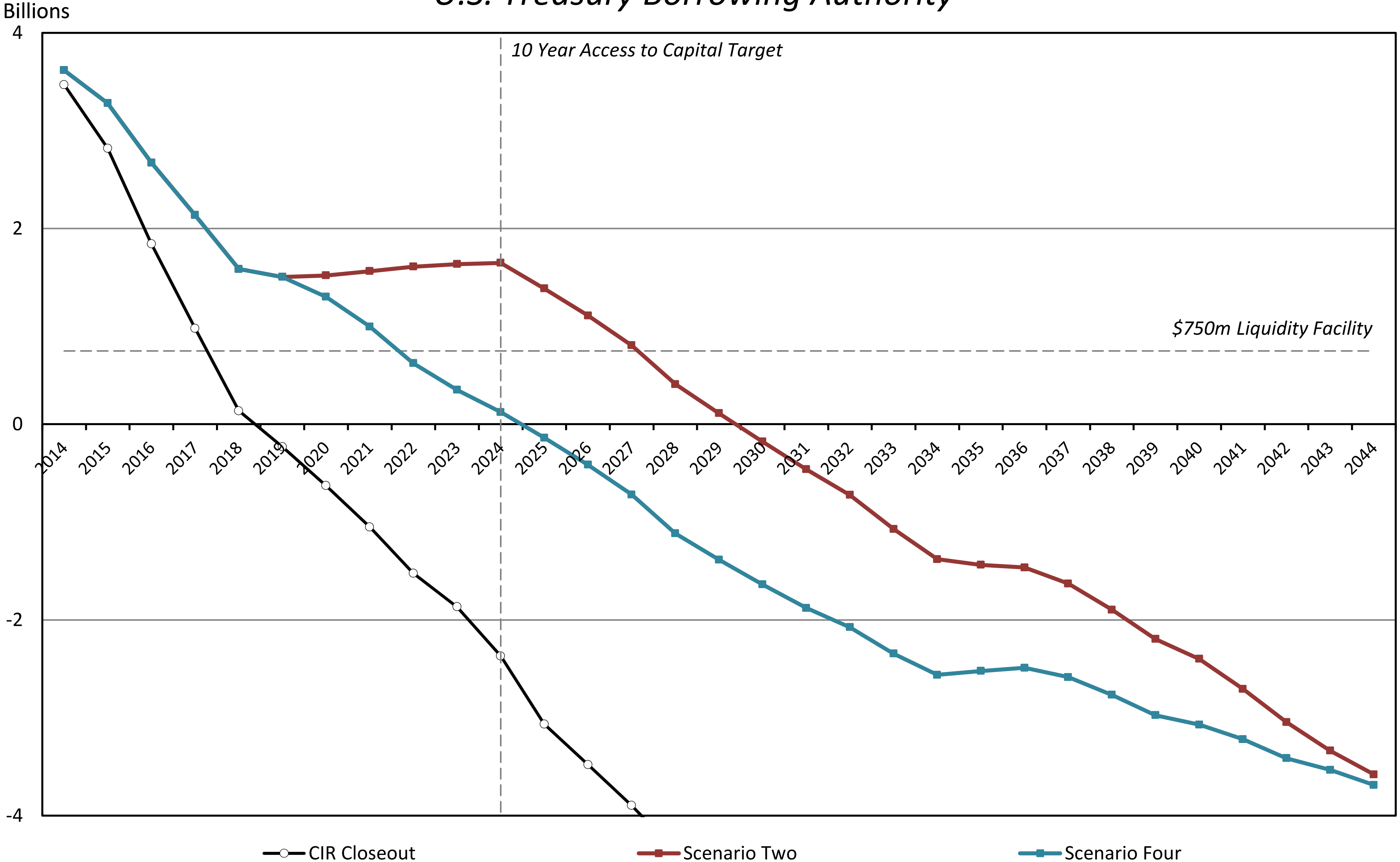
Scenario Four: CGS Regional Cooperation Debt Reshaped

Power Principal Payments



Scenario Four: CGS Regional Cooperation Debt Reshaped

U.S. Treasury Borrowing Authority



Scenario Four: CGS Regional Cooperation Debt Reshaped

- There is no change to capital-related costs from Proposal Four in the FY 2016-17 rate period, as compared to Proposal Two.
- By creating level placement of future CGS principal in 2019, the payment stream matches the useful life of CGS to the current licensing period.
- Currently, to optimize BPA’s total portfolio, debt is managed on a total portfolio basis, rather by individual assets.

As Compared to Scenario Two Benefits (millions)		
Estimated Interest Savings	$493	$703
Estimated U.S. Treasury Borrowing Authority Restored*	($1,525)	($108)
Estimated Annual Average Change in Power Capital-Related Costs	$7	-$6
U.S. Treasury Borrowing Authority Restored Until	2021	
Change in Weighted Average Maturity (years)	-2.2	-0.2

*or not issued

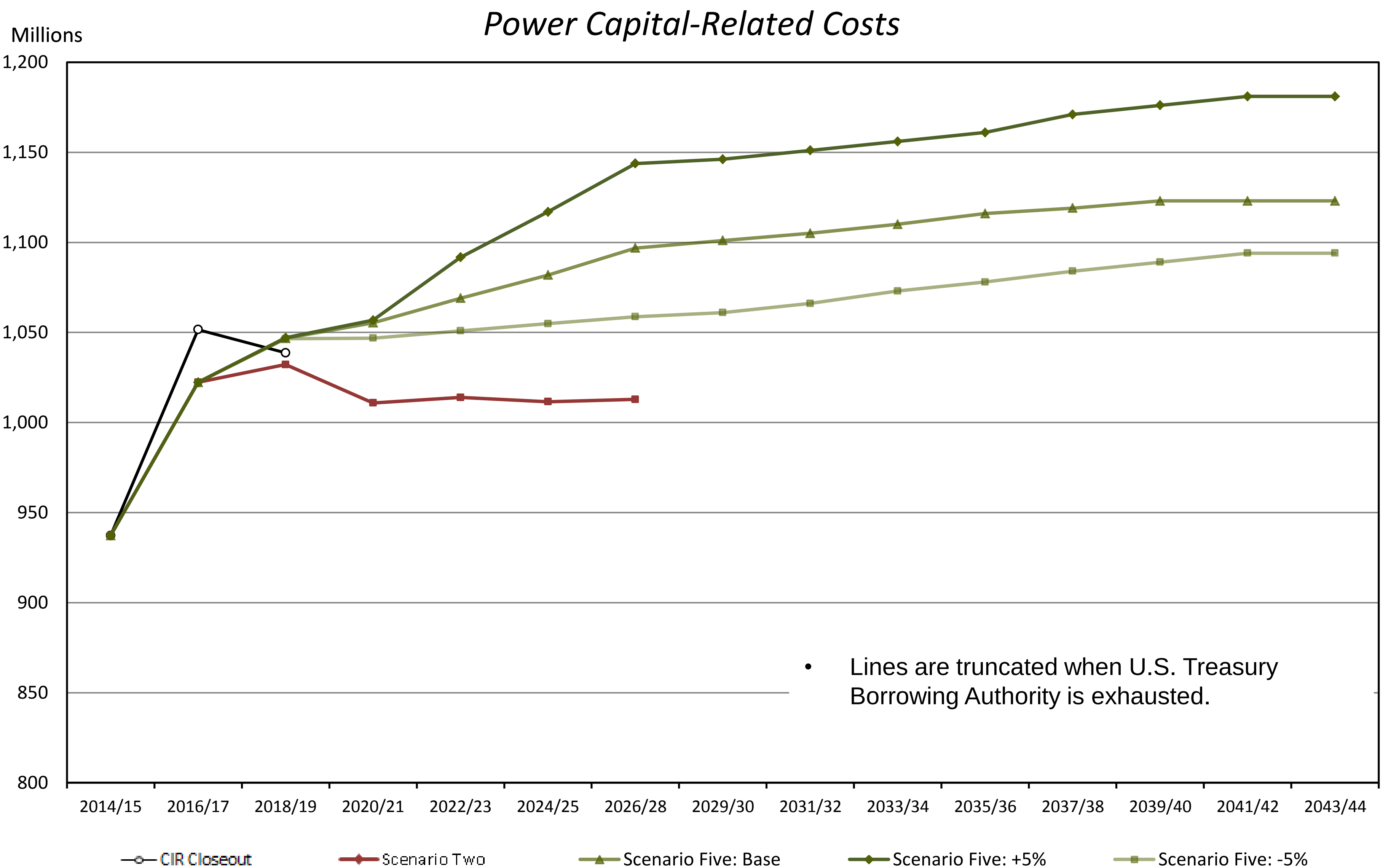
SCENARIO FIVE:

BPA CAPITAL PROJECTION SENSITIVITY

Scenario Five

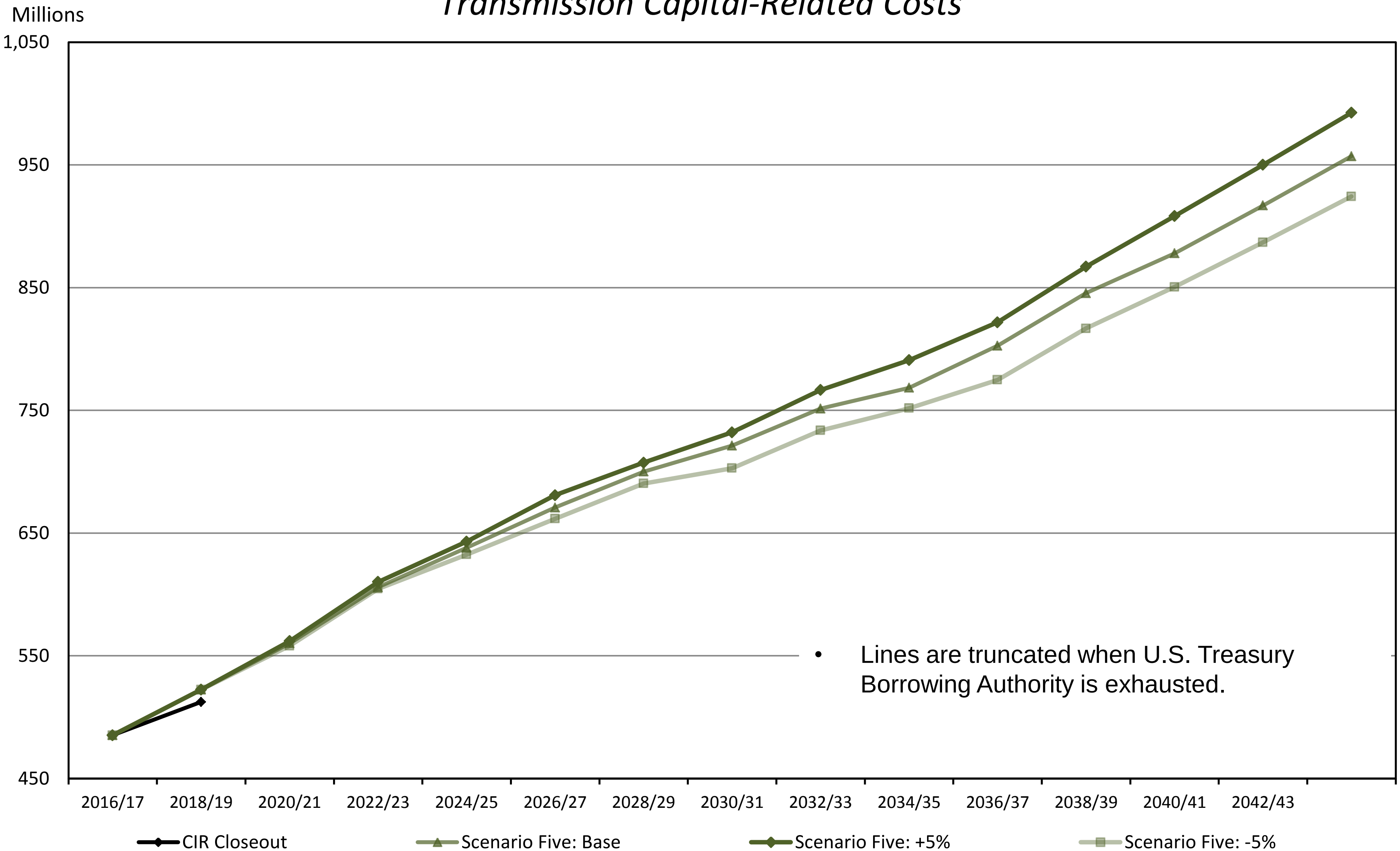
- BPA Capital Sensitivity
  - For this scenario, BPA assumed maintaining between $750 million and $1,000 million of U.S. Treasury Borrowing Authority through 2044.
    - Using this as a constraint leads to a certain level of Power capital-related costs.
  - Given the constraint on U.S. Treasury Borrowing Authority, CIR Closeout capital projections were then adjusted, beginning in 2018, up 5% and down 5%.
  - This resulted in changes to the projected Power capital-related costs.
- Scenario Five assumes a full refinancing of EN Regional Cooperation Debt.
- Includes a 50% Lease Purchase Program as part of the U.S. Treasury Borrowing Authority graph.

Scenario Five: BPA Capital Projection Sensitivity



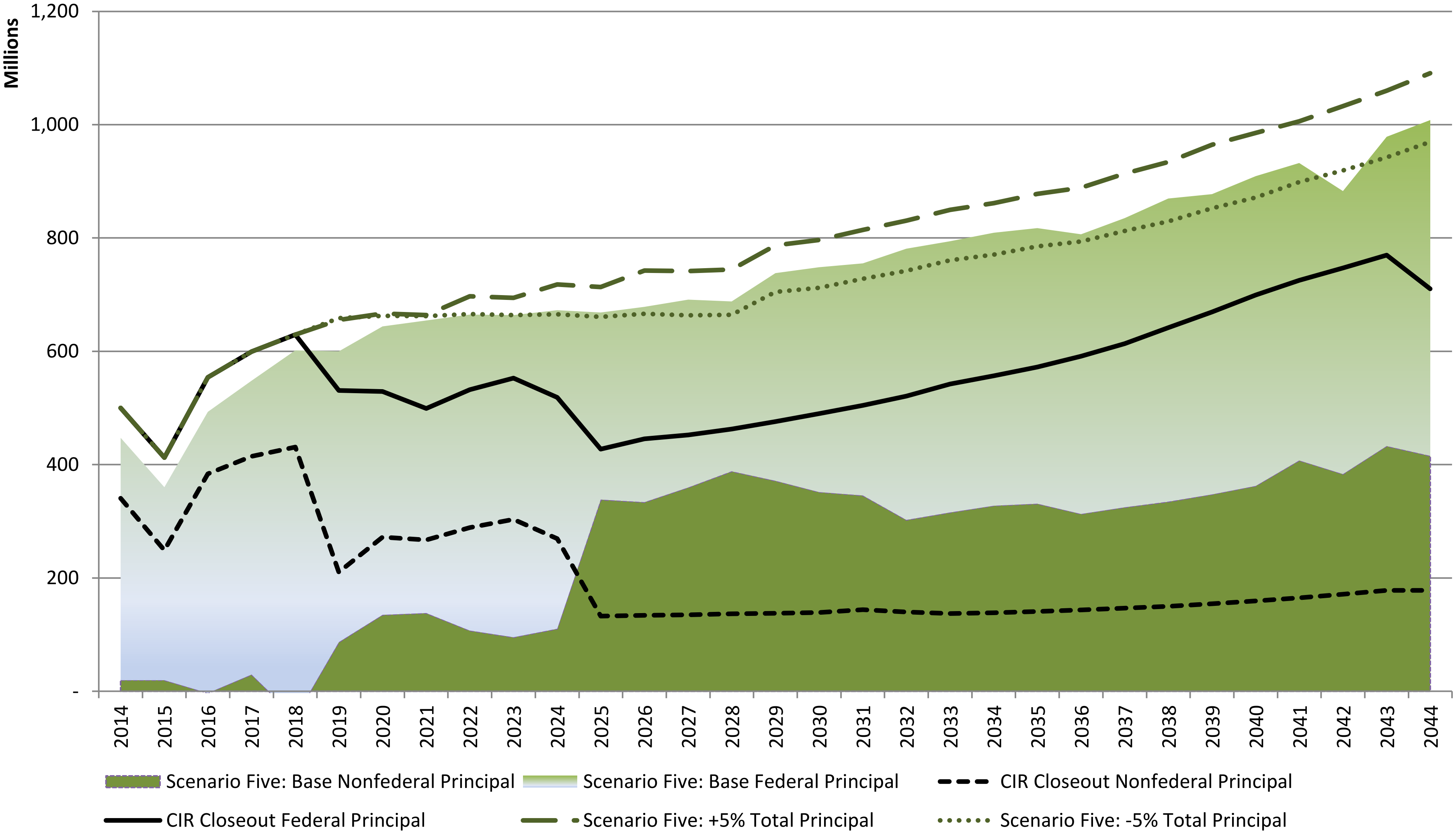
Scenario Five: BPA Capital Projection Sensitivity

Transmission Capital-Related Costs



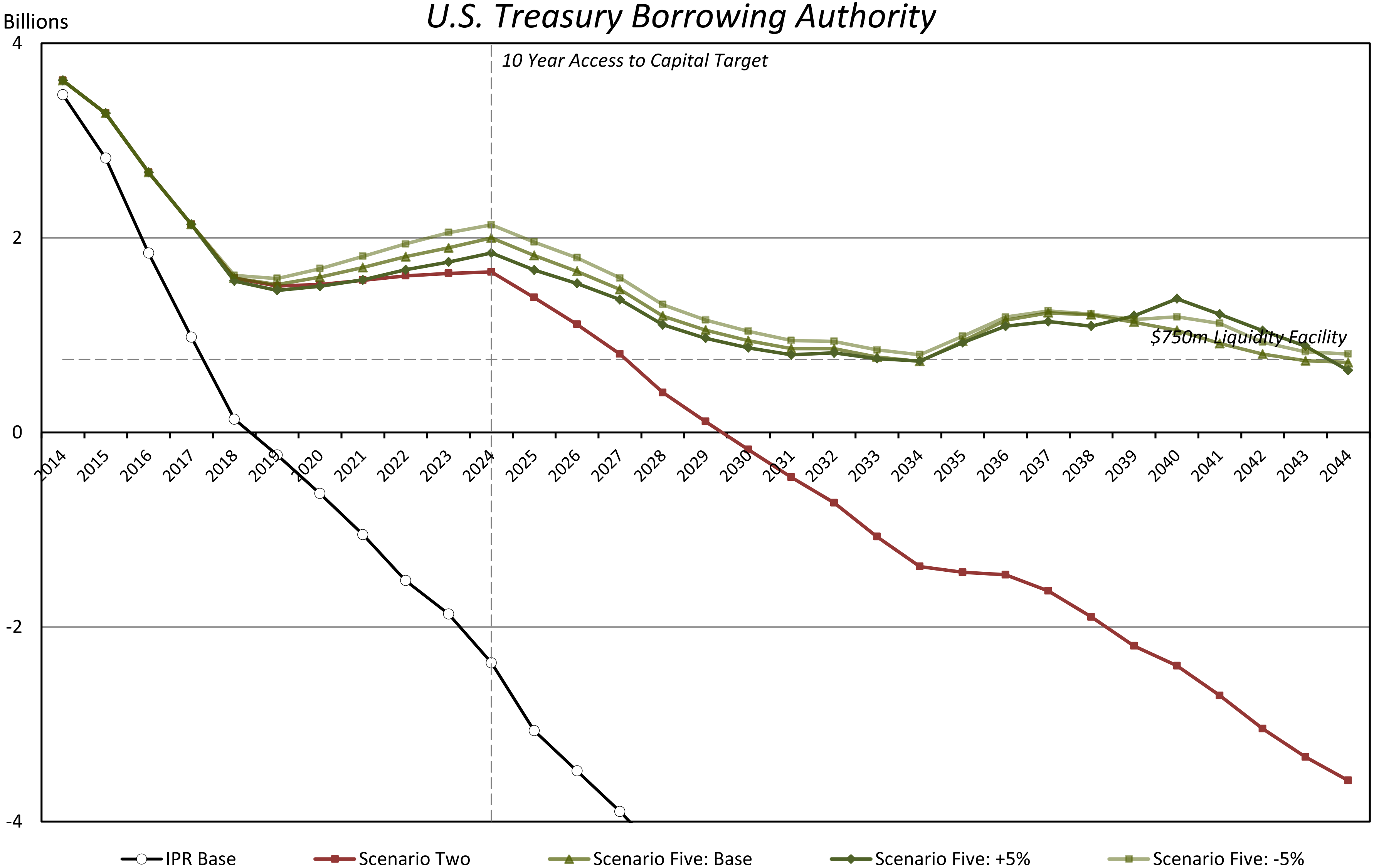
Scenario Five: BPA Capital Projection Sensitivity

Power Principal Payments



Scenario Five: BPA Capital Projection Sensitivity

U.S. Treasury Borrowing Authority



Scenario Five: BPA Capital Projection Sensitivity

- Illustrates impacts to capital-related costs and remaining U.S. Treasury Borrowing Authority under differing capital investment scenarios.
- Post-2021 out-year capital projections are based on the 10-year average from the CIR closeout.
  - A number of other factors could influence and change this analysis. Results are highly subjective to the specific variables analyzed.
- Capital-related costs could change as capital programs change.

As Compared to Scenario Two	Base		+5%		-5%	
Benefits (millions)	2014-28	2014-44	2014-28	2014-44	2014-28	2014-44
Estimated Interest Savings	$1,144	$4,490	$1,117	$4,717	$906	$2,684
Estimated U.S. Treasury Borrowing Authority Restored*	$787	$4,299	$807	$4,534	$782	$4,069
Estimated Annual Average Change in Power Capital-Related Costs	$38	$67	$54	$101	$25	$42
U.S. Treasury Borrowing Authority Restored Until	2044		2044		2044	
Change in Weighted Average Maturity (years)	-3.0	-3.9	-3.4	-3.7	-2.8	-4.0

*or not issued

Next Steps

- The debt management process will have a public comment period from June 18th to July 15th. BPA would appreciate comments in regards to:
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  - Future debt management opportunities and planning.
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Next Steps

Pubic Workshops

Debt Management Workshop June 17th

Debt Management Workshop June 26th

Public Comment/ Consensus

Regional Consensus (PPC, NRU, PNGC, PGP, PRB, other)

Debt Management Comment Period Ends July 15th

EN Executive Board

EN Executive Board Letter of Support August 29th

BPA Internal Analysis

August – October 2014

Initial Proposal

November 2014

Key Customer Dates

PNGC: August 5th Board Meeting
NRU: August 6th Board Meeting
PPC: August 7th Board Meeting

Financial Disclosure

This information has been made publically available by BPA on June 25th, 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

Summary Table

		As compared to 70% Conservation (millions)			As Compared to Scenario Two (millions)					
	Scenario	70% Conservation	Scenario One	Scenario Two	Scenario Three A	Scenario Three B	Scenario Four	Scenario Five: Base	Scenario Five: +5%	Scenario Five: -5%
2014-2028	Interest Savings	-	$111	$790	$677	$954	$493	$1,144	$1,117	$906
	BA Restored	-	$480	$2,193	($808)	$393	($1,525)	$787	$807	$782
	Change in P CRC	-	$2	$17	$3	$49	$7	$38	$54	$25
	BA Until	2021	2022	2028	2022	2028	2021	2044	2044	2044
	Change in WAM	-	-2.3	-1.6	0.3	0.1	-2.2	-3.0	-3.4	-2.8
2014-2044	Interest Savings	-	$139	$1,750	$1,606	$2,778	$703	$4,490	$4,717	$2,684
	BA Restored	-	$87	$1,178	$416	$1,422	($108)	$4,299	$4,534	$4,069
	Change in P CRC	-	($2)	($19)	$21	$14	($6)	$67	$101	$42
	BA Until	2021	0	0	0	0	0	0	0	0
	Change in WAM	-	-0.2	-1.7	0.5	0.0	-0.2	-3.9	-3.7	-4.0