

BP-20 Workshop 10-Year Capital Financing Plan Update

July 25, 2018

9:30am-4:00pm*

BPA Rates Hearing Room, 1201 Lloyd Blvd, Suite 200

Portland OR

Phone Bridge: 415-527-5035 Access Code 905 506 677

WebEx: [Join the Meeting](#)

Meeting Number: 905 506 677

Meeting Password: 94GaayqA

* This agenda is expected to begin at 9:30am.



Agenda

- Today's Objective
- Context
- Updated Preferred Scenario
- Next Steps

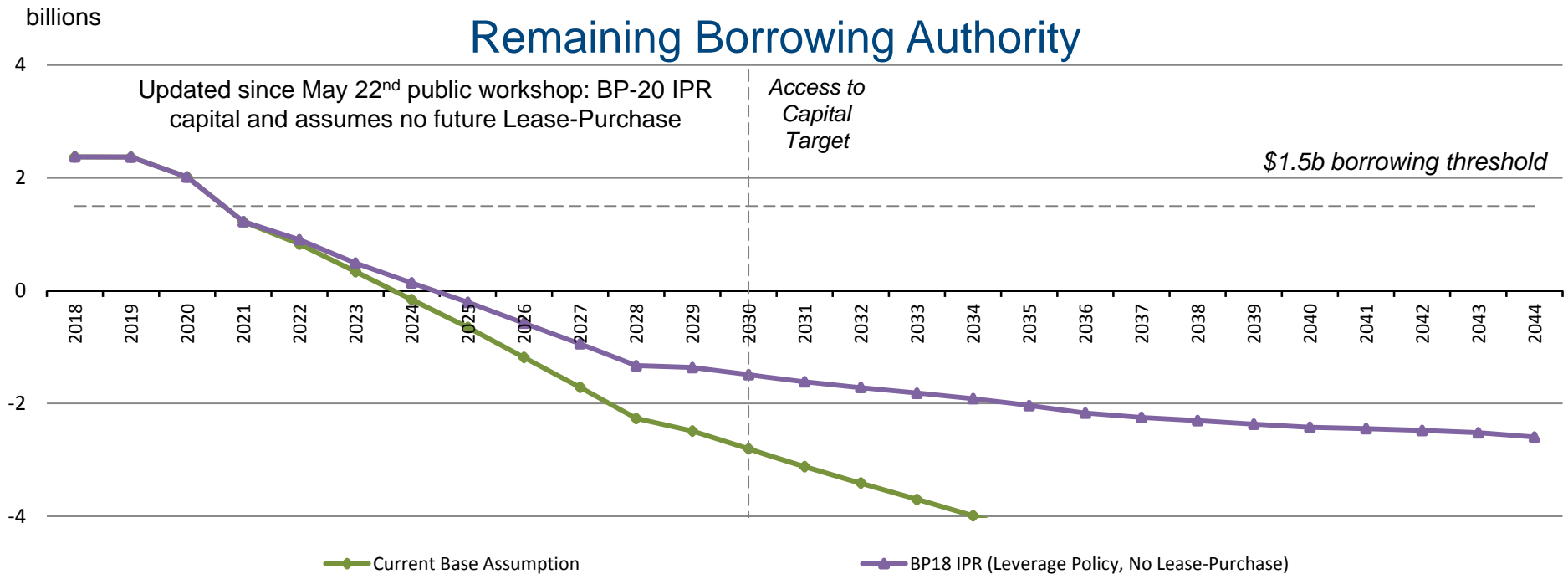
Today's Objective

- Update BPA's 10-Year Capital Financing Plan preferred scenario that was communicated during the May 22nd public workshop.

Context

- Strategic Plan Debt Capacity Objective
 - “...needs are met on a rolling 10-year basis...”
 - “...intends to preserve \$1.5 billion of available borrowing authority...”
 - “...look beyond its traditional financing sources and consider ‘all of the above’ capital financing strategy...”
 - “Each possible source of additional capital has its limitations, and BPA will evaluate them within the context of their cost, certainty and impacts on other stated financial health goals.”

Access to Capital Challenge Post Leverage Policy



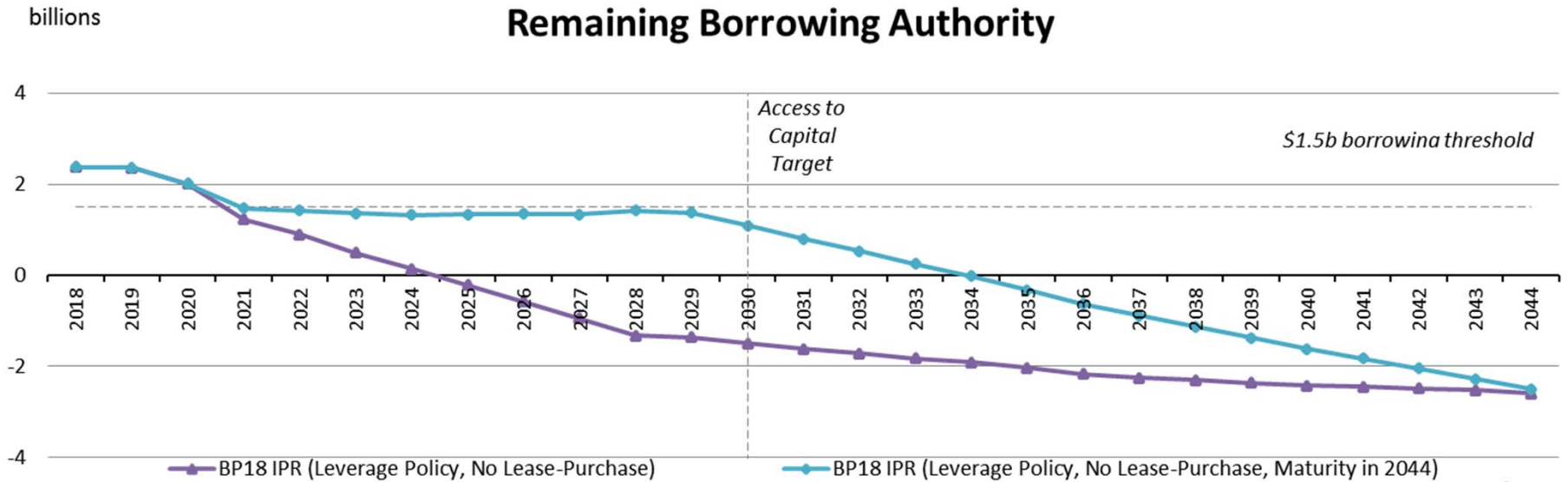
- The Leverage Policy preferred scenario results in the Transmission debt-to-asset ratio decreasing from a forecast of 87% without the leverage policy to 72% in 2030.
- The preferred scenario result is, Transmission early amortizes \$1.3 billion more debt between 2020 to 2030 than otherwise would have occurred without the leverage policy.
- Due to the natural decline in the debt-to-asset ratio, there is no early amortization necessary for Power.
- The Leverage Policy preferred scenario helps the federal borrowing challenge but does not fulfill the \$1.5 billion of access to borrowing authority objective in the Strategic and Financial Plans.

*Capital spending based on IPR Initial Proposal

BPA Request

BPA is requesting \$3.5 billion of tax-exempt RCD financing beginning in 2021 through 2030.

(millions)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Extend	\$ 256	\$ 270	\$ 340	\$ 314	\$ 359	\$ 388	\$ 354	\$ 533	\$ 84	\$ 177	\$ 3,075
<i>Tax-Exempt</i>	\$ 242	\$ 261	\$ 319	\$ 262	\$ 358	\$ 388	\$ 352	\$ 532	\$ 81	\$ 154	\$ 2,949
<i>Taxable</i>	\$ 14	\$ 9	\$ 21	\$ 52	\$ 1	\$ -	\$ 2	\$ 1	\$ 3	\$ 23	\$ 126
Expand	\$ 577	\$ 528	\$ 489	\$ 521	\$ 428	\$ 387	\$ 406	\$ 343	\$ 357	\$ 300	\$ 4,336
<i>Tax-Exempt</i>	\$ 39	\$ 34	\$ 30	\$ 33	\$ 24	\$ 81	\$ 83	\$ 77	\$ 78	\$ 73	\$ 551
<i>Taxable</i>	\$ 538	\$ 494	\$ 459	\$ 488	\$ 404	\$ 306	\$ 323	\$ 266	\$ 279	\$ 227	\$ 3,785
Total	\$ 833	\$ 798	\$ 829	\$ 835	\$ 787	\$ 775	\$ 760	\$ 876	\$ 441	\$ 477	\$ 7,411



Summary

- BPA has updated its preferred option to request \$3.5 billion of tax-exempt Regional Cooperation Debt (RCD) from 2021-2030.
- Accessing the full amount of tax-exempt Regional Cooperation Debt (RCD) provides BPA time to:
 - Take a holistic strategic view of all its sources of capital and use the cheapest tools first
 - Is consistent with the “All the Above Strategy” identified in the Financial Plan
- An RCD program does not restore capacity all at once allowing BPA adjust the size of the program as new information becomes available.
 - “Scrubbing” capital numbers for historical underruns
 - Additional customer financed projects

Decision Timeline

- July 25 – EN CFO preliminary recommendation to EN Executive Board
- August 2nd – Public Comment period closes
- September 26 – EN Executive Board vote on decision
- November – BP-20 Initial Proposal published

Appendix

Summary of Potential Tools

Financing Tool	Estimated Cost	Case Study (EN 2018 C/D)	Certainty	Likelihood
Revenue financing	No interest rate		Availability in BP-20 uncertain	Unlikely for Power due to rate pressure, but likely for Transmission
Reserve financing	No interest rate		Constrained by Reserve Policy	Not available until targets in Reserve Policy are met
RCD - Tax-Exempt	2.7%	2.78% (Avg 12 yr term)	Requires Energy Northwest Board agreement, constrained by maximum maturity and availability of extend and expand options	Available within the constraints of the Leverage Policy
Additional U.S. Treasury borrowing authority	2.8%	1.94% (Avg 3 yr term) 2.76% (Avg 12 yr term)	Congressional approval required	Unlikely
RCD - Taxable	3.6%	3.03% (Avg 3 yr term)	Requires Energy Northwest Board agreement, constrained by maximum maturity and availability of extend and expand options	Available within the constraints of the Leverage Policy
Lease-Purchase (Transmission Only)	3.6% + Auxiliary Fees + hidden costs		Forecast target of 25%	Available
Non-federal asset ownership	Negotiated		Unknown	Available
Capital spending reductions	Determined through IPR public process		Determined through IPR public process	Available

* excludes cost of issuance

Financial Disclosure

This information was publicly available on July 23, 2018 and contains information not sourced directly from BPA financial statements.