



Integrated Program Review

Capital Update

June 18, 2012



Context

- This package contains three scenarios of capital projections for FYs 2013-2015. The three scenarios as defined here are:
 - Initial CIR from January 2012 (This is the capital forecast data used in analysis provided at the January 31 “Building the Framework for the IPR” meeting.)
 - Base
 - Alternative
- Because many CIR participants shared that they could not provide informed comments on capital levels until they better understood the status of our access to capital, we have not yet revised the capital forecasts provided in the CIR.
- We will provide more access-to-capital analysis this summer and we expect that as you develop a better understanding of BPA’s capacity to fund the proposed capital levels you will be able to provide more specific comments to us. We will consider those comments as we establish capital investment estimates after the close of comment period for the IPR.

New Base and Preferred Scenarios

- The new Base scenario is identical to the Initial CIR with the following two changes:
 - Revision of the lapse factor (explained in more detail on page 4)
 - Reshaping of Transmission capital over the ten-year budget period
- The new Alternative scenario starts with the new Base and incorporates increases to the following asset categories for FYs 2013-2015 to facilitate needed investment. The Alternatives allow for the following:
 - Transmission - retain the originally proposed timelines for major expansion projects such as the I-5 reinforcement and Northern Intertie projects (the 10-year total is the same as the Base)
 - Facilities – meet asset strategy goals, space requirements for the Portland/Vancouver area, and critical business needs
 - Security – meet NERC-CIP requirements while allowing for additional security investments aimed at reducing criminal activities related to BPA sites

Lapse Factor

The Initial CIR scenario incorporated a 15% lapse factor (consistent with BPA's historical budget underruns) applied to:

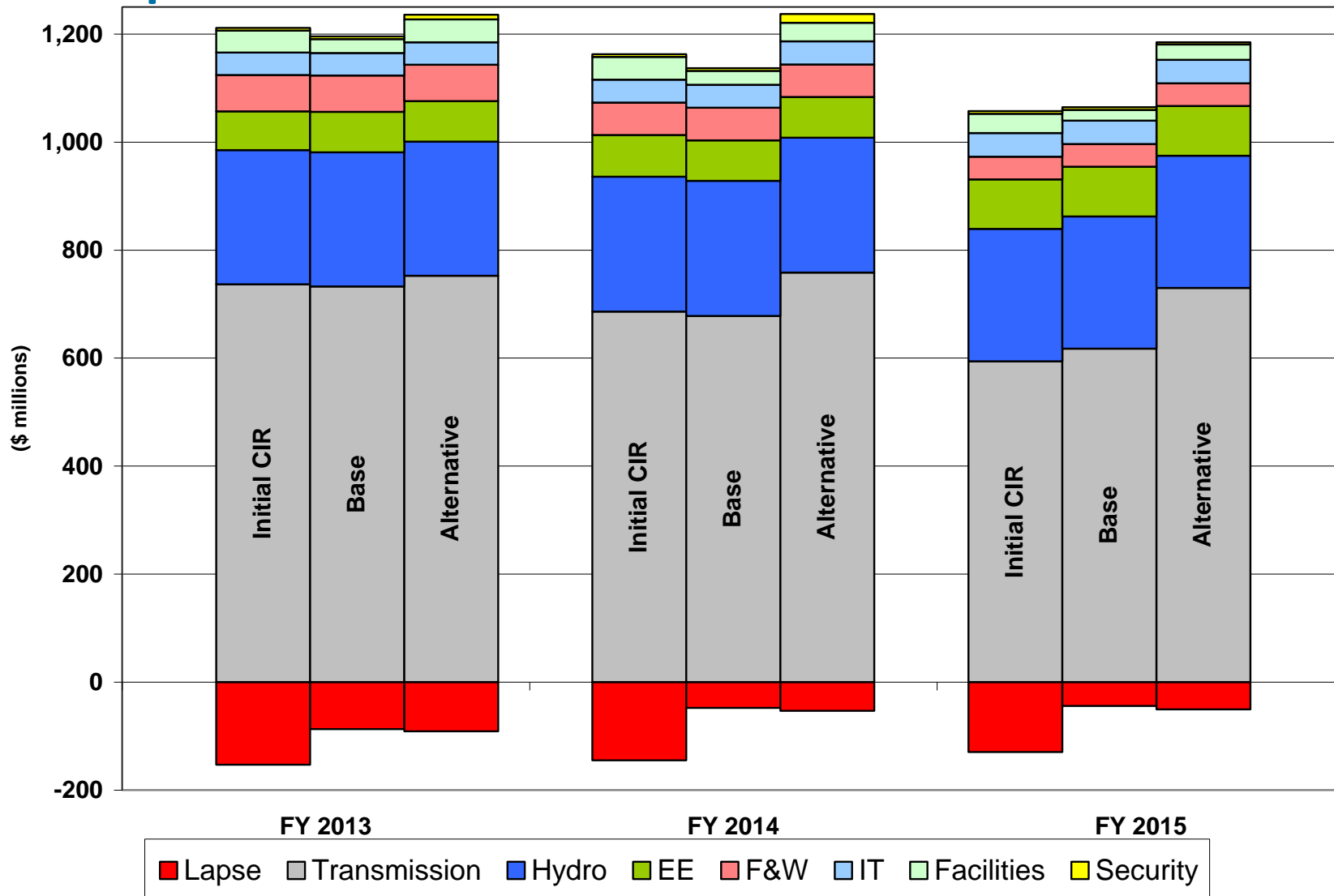
- Transmission
- Federal Hydro
- Facilities
- Security

In the last couple of years the budget execution rate has been trending up and a 15% lapse is no longer representative of BPA's actual experience so BPA is proposing a change in lapse factors.

The two new scenarios (Base and Alternative) use revised lapse factors, which BPA believes more accurately reflects expectations:

- Federal Hydro – 5%
- Transmission – 10% in FY 2013, 5% in FYs 2014-2015
- Facilities and Security – lapse is applied to the extent these are included as part of the Transmission business unit capital program

Comparison of the Scenarios



Columbia River Fish Mitigation (CRFM) and Columbia Generating Station (CGS)

The current forecasts for these programs are as follows:

IPR 2010 Budgets and Actuals (\$ millions)

<u>CRFM</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total</u>
IPR 2010 ^{1/}	266	206	103	575
Actuals ^{2/}	57	103	94	254
<u>CGS</u>				
IPR 2010 ^{1/}	To Be Updated			-
Actuals ^{2/}	To Be Updated			-

Updated Forecasts (\$ millions)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
CRFM	145	99	49	387
CGS	53	62	62	177

^{1/} 2010 Forecast was in Initial Rate Proposal only; Final Rate Proposal was updated to include actual data.

^{2/} FY 2012 "Actuals" are the current EOY forecast

Capital Cost Components

Revenue Requirement Elements for FY 14/15 – Initial CIR compared to Updated Base capital

	<u>2014</u>		<u>2015</u>		<u>Avg</u>	
	<u>Initial CIR</u>	<u>Updated Base</u>	<u>Initial CIR</u>	<u>Updated Base</u>	<u>Initial CIR</u>	<u>Updated Base</u>
<u>Power</u>						
(\$ Millions)						
Non-Federal Debt Service	594	589	558	555	576	572
Depreciation and Amortization	221	224	224	228	222	226
Net Interest	230	238	243	253	236	246
<u>Transmission</u>						
(\$ Millions)						
Depreciation and Amortization	199	199	207	207	203	203
Net Interest Expense	178	188	191	207	185	198

Appendix

Appendix A

Unlapsed Capital from the Initial CIR Publication

(\$ millions)	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>TOTAL</u>
IT	42	43	44	128
Facilities	41	42	36	118
Security	5	5	5	15
Hydro	248	250	245	743
Fish & Wildlife	67	60	42	169
Energy Efficiency	72	77	92	241
Transmission	<u>736</u>	<u>686</u>	<u>594</u>	<u>2,016</u>
Total Agency Unlapsed	1,211	1,162	1,057	3,430

Lapse Factors

(\$ millions)	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>TOTAL</u>
IT	0	0	0	-
Facilities	(6)	(6)	(5)	(18)
Security	(1)	(1)	(1)	(2)
Hydro	(35)	(35)	(35)	(106)
Fish & Wildlife	0	0	0	-
Energy Efficiency	0	0	0	-
Transmission	<u>(111)</u>	<u>(102)</u>	<u>(89)</u>	<u>(302)</u>
Total Agency Unlapsed	(153)	(145)	(130)	(427)

15% Lapse Scenario from the Initial CIR Publication

(\$ millions)	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>TOTAL</u>
IT	42	43	44	128
Facilities	35	35	30	100
Security	4	4	4	13
Hydro	213	214	210	638
Fish & Wildlife	67	60	42	169
Energy Efficiency	72	77	92	241
Transmission	<u>626</u>	<u>584</u>	<u>505</u>	<u>1,715</u>
Total Agency Lapsed	1,058	1,018	927	3,003

These are the capital numbers used in the January public meeting

Lapse factor was 15% for the following items:

- Facilities
- Security
- Federal Hydro
- Transmission

Appendix B

Updated Unlapsed Capital - Base Scenario

(\$ millions)	2013	2014	2015	TOTAL
IT	42	43	44	128
Facilities	26	26	20	71
Security	5	5	5	15
Hydro	248	250	245	743
Fish & Wildlife	67	60	42	169
Energy Efficiency	75	75	92	242
Transmission	<u>732</u>	<u>678</u>	<u>617</u>	<u>2,028</u>
Total Agency Unlapsed	1,195	1,136	1,065	3,396

Transmission and Hydro 5% Lapse - Base Scenario

(\$ millions)	2013	2014	2015	TOTAL
IT	0	0	0	-
Facilities	(3)	(2)	(2)	(6)
Security	(0)	(0)	(0)	(1)
Hydro	(12)	(12)	(12)	(37)
Fish & Wildlife	0	0	0	-
Energy Efficiency	0	0	0	-
Transmission	<u>(73)</u>	<u>(34)</u>	<u>(31)</u>	<u>(138)</u>
Total Agency Unlapsed	(89)	(49)	(45)	(182)

Total Lapsed Capital - Base Scenario

(\$ millions)	2013	2014	2015	TOTAL
IT	42	43	44	128
Facilities	23	24	18	65
Security	4	5	5	14
Hydro	236	237	233	706
Fish & Wildlife	67	60	42	169
Energy Efficiency	75	75	92	242
Transmission	<u>659</u>	<u>644</u>	<u>586</u>	<u>1,890</u>
Total Agency Lapsed	1,107	1,088	1,020	3,214

Transmission is reshaped in FYs 2013-2015 to better align with the finalized asset strategy

Lapse Factor differs from January in the following ways:

- Fed Hydro lapse is 5%
- Transmission Lapse is 10% in FY 2013 and 5% in FYs 2014 & 2015
- The Facilities and Security lapse is only for the portions of each that are budgeted in the Transmission business line

Appendix C

Updated Unlapsed Capital - Alternative

(\$ millions)	2013	2014	2015	TOTAL
IT	42	43	44	128
Facilities	42	34	28	105
Security	8	17	4	29
Hydro	248	250	245	743
Fish & Wildlife	67	60	42	169
Energy Efficiency	75	75	92	242
Transmission	752	758	730	2,240
Total Agency Unlapsed	1,235	1,237	1,185	3,657

Transmission and Hydro 5% Lapse - Alternative

(\$ millions)	2013	2014	2015	TOTAL
IT	0	0	0	-
Facilities	(3)	(2)	(1)	(6)
Security	(1)	(1)	(0)	(2)
Hydro	(12)	(12)	(12)	(37)
Fish & Wildlife	0	0	0	-
Energy Efficiency	0	0	0	-
Transmission	(75)	(38)	(36)	(150)
Total Agency Unlapsed	(91)	(53)	(50)	(194)

Total Lapsed Capital - Alternative

(\$ millions)	2013	2014	2015	TOTAL
IT	42	43	44	128
Facilities	40	33	27	99
Security	7	16	4	27
Hydro	236	237	233	706
Fish & Wildlife	67	60	42	169
Energy Efficiency	75	75	92	242
Transmission	677	720	693	2,091
Total Agency Lapsed	1,144	1,184	1,134	3,463

The Preferred scenario incorporates higher capital levels for:

- Facilities
- Security
- Transmission

The Preferred scenario uses the same lapsing schedule as the Base scenario

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Financial Disclosure

This information has been made publicly available by BPA on June XX, 2012 and contains information not reported in agency financial statements.

Comments can be sent to:

Participants have an opportunity to submit comments on BPA's Initial IPR Publication and proposed IPR levels during a ten week public comment period beginning June 5, 2012 and concluding August 10, 2012. Comments can be submitted online; by email; or by mail to: BPA, P.O. Box 14428, Portland, OR 97293-4428.

Please send questions to:

BPAFinance@BPA.gov

Thank you