



## **BPA federal debt refinancing provides rate certainty**

### **Bonneville Power Administration**

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**PORTLAND, Ore. - President Bill Clinton today reduced financial and electric rate uncertainty for the Bonneville Power Administration and its customers in the Pacific Northwest when he signed the omnibus fiscal year 1996 federal appropriations bill into law. The legislation will help assure electric rate certainty for the region through its provisions to refinance the Bonneville Power Administration's outstanding appropriations to the U.S. Treasury. The refinance provisions put an end to recurring threats of proposals that would have raised electric rates and created economic uncertainty in the region.**

"The Pacific Northwest congressional delegation and the Clinton administration deserve tremendous credit for this accomplishment," said BPA Administrator Randy Hardy. "We expect this legislation will increase customer confidence in retaining BPA as their power supplier. In turn, customer confidence translates into revenues to meet our fish and wildlife, environmental and fiduciary responsibilities."

The refinancing plan exchanges BPA's outstanding federal appropriated repayment responsibility of an estimated \$6.8 billion at estimated average interest rate of 3.5 percent for about \$4.6 billion at market-determined interest rates averaging about 6.3 percent. The \$4.6 billion includes a refinancing fee that locks in the interest rates and certain other terms of repayment, thereby reducing future financial uncertainty for the agency and for regional ratepayers. The plan takes effect with the 1997 fiscal year which begins Oct. 1, 1996.

The refinancing fee of \$100 million must be paid over time with interest. The net effect of the refinancing is to return about \$100 million more in net present value to the Treasury than would have been paid under the old arrangement. The plan will also increase near-term cash flow to the government and, according to the Congressional budget office, reduce the federal deficit debt by about \$8.9 million over the next seven years.

BPA's refinanced appropriations are for construction of the Federal Columbia River Power System and for the portion of the transmission system funded by appropriations prior to BPA becoming self-financed in the mid 1970's. It does not include nonfederal debt of about \$6.8 billion for nuclear projects managed by the Washington Public Power Supply System. Nor does it include bonds issued to the Treasury for BPA capital investment in the transmission system since the mid 1970's, in conservation, and in fish and wildlife. That debt bears market interest rates.

BPA's appropriated debt has been the target of refinancing proposals for over a decade because of its low interest rates and flexible repayment schedule. While the low rates were generally at market value at the time the debt was incurred, today those rates have been interpreted by some as a taxpayer subsidy to the region. That perception prompted repayment proposals that would have dramatically raised BPA's debt service payment to the Treasury and raised electricity rates in the Northwest by between 10 and 15

percent which could have caused serious economic disruptions.

The refinancing legislation puts an end to the financial and rate uncertainty the region has long faced because of the recurring threat of the repayment proposals. The legislation, as passed by Congress and signed into law by President Clinton, is a result of cooperation among regional utilities, the Northwest congressional delegation and the Clinton administration including the Treasury. It combines elements of previous proposals from Sen. Mark Hatfield, the Clinton administration and others.

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