December 8, 2005

Bonneville Power Administration
DKP-7
PO Box 14428
Portland, OR 97293

Re: Columbia Generating Station Debt Extension/Capital Financing

Benton PUD participated in the public workshop held on November 28, 2005 for the purpose of discussing the potential of extending a portion of the existing Energy Northwest (EN) Columbia Generating Station (CGS) debt into the 2019 through 2024 timeframe consistent with the term of its current operating license. Based on the information provided in the workshop, Benton PUD supports the extension of $350 million of currently outstanding CGS debt to BPA Fiscal Years (FY) 2019 through 2024 as well as the financing of new CGS capital investments with bond maturities through FY 2024. Based on the information provided, we are unable to comment on the merits of placing an additional $105 million of CGS bonds targeted for debt optimization into the FY 2019-2024 period; however, we do not object to a consideration of this option by BPA and EN.

In reviewing the debt extension proposal, Benton PUD recognizes that the extension of existing CGS debt into future periods should be done only after a careful analysis of the facts and circumstances. Our support for the debt extension proposal is based on the following:

- CGS debt maturities currently extend to 2018. The current operating license of CGS extends to December 2023 (FY 2024). There is every expectation that CGS will continue to generate power through 2023 and discussions are underway to apply for a license extension. We believe that it is conventional practice to finance generating assets over their expected asset lives.

- Based on current debt maturities, ratepayers who benefit from CGS electricity production from 2019 to 2023 will pay no debt service costs related to the generating asset; however, it is our understanding that ratepayers during this period will fund higher payments into the Decommissioning Fund. Nonetheless, when debt service and decommissioning payments are combined, ratepayers during the five-year period will pay less on average than ratepayers during the previous years of the plant's life, even after the extension of $350 million into the FY 2019-2024 period.

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- As a project participant in CGS, Benton PUD has assigned its right to the capability of the project through its Net-Billing Agreement with BPA. Through this agreement and other power purchase power contracts with BPA, Benton PUD is effectively charged at wholesale rates that are set at levels to recover BPA's Power Business Line (PBL) total federal and non-federal debt service costs. Accordingly, Benton PUD's customers benefit when the PBL's combined debt service costs are minimized. It is our understanding that the PBL's total annual federal and non-federal debt service will be reduced by $64 million from FY 2007 to 2024 as a result of BPA's ability to pay off higher-interest federal debt earlier. Further, we understand that BPA's total debt service during FY 2007-2009 will be reduced by $11 million per year, thereby providing some immediate relief to current ratepayers.

In summary, Benton PUD supports the extension of $350 million of CGS debt because it results in a fair and reasonable allocation of debt into FY 2019-2024 and minimizes the PBL's overall debt service costs.

Regarding the financing of new CGS capital investments with bond maturities through FY 2024, we support the proposal because it more closely matches the funding of capital investments with asset lives.

Sincerely,

James W. Sanders
General Manager

cc: Benton PUD Commissioners