

SN-03 BPA Data Response

Request No.: PP-BPA:007

Request: Witnesses: Keep, *et al.*
Exhibit: SN-03-E-BPA-04
Page(s) Page 7, line 16 through page 8, line 2

Please provide all studies, spreadsheets, and any other documents (written or electronic) estimating the extent to which credit concerns will “also affect future refinancings of ENW and other BPA-backed bonds.”

Response:

Estimates regarding the potential cost of a rating agency downgrade specifically on Energy Northwest BPA-backed bonds were provided to BPA in late February 2003, and a recent update was provided to BPA in early April 2003 from BPA’s Financial Advisor, Public Financial Management. These are only estimates, are based on then-recent bond sales for similarly rated utilities, and are based on then-current market conditions.

The preliminary estimates given to BPA in February are listed below, and they are reflected as the additional basis point cost from where the ratings were in February 2003. They are:

<u>Drop to Rating Category:</u>	<u>Estimated Basis Point Cost:</u>
A+	5 basis points
A	10 –15 basis points
A-	30 basis points
BBB-	80 –90 basis points

Using the estimates above, BPA internally calculated that the potential additional interest costs for the remainder of the Debt Optimization program of approximately \$2.3 billion, would be as follows:

<u>Category:</u>	<u>Interest Cost in Millions:</u>	<u>Average Per Year:</u>
A+	\$11 million total	\$1 million
A	\$22 – 33 million total	\$1.7 – 2.5 million
A-	\$65 million total	\$5 million
BBB-	\$175 – 196 million total	\$13 – 15 million

Since the above February estimate, an updated estimate provided by Public Financial Management in April 2003 was based on more recent bond sales and market conditions and showed the following changes only:

Drop to Rating Category:

Estimated Basis Point Cost:

A
BBB (vs. earlier BBB-)

15 basis points (vs. earlier 10-15 bp)
80 –90 basis points

BPA did not recalculate additional interest costs based on the April update, because the impacts of the changes were already captured in the first analysis.

Please see attachment PP-BPA-007A.xls for calculations.

No analysis has been completed to estimate the effect on future refinancings of other BPA-backed bonds.

April 10, 2003

(\$ millions)	Total	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total	Average
Principal Remaining	2,332	239	291	273	278	312	329	329	282								
			530	803	1,081	1,393	1,722	2,050	2,332								
Additional Interest																	
A+	0.0005		0.1	0.3	0.4	0.5	0.7	0.9	1.0	1.2	1.2	1.2	1.2	1.2	1.2	10.9	0.8
A	0.0010		0.2	0.5	0.8	1.1	1.4	1.7	2.1	2.3	2.3	2.3	2.3	2.3	2.3	21.8	1.7
	0.0015		0.4	0.8	1.2	1.6	2.1	2.6	3.1	3.5	3.5	3.5	3.5	3.5	3.5	32.7	2.5
A-	0.0030		0.7	1.6	2.4	3.2	4.2	5.2	6.2	7.0	7.0	7.0	7.0	7.0	7.0	65.4	5.0
BBB-	0.0080		1.9	4.2	6.4	8.6	11.1	13.8	16.4	18.7	18.7	18.7	18.7	18.7	18.7	174.5	13.4
	0.0090		2.2	4.8	7.2	9.7	12.5	15.5	18.5	21.0	21.0	21.0	21.0	21.0	21.0	196.3	15.1

Spread increases from Mike Mace 2/28/03

Assumed 2016 maturity since about halfway between 2013 and 2018