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 22\textsuperscript{nd} 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.”
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.
BPA Request

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

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

Remaining Borrowing Authority

Access to Capital Target

$1.5b borrowing threshold

BP18 IPR (Leverage Policy, No Lease-Purchase)

BP18 IPR (Leverage Policy, No Lease-Purchase, Maturity in 2044)
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 2\textsuperscript{nd} – Public Comment period closes
- September 26 – EN Executive Board vote on decision
- November – BP-20 Initial Proposal published
## Summary of Potential Tools

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

* 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.