



Debt Optimization and Debt Management Actions

February 2005

These materials are intended to provide an overview, but not a detailed description, of the items covered.



Debt Optimization is:

- Part of BPA's debt management program.
- Specifically designed to:
 - Replenish Treasury borrowing authority up to \$2.7 billion.
 - Reduce the overall costs of BPA's debt.



Debt Management Results to Date

- Lowered overall BPA interest rates from 6.6 percent to 5.6 percent, currently saving over \$100 million a year.
- Refinanced about \$4.6 billion of BPA's \$13.1 billion debt during this low-interest-rate environment.
- Prepaid over \$1 billion in federal debt, making greater Treasury borrowing authority available.



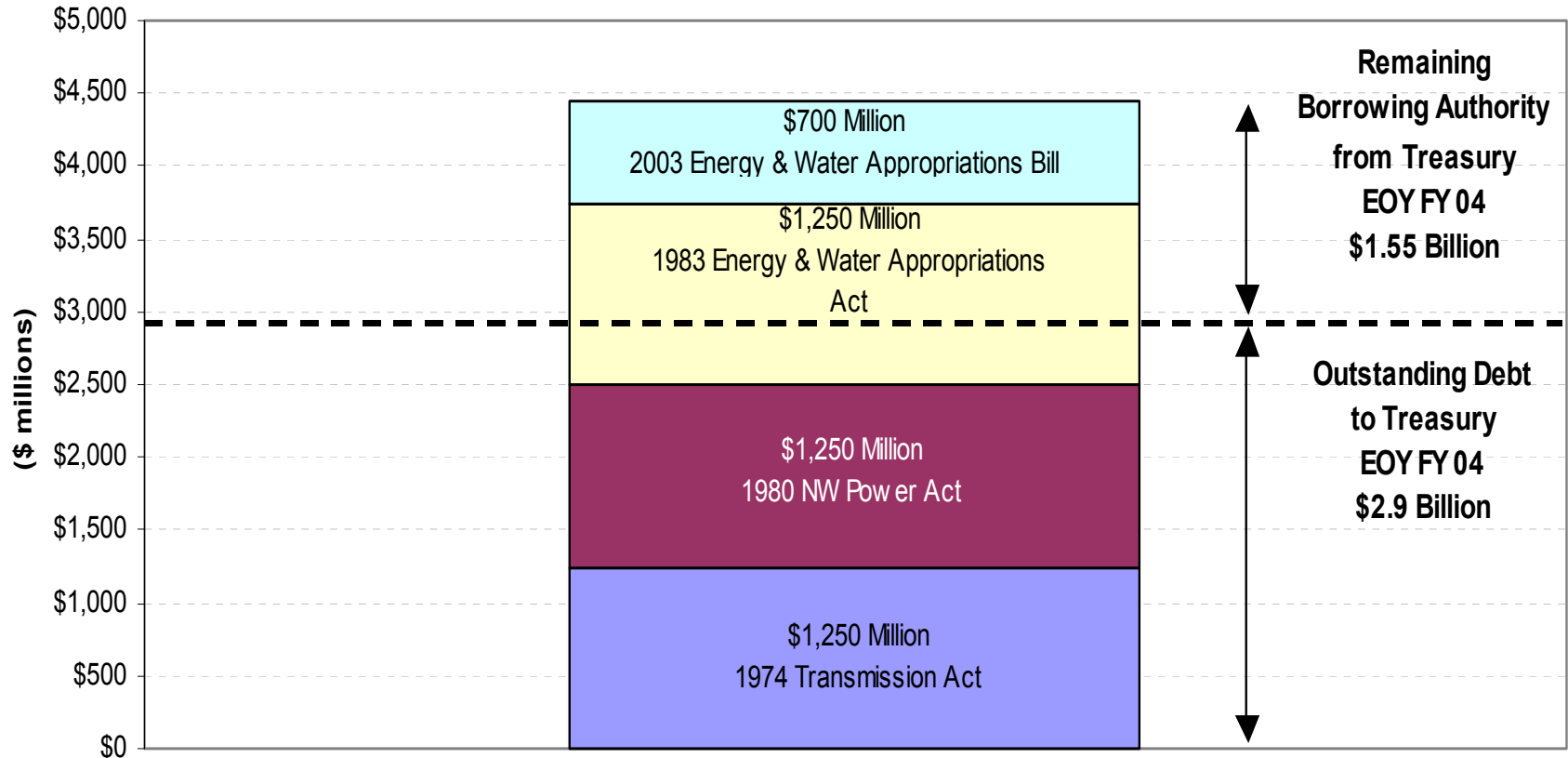
BPA's Treasury Borrowing Authority Limit

- BPA can borrow from the U.S. Treasury up to a set limit.
- In 1999, BPA expected to run out of Treasury borrowing authority in 2005.
- We found that debt optimization is the lowest cost source of capital.
- Congress increased borrowing authority in 2003 by \$700 million to \$4.45 billion.



BPA's Treasury Borrowing Authority

\$4.45 Billion Permanent Authority



Bonneville Treasury Borrowing Authority

This information has been made publicly available by BPA on December 8, 2004, and is consistent with the 2004 Annual Report released in December 2004 and contains BPA Agency-approved Financial Information. For illustrative purposes only

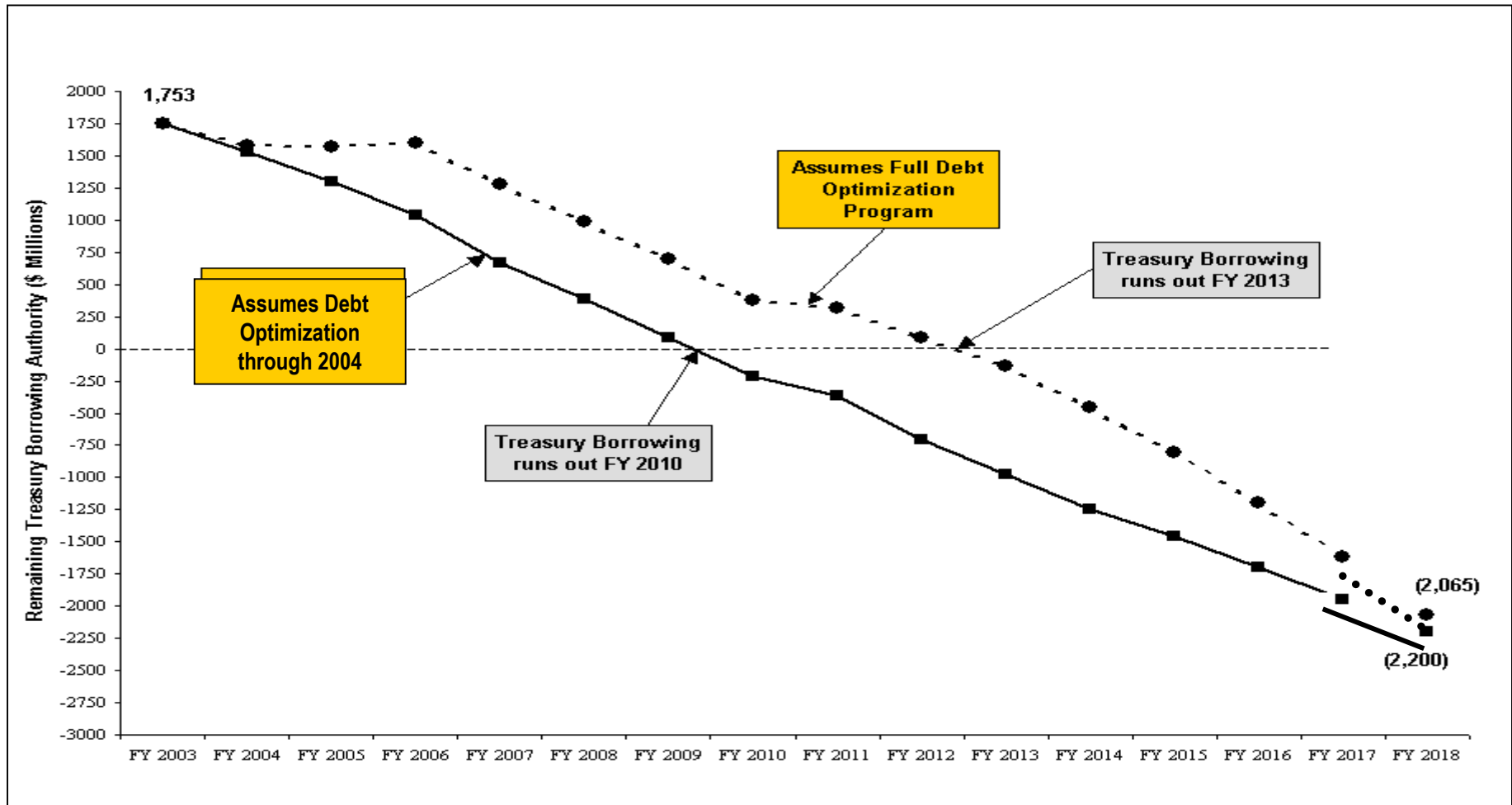


Debt Optimization makes the best use of Energy Northwest bonds

- BPA backs \$6 billion in tax-exempt Energy Northwest bonds. They come due in chunks.
- Energy Northwest replaces old bonds that are currently coming due with new bonds that will become due in the 2013 –2018 period.
- This refinancing only occurred because BPA agreed with EN that if the refinancing occurred, BPA would use cash in the Bonneville Fund that would have been used to pay the old EN bonds to pay off higher-cost Treasury debt early. This additional BPA amortization was a necessary condition of the refinancings.
- BPA's available Treasury borrowing authority increases; overall interest costs go down.



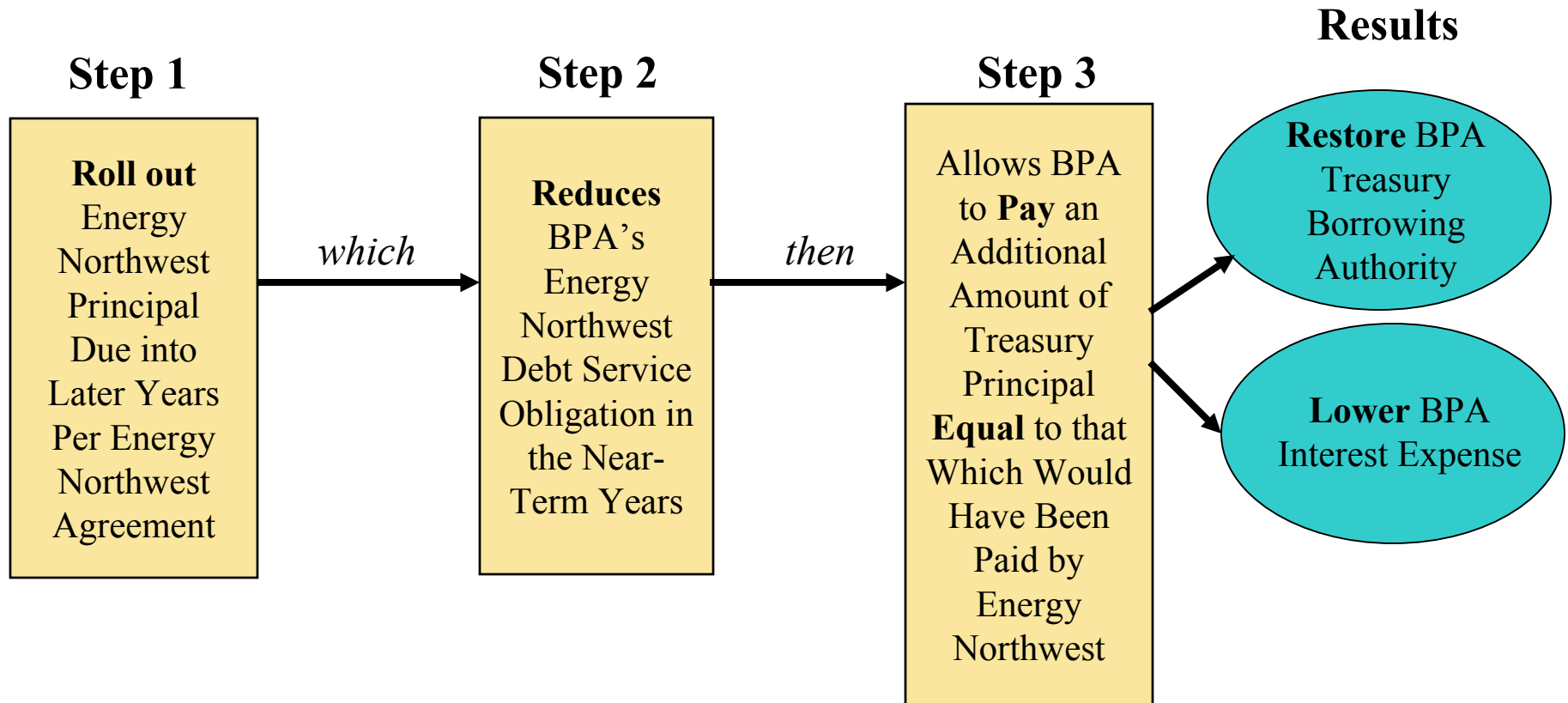
Debt Optimization maintains BPA's access to Treasury borrowing authority





The Mechanics of Debt Optimization Simplified

(A skeletal view)





Debt Optimization does not increase BPA's overall debt in future years

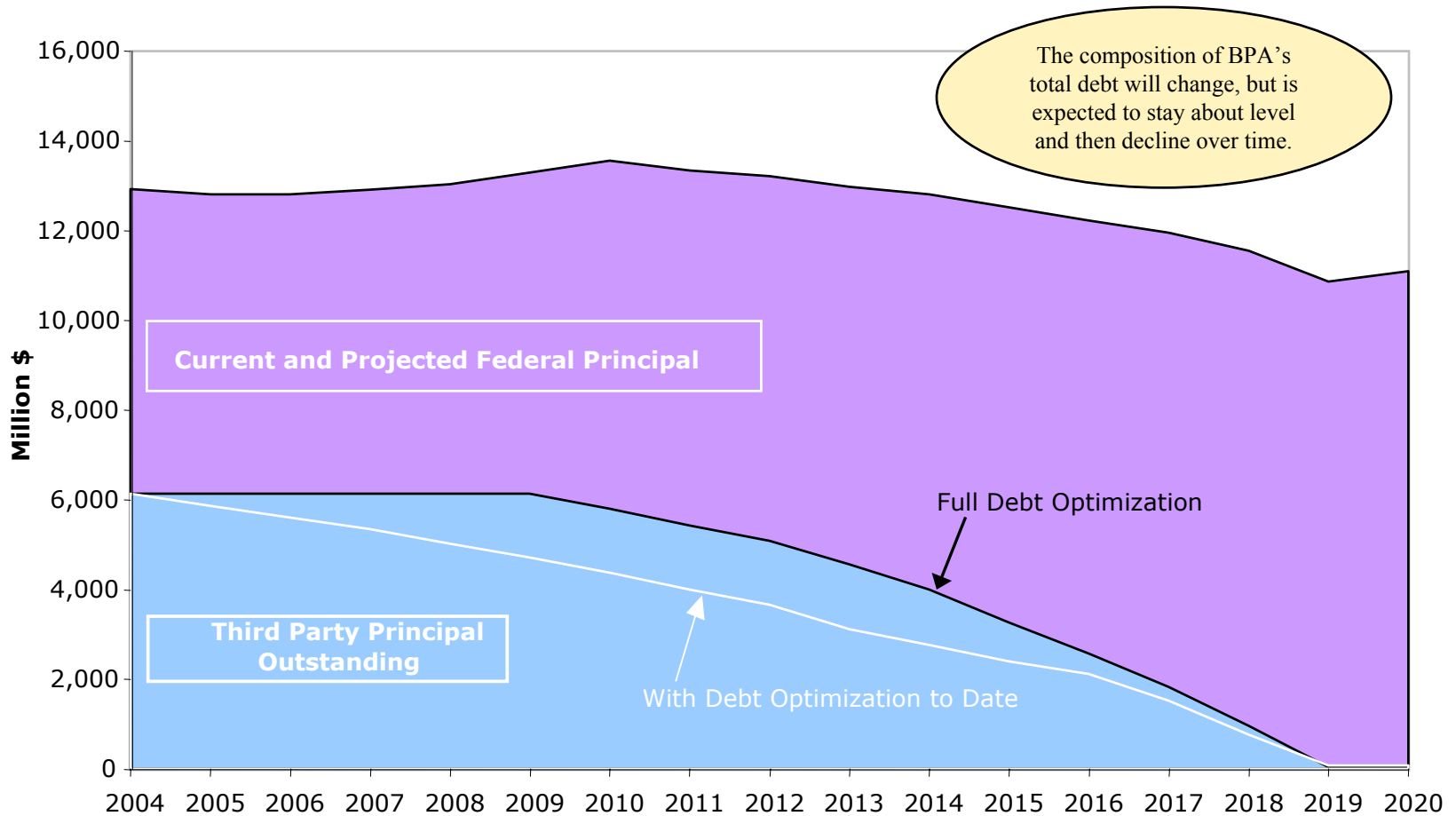
- In years where Energy Northwest's debt increases there is a corresponding decrease in the federal debt.

(BPA pays off Treasury now and Energy Northwest later instead of Energy Northwest now and Treasury later.)
- Meanwhile, net interest costs are lower.
- All Energy Northwest debt is still due to be retired by 2018.



Bonneville Power Administration

Forecast of Debt and Other Long-Term Liabilities Outstanding



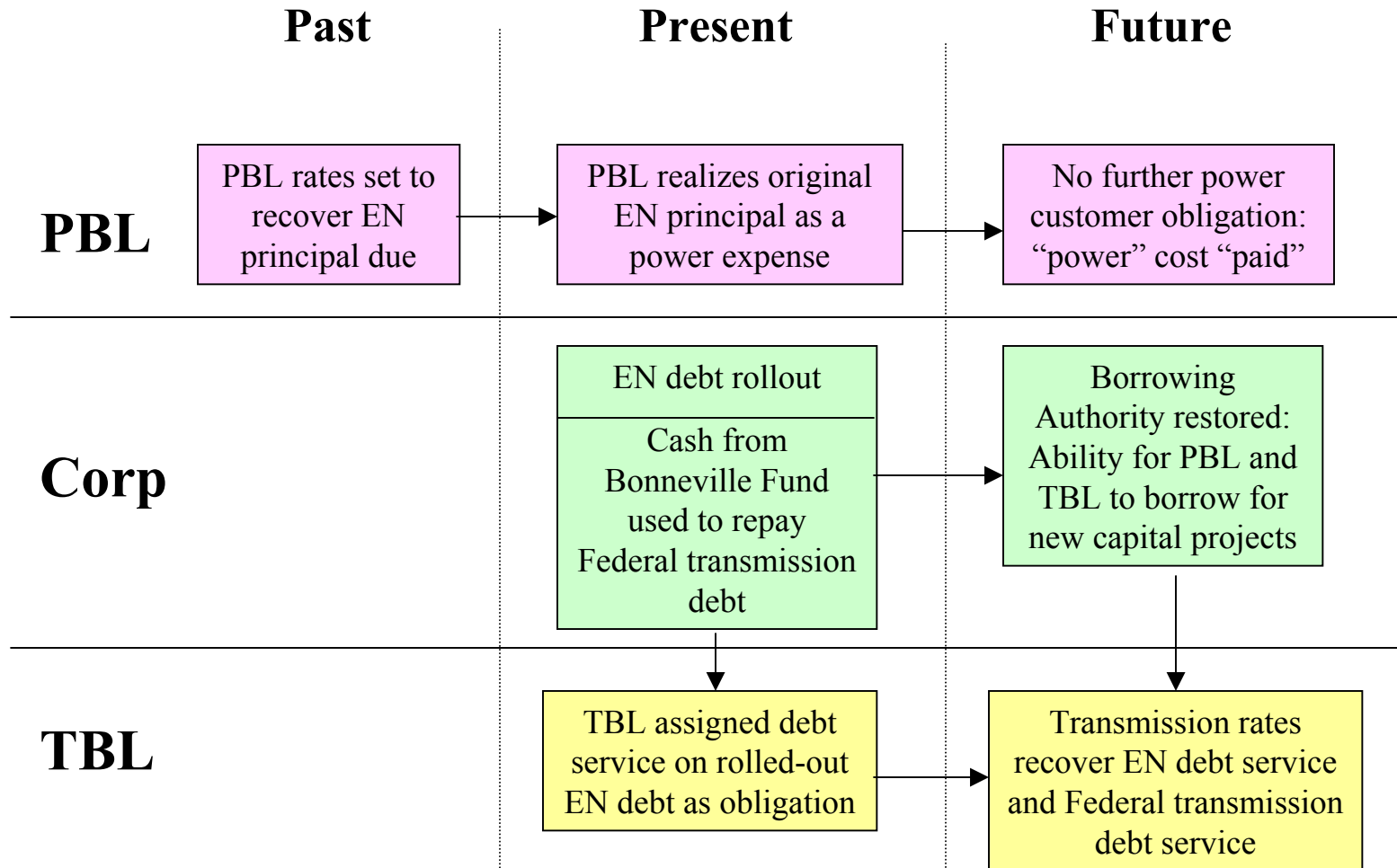
This information is subject to change as Bonneville reviews its capital spending estimates. The federal principal section of this graph assumes that Bonneville's borrowing authority is increased. All prospective borrowing whether third party or federal will not change the overall level of outstanding debt.

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Mechanics of Debt Optimization Simplified

(Debt Service Reassignment Design)





Results Achieved by Energy Northwest and BPA To Date

Actual and Forecasted

Cash Flow from EN Debt Management Actions

BPA Fiscal Year (Cash Basis)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
2001-A Advance Refunding (Goldman)			51	31						14	15	36	38	185
2001-B Current "Rollout" (UBS PaineWebber)		101												101
2002-A Advance Refunding (Salomon)			32	24	43	40	60	45	51	51	24	34		402
2002-B Current "Rollout" (Salomon)			180	22	12			12	13	14			15	266
2003-A Current "Rollout" (Citigroup)				239										239
2004-A Current "Rollout" (Goldman)					291									291
Surety Bonds*	38			135										173
Reserve Free-Ups*	11		10	92										114
Selective Redemption	10													10
Other	27													27
Total Cash Flow from EN Debt Mgmt Actions	85	101	273	542	346	40	60	57	63	78	39	70	53	1,807
Less Amounts Not Intended for Treasury Prepayments*			10	227										237
Net Cash Flow from EN Debt Mgmt Actions	85	101	262	315	346	40	60	57	63	78	39	70	53	1,570
Cumulative Net Cash Flow	85	186	448	764	1110									

BPA's Application to Treasury Principal Payments

	2000	2001	2002	2003	2004
Net Cash Flow from EN Debt Mgmt Actions	85	101	262	315	346
Scheduled Amortization	205	113	239	229	247
Total Amortization	290	210	505	544	592
Treasury Prepayment	85	97	266	315	346
Cumulative Treasury Prepayment	85	182	448	763	1109

A like amount of Federal principal is paid early

A smaller amount of Federal debt will be outstanding in 2013-18

RESULT:

There will be more EN debt in 2013-18 and less Federal, but the total amount of outstanding debt will remain about the same.

*Special Tax Counsel advised that reserve free ups due to refinancings or issuance of surety bonds are required to be applied to EN interest due.

Note: In FY 2001 BPA made a Treasury prepayment of \$97 million, but the amount should have been \$101 million, therefore, the payment in FY 2002 increased from \$262 million to \$266 million.

Totals may not add due to rounding.



Summary of How the Debt Optimization Program Is Working

- Debt Optimization provides financial benefits to BPA's ratepayers.
- More Debt Optimization provides more benefits.
- Debt Optimization increases BPA's access to capital and allows infrastructure investment.
- Debt Optimization is working the way Energy Northwest and BPA agreed.