Cash Tools
Financial Choices Workshop: September 17, 2002

Approach #4 – Defer Costs & Push Problem to Future

FY 2003 POTENTIAL CASH TOOLS

Tool	Potential Magnitude	Affects Out-years Negatively	Description	Summary Assessment
Shape contract payments and customer prepayments.	$10 M.	Yes	Ask customers to prepay Bonneville and seek ways to defer payments to vendors.	Can help with longer-term timing, but may come at a cost.
Delay CSRS payment	$35 M	Yes	Would likely require renegotiation with DC folks.	Political fallout. May constitute a missed Treasury payment
Sell option on advance amortization of appropriations.	$30-80M	Yes	Will surrender some of appropriations repayment flexibility	Requires use of interest rate swaps. Reduces future debt flexibility. Changes BPA risk profile
Issue surety bonds to replace remaining reserve accounts	$135M	Somewhat	Sell surety bonds, which will generate cash now. Depends on ENW receptivity.	Need insurance capacity. Reserve accounts would not be available as planned to offset debt service in later years.
Issue short-term note	$250M	Yes	Use note to get through Treasury payment pinch	Depletes borrowing authority, Need to discuss more with Treasury
Use debt optimization proceeds for expenses.	$315 M	Yes	Don't pay Treasury debt with proceeds. Plan to make up the payment at a later date	Depletes borrowing authority.
Advance Treasury payment recognition.	$248M	Yes	Apply advance payment recognition to 2003 Treasury principal payment	Depletes borrowing authority. May need to refinance due bonds and take interest rate risk.
Convert previously expensed items to capital.	$72M	Yes	CGS nuclear fuel CGS small projects BPA Legacy conservation BPA Market transformation	Accounting rules may not allow capitalization
Defer non-critical BPA O&M	$50M	Yes	Defer non critical maintenance and operations	Deferring maintenance will likely mean added expense over the long-term.
Defer non-critical BPA capital	$10M	Yes	Defer capital investments that aren't critical.	Deferring capital investments will impact infrastructure programs

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Tool	Summary Assessment	Affects Cash	Affects Net Revenues	Affects FBCRAC AANR	SNCRAC prob. impact	Slice Rev Req impact	Borrowing Authority Impact	Implications of recovery by 2006 04-06 impact	Implications of recovery 2007-2011 2004-2006 Impacts	Sets precedent?
Shape contract payments and customer prepayments.	Can help with longer-term timing, but may come at a cost.	Yes	No	No	Goes down	No impact	No			
Delay CSRS payment	Political fallout. May constitute a missed Treasury payment	Yes	Yes	Yes	Goes down	Goes down	No	+12M/yr	+7M/yr ?	Yes
Sell option on advance amortization of approp	Requires use of interest rate swaps. Reduces future debt flexibility. Changes BPA risk profile	Yes	Yes	Yes	Goes down	Goes down	No	N/A	+10M/yr ?	Not really
Issue surety bonds to replace reserve accounts	Need insurance capacity Reserve accounts not available to offset debt service in later years	Yes	Yes	Yes	Goes down	Goes down	No	N/A	+25M/yr +7M/yr	No
Defer non-critical BPA O&M	Deferring maintenance will likely mean added expense over the long term.	Yes	Yes	PBL yes, TBL no	Goes down	PBL – goes down	No			Yes
Defer non-critical BPA capital	Deferring capital investments will impact infrastructure programs	Yes	Yes	PBL yes	Pretty minimal	Pretty minimal	Yes - improves			Yes

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Approach #3 – Increase Financial Risk To Treasury & Push Problem to Future

FY 2003 POTENTIAL CASH TOOLS

Tool	**Potential Magnitude**	**Affects Out-years Negatively**	**Description**
Sell Cal ISO receivable	$40M	No	Assumption about cash receipt from ISO not included in forecast therefore any cash receipt is good May have to write down more Cal ISO revenues
Collect lump sum remaining FCCF.	$80 M	Somewhat	Get Treasury to credit year-end payment with remaining FCCF balance, or assume balance as part of reserves
Existing cash reserves.	Not much	Most likely	Accept risk of operating with lower cash balance in Bonneville Fund
Set SNCRAC trigger mechanism more liberally	$20M	Most likely	Lower reserve balance at which it triggers Include some tools in calculating reserve balance
Issue more variable rate third party debt with optionality		Most likely	Issue more variable rate debt and exercise optionality

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Approach #3 – Increase Financial Risk To Treasury & Push Problem to Future

FY 2003 POTENTIAL CASH TOOLS

Tool	Summary Assessment	Affects Cash	Affects Net Revenues	Affects FBCRAC AANR	SNCRAC prob. impact	Slice Rev Req impact	Borrowing Authority Impact	Implications of recovery by 2006	Implications of recovery 2007-2011 2004-2006 Impacts	Sets precedent?
Write checks against future lump sum FCCF.	Political challenges. Shifts risks to Treasury in dry hydro conditions.	Yes	Yes	Yes	Goes down	Goes down	No	N/A	N/A	Yes
Existing cash reserves.	Will not correct long-term cost under-recovery. Depletes reserves available to cover future problems or opportunities.	Yes	No	No	Goes up	No impact	No	N/A	N/A	Not really
Set SNCRAC trigger mechanism more liberally	Can lower the minimum reserve balance Can change the definition of reserves	Yes	No	No	Goes down	No impact	No	N/A	N/A	Yes
Issue more variable rate third party debt with optionality	Risk transfer to Treasury	Yes								Perhaps

Principles Used in Development of the Debt Service Reassignment Transaction

1. Between business line transactions arising from the restructuring of Energy Northwest debt will be made in such a way that neither business line nor its customers will be any worse off compared to continued access to Treasury borrowing authority.
2. Within the constraints of the repayment methodology, the transactions will make use of low cost capital without permanently foregoing any debt restructuring opportunities.
3. The transactions will be solely a ratemaking and accounting mechanism with no impact on external BPA debt instruments and their security, including no impact on the probability of making payments to the Treasury and vendors.
4. The transactions will be defensible in rate case proceedings, and will not jeopardize the tax-exempt status of the refinancing bonds.
5. The transactions will adhere to the Federal Energy Regulatory Commission's separate accounting requirements.