

TEN YEAR FINANCIAL PLAN

III. I. 02/20/92 Ltr to Financing-  
Sources of Capitol Wrk Grp Mem forwards  
materials for review & comment. MAILINGS

# **PUBLIC RECORD**

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**U.S. DEPARTMENT OF ENERGY  
BONNEVILLE POWER ADMINISTRATION**



**Department of Energy**  
Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

**FEB 20 1992**

In reply refer to: DRF

**TO: BPA 10-Year Financial Plan Financing/Sources of Capital Work Group Members**

Enclosed for your review and comment are a final draft of the alternative sources of capital matrix and a summary draft outline of the work groups report. Please call us with your comments on the attachments by COB on Tuesday, February 25, if possible, to Pamela Marshall at 503-230-4974 or Mike DeWolf at 503-230-3530.

A revised table depicting alternative capital structures (scenarios) and data regarding financial ratios have not been completed, but will be provided at the work group's next meeting scheduled for Thursday, February 27 in the Holladay Building, Rooms A & B across from the BPA Auditorium.

Sincerely

A handwritten signature in black ink, appearing to read "Michael J. DeWolf".

Michael J. DeWolf  
Chief, Revenue Requirements Section

Enclosures

# DRAFT

FEB 20 1982

## ALTERNATIVE SOURCES OF CAPITAL FOR FUNDING BPA'S FUTURE CAPITAL INVESTMENTS

	(A) FEDERAL		(B) EPA DIRECT MARKET ACCESS		(C) THIRD PARTY		(D) REVENUE FINANCING CUSTOMER FINANCING THROUGH EPA RATES
	APPROPRIATIONS	BONDS ISSUED TO TREASURY	EPA BONDS	MARKET ACCESS	STATE AGENCIES 1/ CORPORATION	NON-PROFIT CORPORATION	
<u>AUTHORITY</u>							
New Federal Legislation Needed to Obtain Authority	Yes, annually appropriated	No, Trans Act NW Power Act \$3.75 billion cap	Yes		No. NW Power Act Sections 6, Project Act 2(E)	No. NW Power Act Sections 6, Project Act 2(E)	No
State Legislation Needed to Obtain Authority	N/A	N/A	No		Possibly, depending on purpose or structure of entity		No
Applicability to Capital Investment Types 2/	Corps/Bureau EPA Trans (pre-74)	EPA Trans, Conservation, & F&M Corps/Bureau	Potentially any Federal, non-Federal; Depends on Legislation		Federal and non-Federal	Federal and non-Federal	Any Federal; non-Federal
Precedence of Use by EPA	Yes Corps/Bureau	Yes EPA Trans, Conservation, & F&M	N/A		Yes Supply System, Id. Falls, EVEB-Trojan, EVEB-Conservation, Cowltz Falls	Yes CSPE, Goshen-Drummond	Yes

1/ State agencies include individual states, JOAs, state authorities, state municipalities, PUDs, counties, etc.

2/ Capital investments include those directly owned by EPA or which the Federal system may acquire long-term or indefinite rights.

ALTERNATIVE SOURCES OF CAPITAL  
FOR FUNDING BPA'S FUTURE CAPITAL INVESTMENTS

	(A) FEDERAL		(B)		(C) THIRD PARTY		(D) REVENUE FINANCING CUSTOMER FINANCING THROUGH BPA RATES
	APPROPRIATIONS TO TREASURY	BONDS ISSUED TO TREASURY	BPA DIRECT MARKET ACCESS	BPA BONDS	STATE AGENCIES I/ CORPORATION	NON-PROFIT CORPORATION	
<u>TERMS &amp; CONDITIONS</u>							
Limitations to Access Both \$ and Legal	Annually approp. by Congress; Corps/Bureau projects	\$3.75 billion cap	Possibly No Limit		Yes <u>3/</u>	Yes <u>3/</u>	Limited by Upward Pressure on BPA Rates
Equity/Ownership Non-Federal vs. Federal (BPA)	Federal	Federal	Federal or non-Federal; Depends on Legislation		Federal or non-Federal for Trans; non-Federal for Generation		Federal or non-Federal
Security Provider/ Liability Exposure	Federal	Federal	Federal		Fed. or non-fed.	Fed. or non-fed. <sup>?</sup>	N/A
Priority of Payments <u>4/</u>	Class 3	Class 3	Depends on Legislation		Class 2	Class 2	N/A
FERC Regulation Required	No	No	No		No, if public body or composed of public bodies	Probably, for transmission	N/A
Securities & Exch. Com. Regulation Required	No	No	Probably Not Depends on Legislation		No	Yes	No

3/ Financing covenants, credit, and financial considerations could limit overall access to financial markets.

4/ Priority of payments: Class 1 - Supply System and EWEB (net-billed); Class 2 - All other third-party for new capital; Class 3 - Treasury.

**ALTERNATIVE SOURCES OF CAPITAL  
FOR FUNDING EPA'S FUTURE CAPITAL INVESTMENTS**

	(A) FEDERAL		(B) EPA DIRECT MARKET ACCESS		(C) THIRD PARTY		(D) REVENUE FINANCING CUSTOMER FINANCING THROUGH EPA RATES
	APPROPRIATIONS	BONDS ISSUED TO TREASURY	EPA BONDS	STATE AGENCIES I/ CORPORATION	NON-PROFIT CORPORATION		
<u>BENEFITS/COSTS</u>							
Pressure on Federal Borrowing Cap	No	Yes	Possibly Depends on Legislation	No	No	No	No
Effect on Federal Budget	Increases Budget	Increases Budget	Depends on Legislation	No Effect	No Effect	No Effect	Could Reduce Budget Requirements
Taxable/ Tax-exempt	N/A	N/A	Taxable	Tax-exempt conserve- tion & generation only; Taxable transmission	Taxable	N/A	N/A
Financing Cost <u>5/</u>	Ave. yield on Treasury sec- urities w/terms 13 yrs. or more	80 bp over Treasury	75-90 bp over Treasury w/out Federal agency status; 30-70 bp over Treasury w/Federal agency status	90 bp below Treasury If tax exempt	85-100 bp over Treasury	N/A	N/A
Coverage Requirements <u>6/</u>	No	No	Possibly "sum sufficient"	Possibly "sum sufficient"	Possibly "sum sufficient"	No, but results in higher coverage	No, but results in higher coverage
Issuance Costs (Including underwriters' discount) <u>6/</u>	0.0	0.0	.75%	1-1.5%	1-1.5%	N/A	N/A

5/ 30-year Treasury 7.51% as of 1/13/92; as interest rates increase, spreads will increase; the true interest cost (TIC) will vary depending on the structure of the sale.

6/ Interest rate ranges and other costs of issuance are estimates only, and will vary depending on market conditions and particulars of a bond sale.

**DRAFT**

FEB 20 1992

I. EXECUTIVE SUMMARY

II. INTRODUCTION

- A. Objectives of work group  
Scope and relationships to other workgroups  
Composition of workgroup  
Process followed
- B. Purpose of report  
Overview of report's content/format
- C. Summary of conclusions

III. CURRENT FCRPS CAPITAL FINANCING PRACTICES

A. Sources of capital:

- (1) Bonds issued by BPA to Treasury
- (2) Appropriations
- (3) Third Party Sources
- (4) Customer Revenues (as debt management tool)

B. FCRPS Outstanding Debt (end FY 1991)

	(\$ in Millions)
Long-term debt (bonds issued by BPA to Treasury)	XXXX
Appropriated debt	XXXX
Irrigation Assistance	XXXX
Irrigation Assistance	XXXX
Non-federal projects debt (debt attribu- table to capitalized contracts with third parties)	XXXX
Total FCRPS Outstanding Debt	XXXX

C. Cite Appendix A (Pie chart reflecting table above)

#### IV. CURRENT TREASURY REPAYMENT SYSTEM

- A. Summary: priority of payments
- B. BPA's repayment methodology
- C. Key characteristics of interest rate assignment practices for Federal debt
- D. Subsidy criticisms
- E. Repayment reform proposals in President's Budgets

#### V. OPTIONS TO RESTRUCTURE EXISTING DEBT OR TO MODIFY CURRENT REPAYMENT SYSTEM

- A. Hatfield Proposal
  - (1) AFG process, participation, and relationship to Financing/SOC Workgroup.
  - (2) Reasons for Senator Hatfield's request that region assess alternatives to OMB's repayment reform proposals
  - (3) Three options developed and presented to Senator
  - (4) Current status of AFG options and activities
  - (5) Cite Appendix B - Staff Comment Draft H-P "Matrix"

#### VI. QUANTIFICATION OF FUTURE FCRPS CAPITAL INVESTMENTS

Describe and cite Appendix C - "FCRPS Planned Capital Funding Requirements"

#### VII. ALTERNATIVE SOURCES OF CAPITAL TO FINANCE FUTURE FCRPS INVESTMENTS

- A. Background on borrowing cap and future need for reliable, cost-effective sources
- B. Summary of research findings/conclusions on legal areas affecting financial flexibility and access to cost-effective capital. Cite Appendices D and E, "Priority of Payments" and "Federal Agency Status"
- C. Sources that are, or could be made, available
- D. Attributes used to evaluate sources
- E. Cite Appendix E - "Alternative Sources of Capital" matrix



**VIII. ALTERNATIVE CAPITAL STRUCTURES**

- A. Key characteristics of alternative structures**
- B. Criteria used to evaluate**
- C. Applicability to risk/rates analyses**
- C. Cite Appendix F - "Alternative Capital Structures"**

**IX. ALTERNATIVE STRUCTURES: EVALUATION FINDINGS**

**X. CONCLUSIONS**

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