



BPA's Lease Financing Program

2013



Table of Contents

- BPA's Lease Financing Authority
- Overview of the Federal Columbia River Transmission System
- Federal Columbia River Power System Payment Priority
- Overview of the Lease Financing Program

BPA's Lease Financing Authority

- In light of BPA's future Access to Capital needs, Congress encouraged BPA to look at non-Federal financing arrangements back in the year 2000.
- As a result of this Congressional encouragement and much due diligence, BPA developed the Lease Financing Program based on its authority to lease-purchase transmission facilities.

Overview of the Federal Columbia River Transmission System (FCRTS)

- BPA owns and operates 75% of the Pacific Northwest's high voltage electrical transmission system.
- The system includes more than 15,000 miles of transmission line and more than 250 substations.
- The system networks across 300,000 square miles in Oregon, Washington, Idaho, Montana and sections of Wyoming, Nevada, Utah and California.
- The system enables a peak loading of over 30,000 megawatts.
- The FCRTS has forecasted to invest almost \$6 billion from FY2013-2022 per the Access to Capital Strategy.

Federal Columbia River Power System (FCRPS) Payment Priority

FCRPS Availability of Revenues to Meet Transmission System Costs

- Lease Financing bonds and bank loans are reported as non-Federal Debt in FCRPS Audited Financial Statements
- The debt service is met through lease payments in cash from amounts in the BPA Fund, and, by law, without regard to whether the cash therein is derived from transmission services revenue or power services revenue
- By law, the lease payments have a higher priority of payment than BPA's Treasury payments – BPA must defer payments to Treasury in favor of meeting non-Federal payment obligations
- By law, BPA is required to establish rates that recover all of its costs, including payments to Treasury (BPA is required by law to establish transmission rates that recover transmission costs and power rates that recover power costs)
- BPA's longstanding policy is to establish rates in each two-year rate period to achieve at least a 95 percent probability of meeting its scheduled Treasury payment (lower tier) obligations in the rate period (Treasury Payment Probability).
- BPA's scheduled payment to Treasury was over \$800 million in FY2012, meaning rates were set to recover over \$800 million more than would be required to meet BPA's non-Treasury payment obligations such as the lease payments

In summary:
Lease Financing payment obligations must be paid before Treasury Payments and BPA has met its Treasury obligations for the past 29 consecutive years.

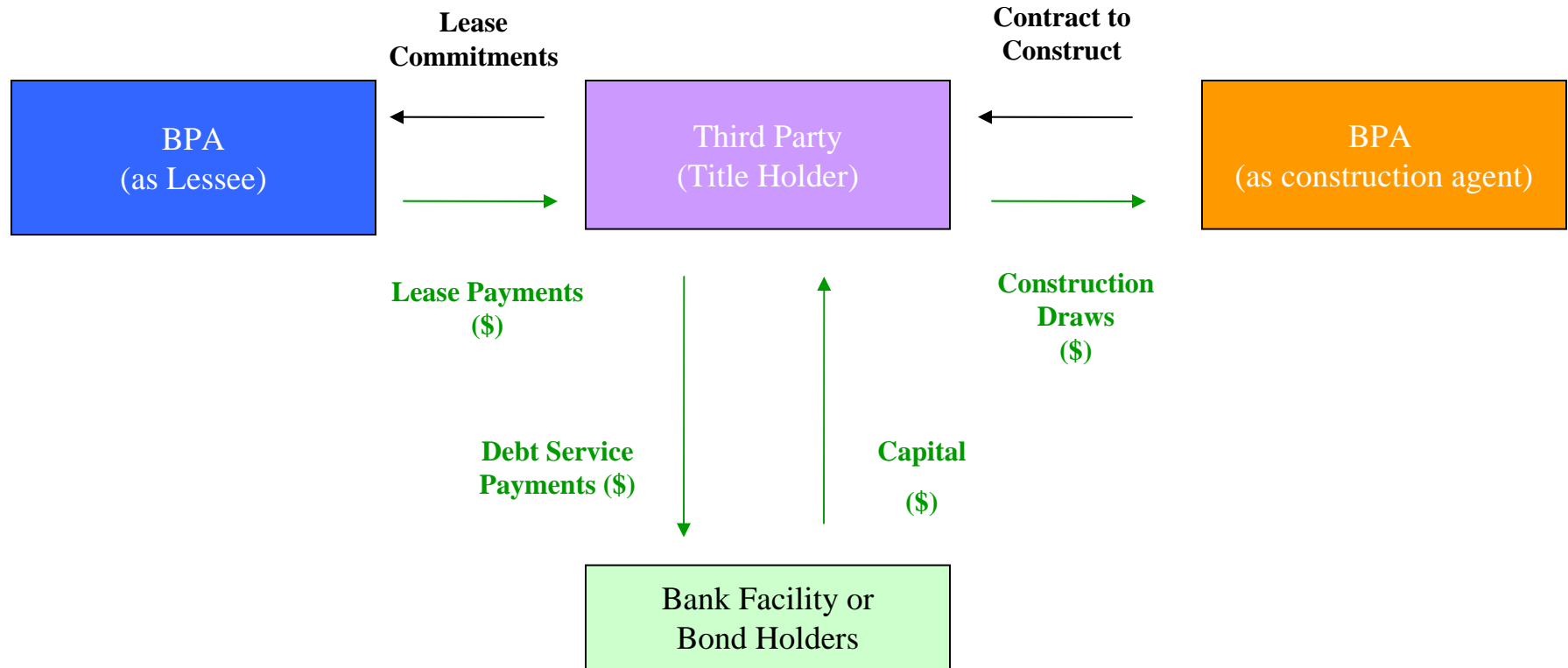
Overview of the Lease Financing Program

Lease Financing Model

- BPA enters into a series of individual lease commitments with a third party.
- BPA's lease payment commitments are to be made regardless of whether the related transmission facility is completed, operable or operating.
- The third party irrevocably pledges BPA lease payments to the payment of bank loans or other debt.
- The related transmission project assets are not pledged as collateral.
- The third party initially holds title to the assets, but BPA obtains full economic benefit and use of the assets.
- BPA pays all costs to operate and maintain the assets.
- At the end of the lease, BPA may purchase the project in total at the end of the lease for a nominal payment and expects to do so.

Overview of the Lease Financing Program

Lease Financing Model Cont'd



- BPA enters into a series of individual short-term lease commitments.
- The individual short-term lease commitments and BPA’s lease payments are bundled together and used by a third party to secure long-term financing consistent with the assets’ lives.

Overview of the Lease Financing Program

Program Constraints

- Only Transmission capital assets are eligible to be lease financed. This program is not available for Power or Hydro assets.
- At a minimum, the assets should be limited to “physical plant” (fixtures) that are capable of being tagged and tracked. Assets must exclude retirements, land, land rights, and access roads.
- All lease financed assets must comply with all legal standards and be reported consistent with applicable accounting guidance.

Overview of the Lease Financing Program

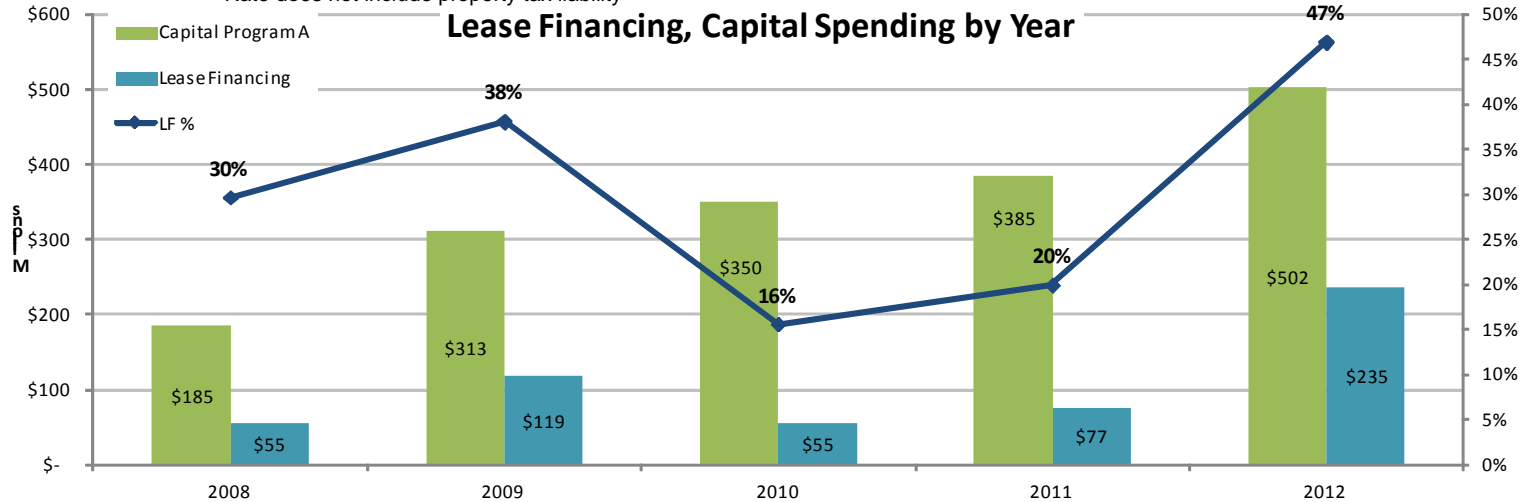
Lease Financing Activity (as of 9/30/2012)

3rd Party Lessor	Leases Signed to Date	All-In Weighted Average Interest*	Expiration	Remaining Available Funds
NIFC	\$120	5.52%	January 1, 2034	\$0
NIFC III	\$200	4.11%	January 1, 2015	\$0
NIFC IV	\$100	4.24%	January 1, 2016	\$0
NIFC V	\$118	2.81%	July 1, 2016	\$0
NIFC VI	\$130	2.27%	January 1, 2019	\$70
PoM	\$85	3.76%	September 1, 2042	\$0
Total	\$752	3.62%		\$70

NIFC stands for: Northwest Infrastructure Financing Corporation & PoM stands for: Port of Morrow

Amounts are in millions

*Rate does not include property tax liability



- BPA was close to achieving its goal of Lease Financing 50% of Transmission’s capital spend in FY2012 and is working to achieve and/or exceed that goal in FY2013.
- The overall cost of Lease Financing as a tool is approximately 1% higher than the comparable US Agency Rate of borrowing.

Overview of the Lease Financing Program

Program Direction

- One of BPA's FY2013 Finance goals is to achieve lease financing 50% of Transmission's eligible capital program.
- 50% is a milestone – The executive sponsors of the Lease Financing Program have directed that all eligible Transmission projects be lease financed, but for planning purposes, 50% is the portion BPA is comfortable planning to lease finance given the constraints of the program.