



Integrated Program Review

Capital Update

June 18, 2012



Context

- This package contains three scenarios of capital projections for FYs 2013-2015. The three scenarios as defined here are:
 - Initial CIR from January 2012 (This is the capital forecast data used in analysis provided at the January 31 “Building the Framework for the IPR” meeting.)
 - Base
 - Alternative
- Because many CIR participants shared that they could not provide informed comments on capital levels until they better understood the status of our access to capital, we have not yet revised the capital forecasts provided in the CIR.
- We will provide more access-to-capital analysis this summer and we expect that as you develop a better understanding of BPA’s capacity to fund the proposed capital levels you will be able to provide more specific comments to us. We will consider those comments as we establish capital investment estimates after the close of comment period for the IPR.

New Base and Preferred Scenarios

- The new Base scenario is identical to the Initial CIR with the following two changes:
 - Revision of the lapse factor (explained in more detail on page 4)
 - Reshaping of Transmission capital over the ten-year budget period
- The new Alternative scenario starts with the new Base and incorporates increases to the following asset categories for FYs 2013-2015 to facilitate needed investment. The Alternatives allow for the following:
 - Transmission - retain the originally proposed timelines for major expansion projects such as the I-5 reinforcement and Northern Intertie projects (the 10-year total is the same as the Base)
 - Facilities – meet asset strategy goals, space requirements for the Portland/Vancouver area, and critical business needs
 - Security – meet NERC-CIP requirements while allowing for additional security investments aimed at reducing criminal activities related to BPA sites

Lapse Factor

The Initial CIR scenario incorporated a 15% lapse factor (consistent with BPA's historical budget underruns) applied to:

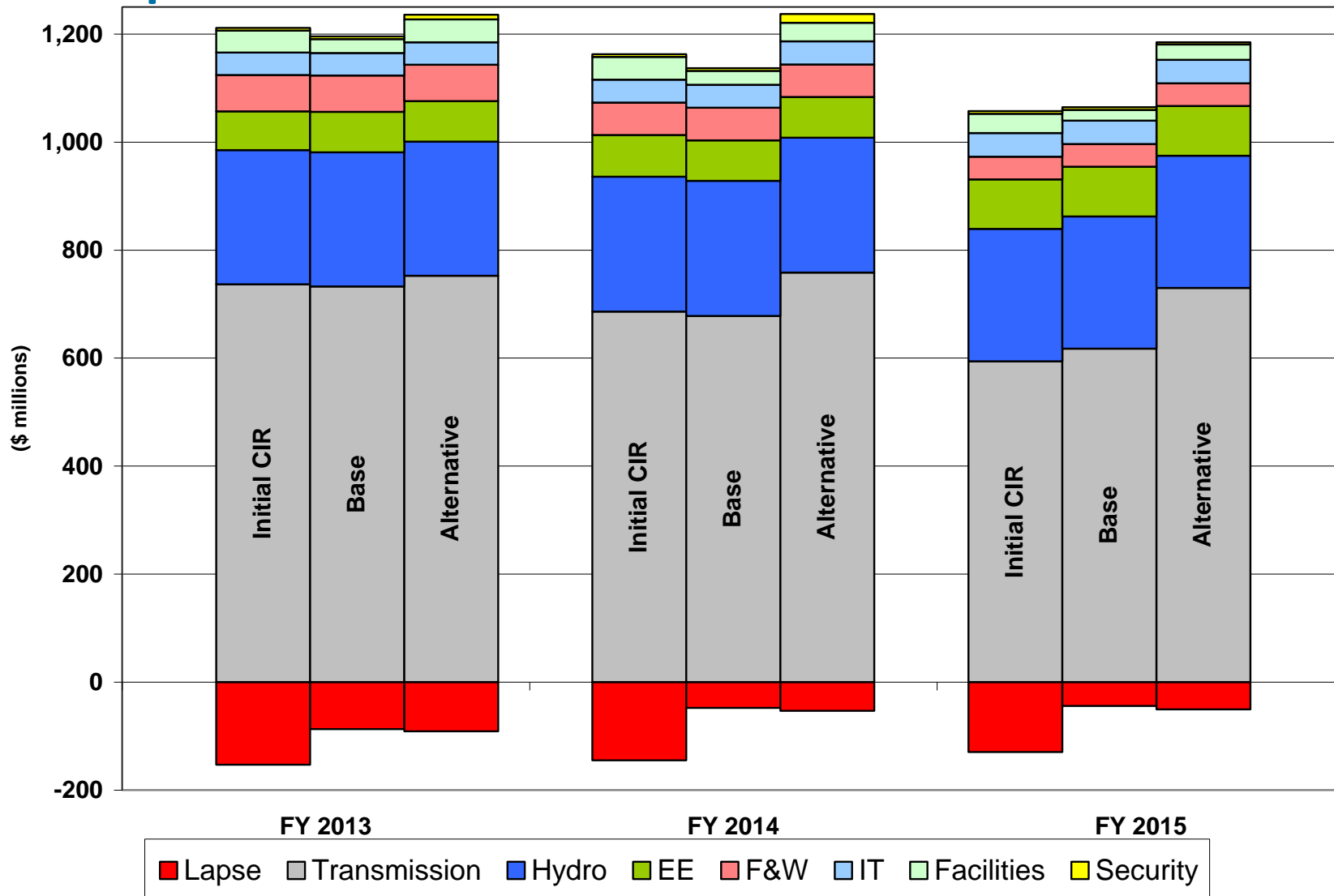
- Transmission
- Federal Hydro
- Facilities
- Security

In the last couple of years the budget execution rate has been trending up and a 15% lapse is no longer representative of BPA's actual experience so BPA is proposing a change in lapse factors.

The two new scenarios (Base and Alternative) use revised lapse factors, which BPA believes more accurately reflects expectations:

- Federal Hydro – 5%
- Transmission – 10% in FY 2013, 5% in FYs 2014-2015
- Facilities and Security – lapse is applied to the extent these are included as part of the Transmission business unit capital program

Comparison of the Scenarios



Columbia River Fish Mitigation (CRFM) and Columbia Generating Station (CGS)

The current forecasts for these programs are as follows:

IPR 2010 Budgets and Actuals (\$ millions)

| <u>CRFM</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>Total</u> |
|------------------------|---------------|-------------|-------------|--------------|
| IPR 2010 ^{1/} | 266 | 206 | 103 | 575 |
| Actuals ^{2/} | 57 | 103 | 94 | 254 |
| <u>CGS</u> | | | | |
| IPR 2010 ^{1/} | To Be Updated | | | - |
| Actuals ^{2/} | To Be Updated | | | - |

Updated Forecasts (\$ millions)

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>Total</u> |
|------|-------------|-------------|-------------|--------------|
| CRFM | 145 | 99 | 49 | 387 |
| CGS | 53 | 62 | 62 | 177 |

^{1/} 2010 Forecast was in Initial Rate Proposal only; Final Rate Proposal was updated to include actual data.

^{2/} FY 2012 "Actuals" are the current EOY forecast

Capital Cost Components

Revenue Requirement Elements for FY 14/15 – Initial CIR compared to Updated Base capital

| | <u>2014</u> | | <u>2015</u> | | <u>Avg</u> | |
|-------------------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|
| | <u>Initial CIR</u> | <u>Updated Base</u> | <u>Initial CIR</u> | <u>Updated Base</u> | <u>Initial CIR</u> | <u>Updated Base</u> |
| <u>Power</u> | | | | | | |
| (\$ Millions) | | | | | | |
| Non-Federal Debt Service | 594 | 589 | 558 | 555 | 576 | 572 |
| Depreciation and Amortization | 221 | 224 | 224 | 228 | 222 | 226 |
| Net Interest | 230 | 238 | 243 | 253 | 236 | 246 |
| <u>Transmission</u> | | | | | | |
| (\$ Millions) | | | | | | |
| Depreciation and Amortization | 199 | 199 | 207 | 207 | 203 | 203 |
| Net Interest Expense | 178 | 188 | 191 | 207 | 185 | 198 |

Appendix

Appendix A

Unlapsed Capital from the Initial CIR Publication

| (\$ millions) | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>TOTAL</u> |
|------------------------------|--------------|--------------|--------------|--------------|
| IT | 42 | 43 | 44 | 128 |
| Facilities | 41 | 42 | 36 | 118 |
| Security | 5 | 5 | 5 | 15 |
| Hydro | 248 | 250 | 245 | 743 |
| Fish & Wildlife | 67 | 60 | 42 | 169 |
| Energy Efficiency | 72 | 77 | 92 | 241 |
| Transmission | <u>736</u> | <u>686</u> | <u>594</u> | <u>2,016</u> |
| Total Agency Unlapsed | 1,211 | 1,162 | 1,057 | 3,430 |

Lapse Factors

| (\$ millions) | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>TOTAL</u> |
|------------------------------|--------------|--------------|--------------|--------------|
| IT | 0 | 0 | 0 | - |
| Facilities | (6) | (6) | (5) | (18) |
| Security | (1) | (1) | (1) | (2) |
| Hydro | (35) | (35) | (35) | (106) |
| Fish & Wildlife | 0 | 0 | 0 | - |
| Energy Efficiency | 0 | 0 | 0 | - |
| Transmission | <u>(111)</u> | <u>(102)</u> | <u>(89)</u> | <u>(302)</u> |
| Total Agency Unlapsed | (153) | (145) | (130) | (427) |

15% Lapse Scenario from the Initial CIR Publication

| (\$ millions) | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>TOTAL</u> |
|----------------------------|--------------|--------------|-------------|--------------|
| IT | 42 | 43 | 44 | 128 |
| Facilities | 35 | 35 | 30 | 100 |
| Security | 4 | 4 | 4 | 13 |
| Hydro | 213 | 214 | 210 | 638 |
| Fish & Wildlife | 67 | 60 | 42 | 169 |
| Energy Efficiency | 72 | 77 | 92 | 241 |
| Transmission | <u>626</u> | <u>584</u> | <u>505</u> | <u>1,715</u> |
| Total Agency Lapsed | 1,058 | 1,018 | 927 | 3,003 |

These are the capital numbers used in the January public meeting

Lapse factor was 15% for the following items:

- Facilities
- Security
- Federal Hydro
- Transmission

Appendix B

Updated Unlapsed Capital - Base Scenario

| (\$ millions) | 2013 | 2014 | 2015 | TOTAL |
|------------------------------|--------------|--------------|--------------|--------------|
| IT | 42 | 43 | 44 | 128 |
| Facilities | 26 | 26 | 20 | 71 |
| Security | 5 | 5 | 5 | 15 |
| Hydro | 248 | 250 | 245 | 743 |
| Fish & Wildlife | 67 | 60 | 42 | 169 |
| Energy Efficiency | 75 | 75 | 92 | 242 |
| Transmission | <u>732</u> | <u>678</u> | <u>617</u> | <u>2,028</u> |
| Total Agency Unlapsed | 1,195 | 1,136 | 1,065 | 3,396 |

Transmission and Hydro 5% Lapse - Base Scenario

| (\$ millions) | 2013 | 2014 | 2015 | TOTAL |
|------------------------------|-------------|-------------|-------------|--------------|
| IT | 0 | 0 | 0 | - |
| Facilities | (3) | (2) | (2) | (6) |
| Security | (0) | (0) | (0) | (1) |
| Hydro | (12) | (12) | (12) | (37) |
| Fish & Wildlife | 0 | 0 | 0 | - |
| Energy Efficiency | 0 | 0 | 0 | - |
| Transmission | <u>(73)</u> | <u>(34)</u> | <u>(31)</u> | <u>(138)</u> |
| Total Agency Unlapsed | (89) | (49) | (45) | (182) |

Total Lapsed Capital - Base Scenario

| (\$ millions) | 2013 | 2014 | 2015 | TOTAL |
|----------------------------|--------------|--------------|--------------|--------------|
| IT | 42 | 43 | 44 | 128 |
| Facilities | 23 | 24 | 18 | 65 |
| Security | 4 | 5 | 5 | 14 |
| Hydro | 236 | 237 | 233 | 706 |
| Fish & Wildlife | 67 | 60 | 42 | 169 |
| Energy Efficiency | 75 | 75 | 92 | 242 |
| Transmission | <u>659</u> | <u>644</u> | <u>586</u> | <u>1,890</u> |
| Total Agency Lapsed | 1,107 | 1,088 | 1,020 | 3,214 |

Transmission is reshaped in FYs 2013-2015 to better align with the finalized asset strategy

Lapse Factor differs from January in the following ways:

- Fed Hydro lapse is 5%
- Transmission Lapse is 10% in FY 2013 and 5% in FYs 2014 & 2015
- The Facilities and Security lapse is only for the portions of each that are budgeted in the Transmission business line

Appendix C

Updated Unlapsed Capital - Alternative

| (\$ millions) | 2013 | 2014 | 2015 | TOTAL |
|------------------------------|--------------|--------------|--------------|--------------|
| IT | 42 | 43 | 44 | 128 |
| Facilities | 42 | 34 | 28 | 105 |
| Security | 8 | 17 | 4 | 29 |
| Hydro | 248 | 250 | 245 | 743 |
| Fish & Wildlife | 67 | 60 | 42 | 169 |
| Energy Efficiency | 75 | 75 | 92 | 242 |
| Transmission | 752 | 758 | 730 | 2,240 |
| Total Agency Unlapsed | 1,235 | 1,237 | 1,185 | 3,657 |

Transmission and Hydro 5% Lapse - Alternative

| (\$ millions) | 2013 | 2014 | 2015 | TOTAL |
|------------------------------|-------------|-------------|-------------|--------------|
| IT | 0 | 0 | 0 | - |
| Facilities | (3) | (2) | (1) | (6) |
| Security | (1) | (1) | (0) | (2) |
| Hydro | (12) | (12) | (12) | (37) |
| Fish & Wildlife | 0 | 0 | 0 | - |
| Energy Efficiency | 0 | 0 | 0 | - |
| Transmission | (75) | (38) | (36) | (150) |
| Total Agency Unlapsed | (91) | (53) | (50) | (194) |

Total Lapsed Capital - Alternative

| (\$ millions) | 2013 | 2014 | 2015 | TOTAL |
|----------------------------|--------------|--------------|--------------|--------------|
| IT | 42 | 43 | 44 | 128 |
| Facilities | 40 | 33 | 27 | 99 |
| Security | 7 | 16 | 4 | 27 |
| Hydro | 236 | 237 | 233 | 706 |
| Fish & Wildlife | 67 | 60 | 42 | 169 |
| Energy Efficiency | 75 | 75 | 92 | 242 |
| Transmission | 677 | 720 | 693 | 2,091 |
| Total Agency Lapsed | 1,144 | 1,184 | 1,134 | 3,463 |

The Preferred scenario incorporates higher capital levels for:

- Facilities
- Security
- Transmission

The Preferred scenario uses the same lapsing schedule as the Base scenario

Integrated Program Review

Financial Disclosure

This information has been made publicly available by BPA on June XX, 2012 and contains information not reported in agency financial statements.

Comments can be sent to:

Participants have an opportunity to submit comments on BPA's Initial IPR Publication and proposed IPR levels during a ten week public comment period beginning June 5, 2012 and concluding August 10, 2012. Comments can be submitted online; by email; or by mail to: BPA, P.O. Box 14428, Portland, OR 97293-4428.

Please send questions to:

BPAFinance@BPA.gov

Thank you