BENTON P·U·D

August 17, 2004

Madonna Radcliff
Bonneville Power Administration
Transmission Business Line
P.O. Box 491
Vancouver, WA 98666
mrradcliff@bpa.gov

Re: Request for Information Regarding Debt Optimization Program (DOP)

Dear Ms. Radcliff:

At the Programs in Review Workshop on August 5th in Portland, BPA presented some excellent information on its DOP. After discussing the workshop materials with District staff, several follow-up questions were identified. They are listed on the attached page for your review and comment.

Thanks for your help in understanding this complex subject.

Sincerely,

Randal E Gregg

Randal E. Gregg
Director of Power Management

REG/gcb

Attachment

Benton PUD Questions on Debt Optimization

Questions 1-3 following refer to the 8/5/04 TBL workshop on Debt Optimization

QUESTION 1

On Slide 10 of the presentation, BPA provides a graphical depiction of the design of the Debt Service Reassignment program. BPA indicates that PBL realizes the original Energy Northwest principal payment as a power expense. This appears to be based on the assumption that, if PBL were a stand-alone entity, opportunities to refinance or restructure debt were not available to maximize financial benefits to PBL only.

To the extent that debt optimization decisions are made to benefit BPA's total debt structure as opposed to PBL only, how does BPA evaluate decisions and ensure that PBL is not disadvantaged by any lost opportunities to optimally structure a refinancing to the benefit of PBL only?

QUESTION 2

During the presentation, presenters indicated that PBL was somehow limited in its ability to realize benefits from refinancing going forward. This discussion appeared to mirror statements made in earlier BPA presentations that indicated: "Twenty year Power Business Line repayment studies show that only a limited amount of ENW debt (approximately $1.2 billion) can be extended into fiscal years 2013-2018 without raising power rates." Can you please elaborate on this issue?

QUESTION 3

Slide 15 shows PBL currently has $3.066B in "Total Appropriations" debt at a WAI rate of 7.2%. At the workshop it was indicated this debt could not be refinanced. Why is BPA unable to refinance this higher interest debt?