

# **FINANCING OF ROCKY REACH RELICENSING**



**March 13, 2006**

# Overview

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- History
- Strategies and Purchaser Issues
- Relicensing Debt to Date
- Resolution Details

# History

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- FERC, Bond Resolution & Power Sales Contract guidance on treatment of relicensing costs is not clear
  - Expense – pay as you go
  - Capitalization – amortize over life
- District and Power Purchasers acknowledge ambiguity
- Reached agreement on how costs would be treated and structure of financing

# Strategies & Purchaser Issues

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## Financing Methodology – Rocky Reach

- Financing needs assessed annually
- Rocky Reach bond, sold to Distribution
- Taxable, market-rate, 30 year amortization
- Finance structure:
  - 50% Current Interest Bonds (interest due semi-annual)
  - 50% Capital Appreciation Bonds (interest is added to principal until 7/1/06 conversion to CIBs)
- Principal payments begin 7/1/07
- Each issuance requires a power purchaser letter agreement

# Relicensing Debt to Date

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- 1998–2004 costs financed through prior issues
- Total outstanding debt 12/31/05, \$10,340,826
- Interest Rates: 2.78% to 7.95%
- Principal and investment return to Distribution
- Upon new license, bonds will be evaluated for refinance

# Resolution Details

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- Standard bond language terms and conditions of debt
- Authorizing up to \$1,500,000 in new bonds
- Structure: current interest and capital appreciation bonds
- Covers 2005 actual & 2006 budgeted costs and issuance cost
- Taxable market based interest rate: 4.77%
- Bond closing documents for Board signatures

# Summary

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- Rocky Reach Relicensing costs are being covered through long-term debt issued by Rocky Reach purchased by Distribution System
- Internal financing through Distribution allows greater flexibility than external financing
- Sound investment for Distribution System
- Questions?