

BPA CAPITALIZATION PRINCIPLES

Issue: What types of projects may be designated as capital assets and thereby access the \$36 million of borrowing authority made available to the Integrated Program.

Background: BPA's current policy allows capitalization for "facilities" whose costs exceed \$1 million and that have a useful life over 15 years. The basis for this policy is language in the Northwest Power Act that specifically referenced the treatment of facilities as capital assets. Recent requests have been made of Bonneville to consider non-facilities projects as capital assets for which capital borrowing authority may be used.

To consider a new policy on capitalization of non-facilities projects, BPA has the following principles:

1. Ensure Measurable Benefit from Acquisitions
 - Must provide creditable/quantifiable benefit against a defined obligation
 - a. Wildlife: Resolution of crediting issues; upfront HEP analysis that defines wildlife credits
 - b. Resident/Anadromous: Establishment of appropriate crediting mechanism for FCRPS obligation
2. Amount of Borrowing Authority used reflects BPA's Limited Borrowing Authority
 - BPA is currently trying to secure additional borrowing authority. If BPA does not receive additional borrowing authority, the ability to use borrowing authority may be limited for all of Bonneville capital programs.
3. Ensure treatment is consistent with GAAP and FAS 71 guidelines:
 - Notice of change in capitalization policy must be included in Rate Case
 - If Safety Net CRAC is initiated, may include language describing capitalization
 - Decision subject to review of BPA's independent auditors