B O N N E V I L L E   P O W E R   A D M I N I S T R A T I O N

AUDITED FINANCIAL STATEMENTS
2025 FISCAL YEAR

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refer to BPA's home page at www.bpa.gov

This BPA-approved Financial Information
has been made publicly available on Oct. 31, 2025

Report of Independent Auditors

To the Administrator of the
Bonneville Power Administration,
United States Department of Energy

Opinion

We have audited the accompanying combined financial statements of the Federal Columbia River Power System (the "FCRPS"), which comprise the combined balance sheets as of September 30, 2025 and 2024, and the related combined statements of revenues and expenses and of cash flows for each of the three years in the period ended September 30, 2025, including the related notes (collectively referred to as the "combined financial statements").

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the FCRPS as of September 30, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2025 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the FCRPS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the FCRPS' ability to continue as a going concern for one year after the date the combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the FCRPS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the FCRPS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

Portland, Oregon
October 31, 2025

Federal Columbia River Power System
Combined Balance Sheets
As of September 30

(Millions of Dollars)

	2025	2024
Assets		
Utility plant and nonfederal generation		
Completed plant	**$ 23,142.4**	$ 22,235.9
Accumulated depreciation	**(8,947.3)**	(8,604.9)
Net completed plant	**14,195.1**	13,631.0
Construction work in progress	**2,482.0**	2,236.4
Net utility plant	**16,677.1**	15,867.4
Nonfederal generation	**3,581.2**	3,410.0
Net utility plant and nonfederal generation	**20,258.3**	19,277.4
Current assets		
Cash and cash equivalents	**1,206.6**	1,412.0
Accounts receivable, net of allowance	**42.3**	95.4
Accrued unbilled revenues	**370.7**	348.2
Materials and supplies, at average cost	**148.7**	140.5
Prepaid expenses	**96.5**	81.0
Total current assets	**1,864.8**	2,077.1
Other assets		
Regulatory assets	**3,700.7**	4,153.4
Nonfederal nuclear decommissioning trusts	**714.1**	623.5
Deferred charges and other	**155.7**	169.6
Total other assets	**4,570.5**	4,946.5
Total assets	**$ 26,693.6**	$ 26,301.0

The accompanying notes are an integral part of these financial statements.

Federal Columbia River Power System
Combined Balance Sheets
As of September 30

(Millions of Dollars)

	2025	2024
Capitalization and Liabilities		
Capitalization and long-term liabilities		
Accumulated net revenues	**$ 5,530.7**	$ 5,456.9
Debt		
Federal appropriations	**1,775.0**	1,697.1
Borrowings from U.S. Treasury	**6,114.5**	5,846.7
Nonfederal debt	**6,923.5**	6,779.3
Total capitalization and long-term liabilities	**20,343.7**	19,780.0
Commitments and contingencies (See Note 14 to 2025 Audited Financial Statements)		
Current liabilities		
Debt		
Borrowings from U.S. Treasury	**131.0**	114.0
Nonfederal debt	**571.8**	521.9
Accounts payable and other	**804.1**	869.1
Total current liabilities	**1,506.9**	1,505.0
Other liabilities		
Regulatory liabilities	**1,560.7**	1,522.4
IOU exchange benefits	**818.8**	1,062.8
Asset retirement obligations	**1,177.1**	1,118.2
Deferred credits and other	**1,286.4**	1,312.6
Total other liabilities	**4,843.0**	5,016.0
Total capitalization and liabilities	**$ 26,693.6**	$ 26,301.0

The accompanying notes are an integral part of these financial statements.

Federal Columbia River Power System
Combined Statements of Revenues and Expenses
For the Years Ended September 30

(Millions of Dollars)

	2025	2024	2023
Operating revenues			
Sales	$ **4,202.6**	$ 4,306.8	$ 3,985.6
U.S. Treasury credits	**165.4**	262.4	262.3
Total operating revenues	**4,368.0**	4,569.2	4,247.9
Operating expenses			
Operations and maintenance	**2,702.2**	2,463.1	2,328.0
Purchased power	**569.6**	1,023.2	977.0
Depreciation, amortization and accretion	**908.1**	870.9	848.9
Total operating expenses	**4,179.9**	4,357.2	4,153.9
Net operating revenues	**188.1**	212.0	94.0
Interest expense and other income, net			
Interest expense	**467.9**	457.2	448.4
Irrigation assistance	**14.4**	8.4	-
Allowance for funds used during construction	**(71.5)**	(56.8)	(42.0)
Interest income	**(34.3)**	(43.9)	(69.4)
Other, net	**(262.2)**	(20.7)	14.0
Total interest expense and other income, net	**114.3**	344.2	351.0
Net revenues (expenses)	**73.8**	(132.2)	(257.0)
Accumulated net revenues, beginning of year	**5,456.9**	5,589.1	5,859.6
Irrigation assistance	**-**	-	(13.5)
Accumulated net revenues, end of year	$ **5,530.7**	$ 5,456.9	$ 5,589.1

The accompanying notes are an integral part of these financial statements.

Federal Columbia River Power System
Combined Statements of Cash Flows
For the Years Ended September 30
(Millions of Dollars)

	2025	2024	2023
Cash flows from operating activities			
Net revenues (expenses)	**$ 73.8**	$ (132.2)	$ (257.0)
Adjustments to reconcile net revenues to cash provided by operations:			
Depreciation, amortization and accretion	**908.1**	870.9	848.9
U.S. Treasury debt gain on extinguishment	**(238.7)**	-	-
Boardman to Hemingway non-cash net loss	**-**	-	27.9
Other, net	**(19.9)**	(28.7)	(20.4)
Changes in:			
Receivables and unbilled revenues	**30.6**	(78.8)	132.5
Materials and supplies	**(8.2)**	(19.5)	(11.6)
Prepaid expenses	**(15.5)**	(13.1)	(18.9)
Accounts payable and other	**175.8**	151.8	329.1
Regulatory assets and liabilities	**(48.8)**	70.3	(217.2)
IOU exchange benefits	**(244.0)**	(236.4)	(214.8)
Nonfederal nuclear decommissioning trusts	**(75.5)**	(128.9)	(60.0)
Other assets and liabilities	**9.0**	89.3	237.4
Net cash provided by operating activities	**546.7**	544.7	775.9
Cash flows from investing activities			
Investment in utility plant, including AFUDC	**(1,320.1)**	(1,169.2)	(851.9)
Proceeds from sale of utility plant	**4.3**	2.6	3.2
U.S. Treasury securities:			
Purchases	**-**	-	(250.0)
Maturities	**-**	-	750.0
Deposits to nonfederal nuclear decommissioning trusts	**(15.1)**	(15.1)	(4.9)
Lease-purchase trust funds:			
Deposits to	**-**	(1.5)	-
Receipts from	**-**	4.3	-
Net cash used for investing activities	**(1,330.9)**	(1,178.9)	(353.6)
Cash flows from financing activities			
Federal appropriations:			
Proceeds	**110.7**	126.3	80.5
Repayment	**(32.8)**	(26.8)	(123.8)
Borrowings from U.S. Treasury:			
Proceeds	**1,365.3**	650.0	722.0
Repayment	**(841.8)**	(473.1)	(616.9)
Nonfederal debt:			
Repayment	**(80.7)**	(294.7)	(160.4)
Debt extinguishment costs	**(0.3)**	-	-
Customers:			
Net advances for construction	**86.1**	48.6	84.2
Repayment of funds used for construction	**(25.2)**	(22.0)	(20.1)
Irrigation assistance	**-**	-	(13.5)
Net cash provided by (used for) financing activities	**581.3**	8.3	(48.0)
Net increase (decrease) in cash, cash equivalents and restricted cash	**(202.9)**	(625.9)	374.3
Cash, cash equivalents and restricted cash at beginning of year	**1,420.2**	2,046.1	1,671.8
Cash, cash equivalents and restricted cash at end of year	**$ 1,217.3**	$ 1,420.2	$ 2,046.1
Less: Restricted cash at end of year, reported in Deferred charges and other	**10.7**	8.2	8.2
Cash and cash equivalents at end of year	**$ 1,206.6**	$ 1,412.0	$ 2,037.9
Supplemental disclosures:			
Cash paid for interest, net of amount capitalized	**$ 501.8**	$ 490.7	$ 404.2
Significant noncash activities:			
Nonfederal debt increase	**$ 1,224.6**	$ 1,012.5	$ 674.9
Nonfederal debt decrease	**$ (943.9)**	$ (802.3)	$ (489.9)
Nonfederal debt cost of issuance	**$ (5.9)**	$ (5.4)	$ (3.4)
Increase in Nonfederal generation asset	**$ -**	$ 59.1	$ -
Increase in Regulatory asset	**$ 16.1**	$ -	$ -
U.S. Treasury debt extinguishment	**$ (238.7)**	$ -	$ -

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

ACCOUNTING PRINCIPLES

Combination of entities

The Federal Columbia River Power System (FCRPS) financial statements combine the accounts of the Bonneville Power Administration (BPA) with the accounts of the federal hydropower generating facilities in the Pacific Northwest operated by the U.S. Army Corps of Engineers (USACE) and the Bureau of Reclamation (Reclamation). The FCRPS combined financial statements also include the operations and maintenance costs of the U.S. Fish and Wildlife Service for the Lower Snake River Compensation Plan (USFWS LSRCP) facilities. Consolidated with BPA is a variable interest entity (VIE) of which BPA is the primary beneficiary and from which BPA leases certain transmission facilities. (See Note 8, Debt and Appropriations, and Note 9, Variable Interest Entities.)

BPA is a separate and distinct entity within the U.S. Department of Energy; the USACE is part of the U.S. Department of War; and Reclamation and U.S. Fish and Wildlife Service are part of the U.S. Department of the Interior. Each of the combined entities is separately managed, but the facilities are operated as an integrated power system with the financial results combined as the FCRPS. BPA is a self-funding federal power marketing administration that purchases, transmits and markets power for the FCRPS. While the costs of USACE, Reclamation and USFWS LSRCP projects serve multiple purposes, only the power portion of total project costs are assigned to the FCRPS through cost allocation processes. All intracompany and intercompany accounts and transactions have been eliminated from the FCRPS financial statements.

FCRPS financial statements are prepared in accordance with generally accepted accounting principles (GAAP) of the United States of America. FCRPS financial statements also reflect the Uniform System of Accounts (USoA) as prescribed for electric public utilities by the Federal Energy Regulatory Commission (FERC). FCRPS accounting policies also reflect other specific legislation and directives issued by U.S. government agencies. All U.S. government properties and income are tax exempt.

Use of estimates

The preparation of FCRPS financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the FCRPS financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Rates and regulatory authority

BPA establishes separate power and transmission rates in accordance with several statutory directives. Rates proposed by BPA are subject to an extensive formal hearing process, after which they are submitted by BPA and reviewed by FERC. FERC’s review is based on BPA statutes that include a requirement that rates must be sufficient to ensure repayment of the federal investment in the FCRPS over a reasonable number of years after first meeting BPA’s other costs. After the final FERC approval, BPA’s rates may be reviewed by the United States Court of Appeals for the Ninth Circuit (Ninth Circuit Court) if challenged by parties involved in the rate proceedings. Petitions seeking such review must be filed within 90 days of the final FERC approval. The Ninth Circuit Court may either confirm or reject a rate proposed by BPA. BPA’s rates are not structured to provide a rate of return on its assets. Rates for the two-year BP-24 rate period began on Oct. 1, 2023, and concluded on Sept. 30, 2025. On Oct. 1, 2025, new rates for fiscal years 2026-2028 went into effect.

In accordance with authoritative guidance for regulated operations, certain costs or credits may be included in rates for recovery or refund over a future period and are recorded as regulatory assets or liabilities. (See Note 5, Effects of Regulation.)

Utility plant

Utility plant is stated at original cost and includes federal system hydro generation assets (i.e., Pacific Northwest generating facilities of the USACE and Reclamation) as well as transmission and other assets. The costs of substantial additions, major replacements and substantial betterments are capitalized. Costs include direct labor and materials; payments to contractors; indirect charges for engineering, supervision and certain overhead items; and an allowance for funds used during construction (AFUDC). Maintenance, repairs and replacements of items determined to be less than major units of property are charged as incurred to Operations and maintenance in the Combined Statements of Revenues and Expenses. When utility plant is retired, the original cost and any net proceeds from the disposition are charged to accumulated depreciation. (See Note 3, Utility Plant and Nonfederal Generation.)

Depreciation, amortization and accretion

Depreciation of the original cost of generation plant is computed using straight-line methods based on estimated average service lives of the various classes of property. For transmission plant, depreciation of original cost and estimated net cost of removal is computed primarily on the straight-line group life method based on estimated average service lives of the various classes of property. Periodically BPA conducts a depreciation study on transmission and general plant assets, most recently in fiscal year 2025. BPA updates depreciation rates based on updated asset lives and net salvage, which considers cost of removal and salvage proceeds. The estimated net cost of removal is included in depreciation expense. (See Note 3, Utility Plant and Nonfederal Generation.)

In the event removal costs associated with transmission plant are expected to exceed salvage proceeds, a reclassification of this negative salvage is made from accumulated depreciation to a regulatory liability. As actual removal costs are incurred, the associated regulatory liability is reduced. (See Note 5, Effects of Regulation.)

Amortization expense relates to nonfederal generation assets, certain regulatory assets and finance lease right-of-use assets. (For further discussion see Note 3, Utility Plant and Nonfederal Generation; Note 5, Effects of Regulation and Note 4, Leases.)

Accretion expense is recorded throughout the fiscal year in connection with a periodic increase to the Columbia Generating Station (CGS) asset retirement obligation (ARO) liability to reflect the passage of time. (For further discussion see Note 6, Asset Retirement Obligations.)

Allowance for funds used during construction

AFUDC represents the estimated cost of interest on financing the construction of new assets. AFUDC is calculated based on the construction work in progress balance and on Lease-Purchase Program trust fund balances held for construction purposes. (See Note 7, Deferred Charges and Other.) AFUDC is charged to the capitalized cost of the utility plant asset and is a reduction of Interest expense and other income, net in the Combined Statements of Revenues and Expenses.

AFUDC is capitalized at one rate for construction funded substantially by BPA and at another rate for USACE and Reclamation construction funded by congressional appropriations. (See Note 3, Utility Plant and Nonfederal Generation.) The BPA rate is determined based on the weighted-average cost of borrowing for certain types of debt and deferred credits that are related to BPA construction activity. The rate for appropriated funds is provided at the beginning of each year to BPA by the U.S. Treasury.

Nonfederal generation

BPA is party to long-term contracts for BPA to acquire all of the generating capability of Energy Northwest's CGS nuclear power plant and Lewis County PUD's (Public Utility District's) Cowlitz Falls Hydroelectric Project. CGS is a nonfederal nuclear power plant owned and operated by Energy Northwest, a joint operating agency of the state of Washington. The current license termination dates for CGS and the Cowlitz Falls Project are in December 2043 and May 2036, respectively. BPA has acquired the output of CGS and the Cowlitz Falls Project through December 2043 and June 30, 2032, respectively. These contracts require BPA to meet all of the facilities' operating, maintenance and debt service costs. Operations and maintenance expense for these projects are recognized based upon annual total project cash funding requirements, which vary from year to year.

Nonfederal generation assets on the Combined Balance Sheets are amortized on a straight-line basis, with the amortization expense included in Depreciation, amortization and accretion in the Combined Statements of Revenues and Expenses. CGS is amortized through the current license termination date in 2043. Beginning in fiscal year 2024, in alignment with the BP-24 rate case, the amortization period for the Cowlitz Falls Project changed from the license termination date in 2036 to align with the period in which BPA is contracted to receive the output of the Cowlitz Falls Project, which ends in 2032. As of Sept. 30, 2025, the CGS Nonfederal generation asset also includes approximately $207 million of prepaid nuclear fuel purchased by Energy Northwest in fiscal years 2021 and 2025 that management anticipates CGS will begin using in 2031. Future amortization expense is expected to occur over the years in which the fuel will be used. As of Sept. 30, 2024, the CGS Nonfederal generation asset included approximately $98 million of prepaid nuclear fuel purchased by Energy Northwest.

Cash and cash equivalents

Cash amounts for the FCRPS include cash and cash equivalents in the Bonneville Power Administration Fund (Bonneville Fund) within the U.S. Treasury and cash from certain unexpended appropriations of the USACE and Reclamation related to the FCRPS. As of Sept. 30, 2024, cash amounts also included cash held in a margin account with BPA's financial futures broker, which BPA could access within one day. Cash equivalents in the Bonneville Fund consist of investments in non-marketable market-based special securities issued by the U.S. Treasury with original maturities of 90 days or less at the date of investment. The carrying value of cash and cash equivalents approximates fair value.

Concentrations of credit risks

General credit risk

Financial instruments that potentially subject the FCRPS to concentrations of credit risk consist primarily of BPA accounts receivable. Credit risk relates to the loss that might occur as a result of counterparty non-performance.

BPA's accounts receivable are spread across a diverse group of customers throughout the western United States and Canada, and include consumer-owned utilities (COUs), investor-owned utilities (IOUs), power marketers, wind generators and others. BPA's accounts receivable exposure is generally from large and stable counterparties and does not represent a significant concentration of credit risk. During fiscal years 2025, 2024 and 2023, BPA experienced no material losses as a result of any customer defaults or bankruptcy filings.

BPA mitigates credit risk by reviewing counterparties for creditworthiness, establishing credit limits and monitoring credit exposure. To further manage credit risk, BPA obtains credit support, such as letters of credit, parental guarantees, and cash in the form of prepayments, deposits or escrow funds, from some counterparties. BPA monitors counterparties for changes in financial condition and regularly updates credit reviews. (See Note 12, Risk Management and Derivative Instruments.)

Allowance for credit losses

Management reviews accounts receivable to determine if any receivable will potentially be uncollectible. The allowance for credit losses includes amounts estimated through an evaluation of specific customer accounts, based upon the best available facts and circumstances of customers that may be unable to meet their financial obligations, and a reserve for all other customers based on historical experience. The allowance is not material to the financial statements.

Derivative instruments

Derivative instruments consist primarily of forward electricity contracts and are measured at fair value and recognized on the Combined Balance Sheets as either Deferred charges and other or as Deferred credits and other. Changes in fair value are deferred as either Regulatory assets or Regulatory liabilities on the Combined Balance Sheets in accordance with regulated operations accounting guidance. Recognition of these contracts in the Combined Statements of Revenues and Expenses occurs in Sales or Purchased power when the contracts settle. BPA elects the normal purchases and normal sales exception under derivatives and hedging accounting guidance for certain contracts that require physical delivery, are expected to be used or sold in the normal course of business and meet the derivative accounting definition of a capacity contract. The FCRPS does not apply hedge accounting. (See Note 12, Risk Management and Derivative Instruments.)

Fair value

Carrying amounts of current assets and current liabilities approximate fair value based on the short-term nature of these instruments. Fair value measurements are applied to certain financial assets and liabilities and to determine fair value disclosures in accordance with GAAP. When developing fair value measurements, it is BPA's policy to use quoted market prices whenever available or to maximize the use of observable inputs and minimize the use of unobservable inputs when quoted market prices are not available. Fair values are primarily developed using industry standard models that consider various inputs including quoted forward prices for commodities, time value, volatility factors, current market and contractual prices for underlying instruments, market interest rates and yield curves, and credit spreads, as well as other relevant economic measures. (See Note 12, Risk Management and Derivative Instruments and Note 13, Fair Value Measurements.)

Operating revenues and net revenues

Sales include estimated unbilled revenues. (See Note 2, Revenue Recognition.) Net revenues over time are committed to payment of operational obligations, including debt for both operating and non-operating nonfederal projects, debt service on bonds BPA issues to the U.S. Treasury, the repayment of federal appropriations for the FCRPS, and the payment of certain irrigation costs.

U.S. Treasury credits

U.S. Treasury credits represent nonpower-related costs that BPA recovers from the U.S. Treasury in accordance with certain laws. (See Note 2, Revenue Recognition.)

Purchased power

Purchased power expense represents wholesale power purchases that are meant to augment the FCRPS resource pool to meet loads and obligations. In addition, this expense includes the costs of certain water storage agreements between BPA and third parties. Purchased power excludes operations and maintenance expenses associated with CGS and the Cowlitz Falls Hydroelectric Project, and with certain contracts for renewable resources that BPA management considers part of the FCRPS resource pool.

Interest expense

Interest expense includes interest associated with bonds issued by BPA to the U.S. Treasury, nonfederal debt related to operating or terminated nonfederal generation assets, nonfederal debt related to the Lease-Purchase Program, the unpaid balance of federal appropriations scheduled for repayment, and other nonfederal debt and certain liabilities. In addition, interest expense includes the amortization of bond discounts and costs of issuance. Reductions to interest expense include the amortization of bond premiums and a capitalization adjustment regulatory liability. (See Note 5, Effects of Regulation.)

Irrigation assistance

As directed by law, BPA is required to establish rates sufficient to make distributions to the U.S. Treasury for original construction costs of certain Pacific Northwest irrigation projects for which the costs have been determined to be beyond the irrigators' ability to pay. These irrigation distributions do not specifically relate to power generation. In establishing power rates, particular statutory provisions guide the assumptions that BPA makes as to the amount and timing of such distributions.

BPA is required by the Grand Coulee Dam - Third Powerplant Act to demonstrate that reimbursable costs of the FCRPS will be returned to the U.S. Treasury from BPA within the period prescribed by law. BPA is required to make a similar demonstration for the costs of irrigation projects to the extent the costs have been determined to be beyond the irrigators' ability to repay. These requirements are met by conducting power repayment studies including schedules of distributions at the proposed rates to demonstrate repayment of principal within the allowable repayment period. Irrigation assistance excludes $40.3 million for Teton Dam, which failed prior to completion and for which BPA has no obligation to repay.

The irrigation assistance payment is a required component of the broader payment made to the U.S. Treasury each year. As such, BPA has an outstanding liability and a corresponding regulatory asset representing the BPA Administrator’s decision to defer expense recognition to future rate periods. (See Note 5, Effects of Regulation, and Note 11, Deferred Credits and Other.) Prior to fiscal year 2024, distributions were not considered to be regular operating costs of the power program and were treated as distributions from accumulated net revenues when paid. Beginning with fiscal year 2024, these distributions are recorded as a non-operating expense in the year of payment and in connection with the amortization of the regulatory asset.

Interest income

Interest income includes interest earnings on market-based special securities in the Bonneville Fund and interest earnings from other sources.

Other, net

Other, net primarily includes gains and losses incurred because of early federal and nonfederal debt extinguishment. Net gains and losses due to debt extinguishment were $241.8 million, $4 million and $5 million in fiscal years 2025, 2024 and 2023, respectively. (See Note 8, Debt and Appropriations.) In addition, dividend income and realized gains and losses associated with the nonfederal nuclear decommissioning trust for CGS are recorded to this caption. In fiscal year 2023, Other, net also included $31 million net non-cash expense related to the “Boardman to Hemingway (B2H) with Transfer Service” transaction in March 2023. For further information on the B2H transaction, see Note 7, Deferred Charges and Other.

Residential Exchange Program

In order to provide residential and small farm customers of qualifying regional utilities, primarily IOUs, access to power benefits from the FCRPS, Congress established the Residential Exchange Program (REP) in Section 5(c) of The Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act). Whenever a Pacific Northwest electric utility offers to sell power to BPA at the utility’s average system cost of resources, BPA purchases such power and offers, in exchange, to sell an equivalent amount of power at BPA’s priority firm exchange rate to the utility for resale to that utility’s residential and small farm consumers. No physical power is transmitted. Rather, the REP functions exclusively as a net financial transaction; wherein, higher-cost utilities participating in the REP receive benefits payments from BPA and entirely pass-through these monies to their eligible residential and small farm customers. REP costs are forecast for each year of the rate period and included in the revenue requirement for establishing BPA’s power rates. REP costs are recognized when incurred and are included in Operations and maintenance in the Combined Statements of Revenues and Expenses.

In fiscal year 2011, BPA signed the 2012 Residential Exchange Program Settlement Agreement (2012 REP Settlement Agreement), resolving disputes related to the REP. The 2012 REP Settlement Agreement provided for fixed “Scheduled Amounts” payable to the IOUs through fiscal year 2028. (See Note 10, Residential Exchange Program.)

Pension and other postretirement benefits

Federal employees associated with the operation of the FCRPS participate in either the Federal Employees Retirement System or the Civil Service Retirement System. Employees may also participate after retirement in the Federal Employees Health and Benefit Program and the Federal Employees Group Life Insurance Program. All such postretirement systems and programs are sponsored by the U.S. Office of Personnel Management; therefore, the FCRPS financial statements do not include accumulated plan assets or liabilities related to the administration of such programs. As part of BPA’s scheduled payment each year to the U.S. Treasury for bonds and other purposes, BPA makes contributions to cover the estimated annual unfunded portion, if any, of FCRPS pension and postretirement benefits. These contribution amounts are paid to the U.S.

Treasury and are recorded as Operations and maintenance in the Combined Statements of Revenues and Expenses during the year to which the payment relates.

SUBSEQUENT EVENTS

Management has performed an evaluation of events and transactions for potential FCRPS recognition or disclosure through Oct. 31, 2025, which is the date the financial statements were issued.

2. Revenue Recognition

DISAGGREGATED REVENUE

Years ended Sept. 30 - millions of dollars	2025	2024	2023
Sales			
Power			
Firm	$ 2,283.7	$ 2,034.6	$ 1,817.0
Surplus[1]	632.4	972.5	962.4
Transmission	1,193.7	1,178.6	1,097.2
Other[2]	92.8	121.1	109.0
Sales	$ 4,202.6	$ 4,306.8	$ 3,985.6
U.S. Treasury credits[3]	165.4	262.4	262.3
Total operating revenues[4]	$ 4,368.0	$ 4,569.2	$ 4,247.9

[1] Surplus revenue includes $95.5 million, $300.7 million, and $227.9 million of derivative commodity contracts and related operational hedging activity for fiscal years 2025, 2024 and 2023, respectively, which are not considered revenue from contracts with customers under ASC 606. For further information, see additional disclosure below.
[2] Other revenue includes $19.9 million, $56.5 million and $42.6 million for fiscal years 2025, 2024 and 2023, respectively, that are not classified as revenue from contracts with customers under ASC 606. For further information, see additional disclosure below.
[3] U.S. Treasury credits are not classified as revenue from contracts with customers under ASC 606. For further information, see additional disclosure below.
[4] Revenue from contracts with customers was $4,087.2 million, $3,949.6 million and $3,715.1 million for fiscal years 2025, 2024 and 2023, respectively.

SALES

A substantial majority of FCRPS revenues is from rate-regulated sales of power and transmission products and services. All revenues are from contracts with customers except for U.S. Treasury credits, derivatives and certain other revenues as shown in the table above. BPA establishes rates for its power and transmission services in a formal rate proceeding. The power and transmission rate schedules and general rate schedule provisions establish the rates, billing determinants, and rate provisions applicable to all BPA power and transmission contracts. Charges for services specified in the rate schedules and their provisions represent the amount billed by BPA for the goods or services used and purchased by its customers.

BPA has elected to apply the right-to-invoice practical expedient to FCRPS rate-regulated revenues from power and transmission services. Amounts invoiced correspond directly with the value to the customers for energy or services provided by the FCRPS reporting entities. Therefore, revenue from power and transmission sales, which includes billed and estimated unbilled amounts, is recognized over time upon the delivery of energy or services to the customers. The customers receive and benefit from the value of power and transmission at the time of delivery. Payments for amounts billed by BPA are generally due from customers within 20 days of billing. There are no material significant financing components.

"Firm" power consists of energy, capacity, or both, that is guaranteed to be available to the customer at all times during the period covered by a contract, except by reason of certain uncontrollable forces or service interruption provisions. The Northwest Power Act obligates BPA to meet a utility customer's firm consumer load net of the customer's resources used to serve its load. In addition, BPA sells firm power to other federal agencies and to a direct service industrial customer within the region for their direct consumption. The vast majority of firm power sold by BPA in fiscal years 2025, 2024 and 2023 was to preference customers, which make long-term power purchases from BPA at cost-based rates to meet their retail loads in the region. Preference customers are qualifying public utility districts, municipalities, consumer-owned electric cooperatives, and tribal utilities within the region. BPA's current power sales agreements with preference customers are in effect through fiscal year 2028.

"Surplus" power consists of energy and capacity that can be provided on an hourly or other short-term basis that is surplus to meeting certain firm loads as defined in the Northwest Power Act. BPA often describes the sale of surplus power as secondary sales. Most surplus power is sold to Pacific Northwest and California markets under short-term power sales that allow for flexible negotiated prices, or under longer-term contracts. The availability of surplus power depends primarily on precipitation and reservoir storage levels, performance of the Columbia Generating Station, BPA's firm power load obligations and other factors. Secondary revenues from the sale of surplus power are highly variable and depend on market conditions and the resulting prices. Amounts disclosed are net of bookouts, which occur when sales and purchases are scheduled with the same counterparty on the same path for the same hour.

Also included within Surplus sales are revenues from derivative commodity contracts in scope of ASC 815, Derivatives and Hedging, which are not considered revenue from contracts with customers under ASC 606. Derivative revenues are reported net of bookouts and primarily source from certain secondary power contracts that involve derivative instruments. (For further information on derivatives, see Note 1, Summary of Significant Accounting Policies, and Note 12, Risk Management and Derivative Instruments.)

"Transmission" revenues consist primarily of revenue for the transmission of power on BPA's network within and through the BPA service area. Point-to-point long-term contracts exceeding one year comprise the majority of network revenues and allow customers to move energy on a firm basis from a point of receipt to a point of delivery. In addition, Network Integration Transmission Service delivers power to load within BPA's balancing authority area and is a significant component of transmission revenues. Revenue from ancillary services and the Southern Intertie also comprise a significant portion of transmission revenues. Ancillary services ensure transmission grid reliability and include items such as scheduling, dispatch, balancing reserves and other services. The Southern Intertie is a system of transmission lines used primarily to transmit power between the Pacific Northwest and California. The majority of intertie revenue is from long-term contracts exceeding one year in duration. Transmission customers include entities that buy and sell non-federal power in the region, in-region purchasers of federal power, generators, power marketers and utilities that seek to transmit power into, out of or through the region.

"Other" revenues source primarily from the sales of power and other services or items by Reclamation and USACE. In particular, Reclamation sells power to certain Pacific Northwest irrigation districts. Other revenues also include reimbursable revenues associated with work performed for BPA customers. Reimbursable revenues are offset by an equivalent amount of reimbursable expenses.

Also included within other revenues are the following types of revenue not with customers: leasing fees that BPA receives as the lessor of certain fiber optic cables and other assets; revenue from deferred project revenue funded in advance, which is recognized over the life of the corresponding transmission assets once placed in service and reduces the associated liability; and realized gains on financial futures contracts. (See Note 11, Deferred Credits and Other for further information on deferred project revenue funded in advance.)

U.S. TREASURY CREDITS

U.S. Treasury credits represent BPA's recovery of certain nonpower-related costs from the U.S. Treasury in accordance with certain laws. The primary U.S. Treasury credit is the 4(h)(10)(C) credit provided for in the Northwest Power Act. This Act requires BPA to recover the nonpower portion of expenditures—set at 22.3%—that BPA makes for fish and wildlife protection, mitigation and enhancement. Through Section 4(h)(10)(C), the Northwest Power Act ensures that the costs of mitigating these impacts are allocated between the power-related and other purposes of the federal hydroelectric projects of the FCRPS.

Power-related costs are recovered in BPA’s rates. U.S. Treasury credits are reported as a component of Operating revenues in the Combined Statements of Revenues and Expenses.

As part of its annual payment to the U.S. Treasury, BPA applies the U.S. Treasury credits earned each fiscal year against various categories of payment obligations. For example, BPA may apply U.S. Treasury credits against interest expense or liabilities such as borrowings from U.S. Treasury and federal appropriations.

CONTRACT BALANCES

As of Sept. 30 — millions of dollars	2025	2024
Receivable assets		
Accounts receivable, net of allowance	$ 42.3	$ 95.4
Accrued unbilled revenues	370.7	348.2
Contract liabilities		
Customer prepaid power purchases	$ 85.7	$ 111.7
Third AC Intertie capacity agreements	79.9	80.2
Unearned revenue from customer deposits	101.4	73.9
Revenue recognized during the fiscal year from amounts included in contract liabilities at the beginning of the year	$ 99.4	$ 98.2

Accounts receivable and accrued unbilled revenues source primarily from contracts with customers.

Contract liabilities represent an entity’s unsatisfied performance obligation to transfer goods or services to a customer from which the entity has received consideration. The contract liability amounts in the table above show expected future revenues to be recorded as power is delivered (for customer prepaid power purchases), over the estimated life of transmission assets placed in service (for Third AC Intertie capacity agreements), or as expenditures are incurred (for unearned revenue from customer deposits). These contract liabilities have no variable consideration and require little or no significant judgment in revenue recognition. The average contract term varies by customer and type and may span several years. (See Note 8, Debt and Appropriations, for further information on customer prepaid power purchases, and Note 11, Deferred Credits and Other, for further information on Third AC Intertie capacity agreements and unearned revenue from customer deposits.)

3. Utility Plant and Nonfederal Generation

As of Sept. 30 — millions of dollars		2025		2024	2025 Estimated average service lives
Completed plant					
Federal system hydro generation assets	$	10,458.1	$	10,507.4	75 years
Transmission assets		12,579.1		11,624.3	51 years
Other assets		105.2		104.2	8 years
Completed plant	$	23,142.4	$	22,235.9	
Accumulated depreciation					
Federal system hydro generation assets	$	(4,253.1)	$	(4,266.0)	
Transmission assets		(4,631.7)		(4,284.7)	
Other assets		(62.5)		(54.2)	
Accumulated depreciation	$	(8,947.3)	$	(8,604.9)	
Construction work in progress					
Federal system hydro generation assets	$	804.0	$	693.5	
Transmission assets		1,653.2		1,507.8	
Other assets		24.8		35.1	
Construction work in progress	$	2,482.0	$	2,236.4	
Nonfederal generation	$	3,581.2	$	3,410.0	
Net utility plant and nonfederal generation	$	20,258.3	$	19,277.4	

Allowance for funds used during construction

Fiscal year	2025	2024	2023
BPA rate	3.3%	3.3%	3.0%
Appropriated rate	4.3%	5.5%	3.6%

Amounts accrued in Accounts payable and other on the Combined Balance Sheets for Construction work in progress assets were approximately $160 million, $168 million, and $122 million as of Sept. 30, 2025, 2024, and 2023, respectively.

In February 2025, BPA completed a depreciation study on BPA's transmission and general plant assets. BPA implemented revised depreciation rates effective March 2025 on applicable assets. The average service lives for transmission assets have remained the same at 51 years, but higher cost of removal and negative salvage estimates resulted in slightly higher monthly depreciation expense beginning in March 2025.

4. Leases

An arrangement contains a lease if a lessee has the right to control an identified asset for a period of time in exchange for consideration. At contract inception, management determines whether an arrangement contains a lease and lease classification, if applicable. At the lease commencement date, lease right-of-use (ROU) assets and lease liabilities are recorded based upon the present value of lease payments over the lease term, including initial direct costs, if any. If a contract provides an implicit rate, it is used to determine the present value of future lease payments. If a contract does not provide an implicit rate, management uses the incremental borrowing rate available at lease commencement. Operating lease ROU assets include any lease payments made at or before the commencement date and exclude lease incentives.

Certain lease arrangements contain renewal or early termination options. If management is reasonably certain to exercise these options, they are included in the calculation of the ROU asset and lease liability by incorporating the option into the lease term. Certain renewal options include an adjustment to future lease cost based upon various factors, such as pre-determined percentage increases, the Consumer Price Index, or other methods. Management has also elected to account for arrangements with lease and non-lease components as a single lease component.

Operating leases are primarily for office spaces and leased vehicles. Operating lease terms range from less than one year to 33 years. Finance leases are primarily for transmission lines and equipment. Finance lease terms range from 2 to 62 years. There were no material lessor arrangements as of Sept. 30, 2025, and 2024.

The following table provides supplemental balance sheet information related to leases:

As of Sept. 30 — millions of dollars	Financial Statement Line Item	2025	2024
Operating leases			
ROU assets	Deferred charges and other	$ 90.9	$ 101.3
Short-term lease liability	Accounts payable and other	17.5	14.6
Long-term lease liability	Deferred credits and other	73.4	86.8
Finance leases			
ROU assets	Completed plant	$ 93.7	$ 97.7
Short-term lease liability	Nonfederal debt	6.2	5.8
Long-term lease liability	Nonfederal debt	94.5	97.5

The following table provides supplemental expense information related to total lease costs:

Years ended Sept. 30 — millions of dollars	Financial Statement Line Item	2025	2024	2023
Operating lease cost [1]	Operations and maintenance	$ 18.0	$ 18.8	$ 18.7
Finance lease cost:				
Amortization of ROU assets	Depreciation, amortization and accretion	7.3	6.0	5.2
Interest on lease liabilities	Interest expense	5.2	5.2	5.1
Total lease costs		$ 30.5	$ 30.0	$ 29.0

[1] Includes variable lease costs, which were immaterial for the fiscal years ended Sept. 30, 2025, 2024 and 2023.

As of Sept. 30	2025	2024
Weighted-average remaining lease term		
Operating leases	6.2 years	7.0 years
Finance leases	45.7 years	46.1 years
Weighted-average discount rate		
Operating leases	3.2%	3.2%
Finance leases	5.1%	5.1%

The following table provides supplemental cash flow information related to leases:

Years ended Sept. 30 - millions of dollars	2025	2024	2023
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash outflows:			
Operating lease payments	$ 18.0	$ 18.8	$ 18.7
Interest on finance leases	5.2	5.2	5.1
Financing cash outflows:			
Principal payments on finance lease	5.4	5.7	4.4
Right-of-use assets obtained in exchange for new lease obligations			
Operating leases	4.4	26.5	9.3
Finance leases	3.3	4.5	8.2

The following table provides maturities of operating lease liabilities:

As of Sept. 30 - millions of dollars	
2026	$ 18.9
2027	17.9
2028	17.7
2029	14.4
2030	14.5
2031 and thereafter	17.7
Total undiscounted lease liabilities	$ 101.1
Less: Amounts representing interest	10.2
Total lease liabilities	$ 90.9

See Note 8, Debt and Appropriations, for finance lease maturity analysis.

5. Effects of Regulation

Regulatory assets include the following items:

REGULATORY ASSETS

As of Sept. 30 — millions of dollars	2025	2024
Terminated nuclear facilities	$ 1,286.5	$ 1,355.0
IOU exchange benefits	818.8	1,062.8
Columbia River Fish Mitigation	705.5	725.4
Phase 2 Implementation Plan (P2IP) Settlement Agreement	252.8	252.8
Irrigation assistance	219.6	227.6
Fish and wildlife measures	210.5	206.8
Trojan decommissioning and site restoration	110.5	94.6
Spacer damper replacement program	40.2	43.1
Legal claims and settlements	22.0	22.0
Federal Employees’ Compensation Act	20.0	21.0
Conservation measures	9.6	26.0
Other	2.4	3.1
Derivative instruments	2.3	1.7
Resilient Columbia Basin Agreement - Six Sovereigns	—	111.2
Terminated hydro facilities	—	0.3
Total	$ 3,700.7	$ 4,153.4

“Terminated nuclear facilities” consist of amounts to be recovered in future rates to satisfy the nonfederal debt for Energy Northwest Projects 1 and 3. These assets are amortized to depreciation, amortization and accretion through 2043, as established in the rate case.

“**IOU exchange benefits**” reflect amounts to be recovered in rates through 2028 for the Investor-Owned Utility (IOU) exchange benefits liability incurred as part of the 2012 REP Settlement Agreement. These amounts are amortized to operations and maintenance expense. (See Note 10, Residential Exchange Program.)

“**Columbia River Fish Mitigation**” is the cost of research and development for fish bypass facilities funded through appropriations since 1989 in accordance with the Energy and Water Development Appropriations Act of 1989, Public Law 100-371. Through fiscal year 2021, these costs were recovered in rates over 75 years and amortized to depreciation, amortization and accretion expense. Beginning in fiscal year 2022, these costs are no longer deferred and are instead recorded as operations and maintenance expense when incurred. In addition, beginning in fiscal year 2022 the amortization period for remaining deferred amounts has changed from 75 years to 50 years as stated in the BP-22 rate case.

“**Phase 2 Implementation Plan (P2IP) Settlement Agreement**” represents the deferral of expenses related to the P2IP settlement agreement signed in September 2023. BPA expects that these costs will be recovered through future rates. Beginning in 2026, and in alignment with the BP-26 rate case, these amounts will be amortized to operations and maintenance expense through 2043. (For further information on the P2IP transaction, see Note 11, Deferred Credits and Other.)

“**Irrigation assistance**” reflects the amount to be recovered in future rates through 2045 in connection with the annual irrigation assistance payment made to the U.S. Treasury. Amortization of these costs will be recorded as non-operating expenses under Irrigation assistance on the Combined Statements of Revenues and Expenses in the year of payment. (For further information on Irrigation assistance, see Note 1, Summary of Significant Accounting Policies and Note 11, Deferred Credits and Other.)

“**Fish and wildlife measures**” consist of deferred fish and wildlife project expenses to be recovered in future rates. These costs are amortized to depreciation, amortization and accretion expense over a period of 15 years.

“**Trojan decommissioning and site restoration**” reflects the amount to be recovered in future rates for funding the asset retirement obligation (ARO) liability related to the former Trojan nuclear facility through 2059. This amount equals the associated liability. (See Note 6, Asset Retirement Obligations.)

“**Spacer damper replacement program**” consists of costs to replace deteriorated spacer dampers on certain transmission lines and are recovered in future rates under the Spacer Damper Replacement Program. These costs are amortized to depreciation, amortization and accretion expense over a period of 25 or 30 years.

“**Legal claims and settlements**” reflect amounts to be recovered in future rates to satisfy accrued liabilities related to legal claims and settlements. These costs will be recovered and amortized to operations and maintenance expense over a period to be established during future rate cases.

“**Federal Employees’ Compensation Act**” reflects the actuarial estimated amount of future payments for current recipients of BPA’s worker compensation benefits. This amount equals the associated liability, and related expenses are recorded to operations and maintenance expense as payments are made. (See Note 11, Deferred Credits and Other.)

“**Conservation measures**” consist of the costs of deferred energy conservation measures to be recovered in future rates. These costs are amortized to depreciation, amortization and accretion expense over periods of 12 or 20 years. BPA deferred certain costs of energy conservation measures through fiscal year 2015 and, beginning with fiscal year 2016, began recording such costs as operations and maintenance expense when incurred.

“**Derivative instruments**” reflect the unrealized losses from BPA's derivative portfolio. These amounts are deferred over the corresponding underlying contract delivery months. (See Note 12, Risk Management and Derivative Instruments.)

“**Resilient Columbia Basin Agreement – Six Sovereigns**” represented the expected deferral of expenses related to the settlement agreement signed in December 2023 between BPA and certain state and tribal partners, collectively known as the Six Sovereigns. Prior to June 2025, BPA expected that the costs associated with this agreement would be recovered through future rates. However, in June 2025, the White House issued a Presidential Memorandum directing BPA and other federal partners to withdraw from this agreement. As such, BPA no longer expects to recover any amounts related to this agreement in future rates and has derecognized this regulatory asset and an associated liability. (For further information on this transaction, see Note 11, Deferred Credits and Other.)

“**Terminated hydro facilities”** consist of the amounts to be recovered in future rates to satisfy nonfederal debt for the Northern Wasco Hydro Project, for which BPA ceased its participation as recipient of the project’s electric power. These assets were amortized to depreciation, amortization and accretion through 2025, as established in the rate case. (See Note 8, Debt and Appropriations.)

Regulatory liabilities include the following items:

REGULATORY LIABILITIES

As of Sept. 30 — millions of dollars	2025	2024
Accumulated plant removal costs	$ 765.0	$ 709.2
Capitalization adjustment	693.1	758.0
Decommissioning and site restoration	93.5	36.4
Derivative instruments	9.1	18.8
Total	$ 1,560.7	$ 1,522.4

“Accumulated plant removal costs” represent a liability for amounts previously collected through rates as part of depreciation expense. The liability increases as depreciation expense is incurred and is reduced as actual costs of removal, net of proceeds, are incurred. (See Note 1, Summary of Significant Accounting Policies.)

“**Capitalization adjustment**” is the difference between the outstanding balance of federal appropriations, plus $100 million, before and after refinancing under the BPA Refinancing Section of the Omnibus Consolidated Rescissions and Appropriations Act of 1996, 16 U.S.C. 838(l). Consistent with treatment in BPA’s power and transmission rate cases, this adjustment is amortized over a 40-year period through fiscal year 2036. Amortization of the capitalization adjustment as a reduction to interest expense was $64.9 million each year for fiscal years 2025, 2024 and 2023.

“**Decommissioning and site restoration**” represents unrealized gains in the nonfederal nuclear decommissioning trust assets for the Columbia Generating Station. (See Note 6, Asset Retirement Obligations.)

“**Derivative instruments**” reflect the unrealized gains from BPA’s derivative portfolio. These amounts are deferred over the corresponding underlying contract delivery months. (See Note 12, Risk Management and Derivative Instruments.)

6. Asset Retirement Obligations

Asset retirement obligations include the following items:

As of Sept. 30 — millions of dollars		2025		2024
CGS decommissioning and site restoration	$	1,063.8	$	1,020.7
Trojan decommissioning		110.5		94.6
Energy Northwest Projects 1 and 4 site restoration		2.8		2.9
Total	$	1,177.1	$	1,118.2

AROs represent the legal obligations associated with the future retirement of certain tangible, long-lived assets. FCRPS AROs are recognized based on the estimated fair value of the dismantlement and restoration costs, primarily associated with the retirement of the Columbia Generating Station. BPA also has AROs for a 30% share of the former Trojan nuclear power plant decommissioning activities and for certain Energy Northwest-related site restoration activities. ARO liabilities are adjusted for any revisions, expenditures and the passage of time.

As of Sept. 30 — millions of dollars		2025		2024		2023
Beginning Balance	$	1,118.2	$	1,015.1	$	964.3
Activities:						
Accretion		46.4		42.8		40.2
Expenditures		(5.3)		(5.6)		(5.5)
Revisions		17.8		65.9		16.1
Ending Balance	$	1,177.1	$	1,118.2	$	1,015.1

In fiscal year 2024, and as a result of a 2024 site-specific decommissioning study for CGS, BPA management increased the estimate for the CGS ARO liability by $59.1 million. This change in estimate was largely driven by higher labor costs, increases in low-level radioactive waste disposal rates and increases in spent fuel cask procurement and management costs. Actual decommissioning costs may vary from this estimate because of various factors including future decommissioning dates, requirements, costs and technology. A $59.1 million increase to the Nonfederal generation asset on the Combined Balance Sheets offset the increased ARO liability.

Based on agreements in place, BPA directly funds Eugene Water and Electric Board’s 30% share of the former Trojan nuclear power plant decommissioning activities that consist of long-term operation and decommissioning of the Independent Spent Fuel Storage Installation (ISFSI). BPA funds these costs through current rates, with the expenses included in Operations and maintenance in the Combined Statements of Revenues and Expenses. Trojan decommissioning primarily relates to the storage of spent nuclear fuel through 2059 at the former nuclear plant site. Decommissioning of the ISFSI and final site restoration activities is not expected to occur before 2059, which is the year the Nuclear Regulatory Commission (NRC) extended the fuel storage license through. In fiscal year 2025, BPA management revised the estimate for the Trojan ARO by $16.1 million. This change in estimate was driven by increases in headcount as mandated by the NRC, increases in expenditures for aging equipment replacements and inspections and changes in inflation assumptions. In fiscal year 2024, BPA management revised the estimate for the Trojan ARO liability by $3.1 million. This change in estimate was driven by the aging management program, headcount and frequency of cask inspections.

Based on a prior settlement agreement with the DOE, BPA receives an annual reimbursement for certain costs related to monitoring the spent nuclear fuel. BPA reduces operations and maintenance expense when it receives the reimbursement, which was $6.6 million, $2.7 million, and $1.8 million in fiscal years 2025, 2024, and 2023, respectively.

The FCRPS also has tangible long-lived assets such as federal hydro projects and transmission assets without an associated ARO because no legal obligation exists to remove these assets.

NONFEDERAL NUCLEAR DECOMMISSIONING TRUSTS

As of Sept. 30 — millions of dollars	2025		2024	
	Amortized cost	Fair value	Amortized cost	Fair value
Equity securities	$ 473.6	$ 597.6	$ 456.5	$ 516.4
Debt securities	132.0	101.6	113.6	89.9
Cash and cash equivalents	14.9	14.9	17.2	17.2
Total	$ 620.5	$ 714.1	$ 587.3	$ 623.5

These assets are trust fund account balances, primarily for CGS decommissioning and site restoration costs, but also for site restoration at Energy Northwest Projects 1 and 4, which terminated prior to completion. The fair value of the trust fund balances for CGS decommissioning and site restoration costs as of Sept. 30, 2025, and 2024 were $699.2 million and $606.3 million, respectively. The investment securities in the CGS decommissioning and site restoration trust fund accounts comprise both equity and debt securities and are recorded at fair value in accordance with applicable accounting guidance. Equity securities include both domestic and international index mutual funds. Debt securities are classified as available-for-sale and include bond mutual funds that hold inflation-protected securities. BPA holds shares in two mutual funds, one with a fair value of $51.5 million and an average maturity of 26 years, and the other with a fair value of $50.1 million and an average maturity of 7 years. The trust fund balances for the site restoration at Energy Northwest Projects 1 and 4 were $14.9 million and $17.2 million, respectively. The site restoration fund for Energy Northwest Projects 1 and 4 is invested in a money market fund that is considered cash and cash equivalents.

External trust fund accounts for decommissioning and site restoration costs for CGS are funded monthly, with these contributions recorded as an increase to the trust fund asset. The CGS decommissioning trust fund account was established to provide for decommissioning at the end of the project’s operations in accordance with NRC requirements. The NRC requires that this period be no longer than 60 years from the time the plant ceases operations. Decommissioning funding requirements for CGS are based on a 2024 site-specific decommissioning study for CGS and the current license termination date, which is in December 2043. The CGS trust fund accounts are funded and managed by BPA in accordance with NRC requirements and site certification agreements.

Unrealized gains and losses are recorded to a regulatory liability or regulatory asset, respectively. Realized gains and losses for CGS are recorded to Other, net in the Combined Statements of Revenues and Expenses and were considered when establishing rates for fiscal years 2023 through 2025. Realized gains reported for fiscal years 2025, 2024 and 2023 were $3.9 million, $2.5 million, and $0.1 million, respectively.

Contribution payments to the CGS trust fund accounts for fiscal years 2025, 2024 and 2023 were $15.1 million, $15.1 million and $4.9 million, respectively. Based on current estimates, BPA and Energy Northwest have no obligation to make further payments into the site restoration fund for Energy Northwest Projects 1 and 4.

7. Deferred Charges and Other

Deferred Charges and Other include the following items:

As of Sept. 30 — millions of dollars	2025	2024
Operating leases	$ 90.9	$ 101.3
Lease-Purchase trust funds	21.5	22.6
Cloud computing arrangements	10.8	5.5
Spectrum Relocation Fund	10.7	8.2
Transmission line-related receivables	10.4	10.4
Derivative instruments	9.1	18.8
Other	2.3	2.8
Total	$ 155.7	$ 169.6

"Operating leases" represent right-of-use assets that are amortized to operations and maintenance expense over the term of the related leases. (See Note 4, Leases.)

"**Lease-Purchase trust funds**" are investments held in separate trust accounts outside the Bonneville Fund for the construction and administration of leased transmission assets, the use of which BPA has acquired under lease-purchase agreements. The amounts held in trust are also used in part for debt service payments during the construction period and include an investment fund mainly for future principal and interest debt service payments. (See Note 8, Debt and Appropriations.) Interest income and realized and unrealized gains or losses on amounts held in trust for construction are recorded as AFUDC. Interest income and gains and losses on other trust balances are recorded as either income or expense in the period when earned. At the time of debt extinguishment, unspent trust funds under a particular transaction are used to repay the related lease-purchase debt and associated debt extinguishment costs for that transaction.

The Lease-Purchase trust funds are comprised of held-to-maturity fixed-income investments and cash and cash equivalents.

Investments classified as held-to-maturity were $18.9 million and $19 million as of Sept. 30, 2025, and 2024, and are recorded at amortized cost. The fair value of held-to-maturity investments exceeded amortized cost by approximately $2 million as of Sept. 30, 2025 and 2024. Unrealized gains comprise the difference between amortized cost and fair value for both years. Held-to-maturity investments as of Sept. 30, 2025, mature in November 2030.

As of Sept. 30, 2025, and 2024, trust balances also included cash and cash equivalents of $2.6 million and $3.6 million, respectively.

"**Cloud computing arrangements**" represent the capitalized implementation costs incurred in a cloud computing arrangement that is a service contract. These costs are amortized to operations and maintenance expense over the terms of the respective contracts once placed in service.

"**Spectrum Relocation Fund**" was created to reimburse certain federal agencies such as BPA for the costs of replacing radio communication equipment displaced as a result of radio band frequencies no longer available to the affected federal agencies. In fiscal year 2025, BPA received an additional $2.6 million to fund telecommunications studies in support of future radio spectrum relocation efforts. These amounts received from the U.S. Treasury are held as restricted cash in the Bonneville Fund for the sole purpose of constructing replacement assets or performing preliminary studies. These amounts are the only source of restricted cash reported on the Combined Statements of Cash Flows.

"**Transmission line-related receivables**" represent the receivable assets recorded in relation to the March 2023 Boardman to Hemingway with Transfer Service transaction, in which BPA transferred its 24.24% permitting interest share in the proposed Boardman to Hemingway transmission line to Idaho Power Company (IPC). Taking into account the time value of money and project risks, the permitting interest transfer resulted in a $3.4 million financial asset and a corresponding non-cash gain recorded to Other, net in the Combined Statements of Revenues and Expenses. Additionally, BPA paid IPC a $10 million security payment which, once adjusted for the time value of money, resulted in a $7 million deferred asset increase, and a $3 million loss recorded to Other, net.

BPA expects to receive approximately $31 million, plus interest, from IPC over 10 years beginning 10 years after IPC builds and energizes the B2H transmission line and also reaches service thresholds as defined in the aforementioned March 2023 contracts. Additionally, upon energization BPA expects to recover the $10 million security payment from IPC.

"**Derivative instruments**" represent unrealized gains from BPA's derivative portfolio, which primarily includes physical power purchase and sale transactions.

8. Debt and Appropriations

As of Sept. 30 — millions of dollars		2025		2024	
	Terms	Carrying Value	Weighted-Average Interest Rate	Carrying Value	Weighted-Average Interest Rate
Nonfederal debt					
Nonfederal generation:					
Columbia Generating Station	2.1 – 5.0% through 2043	$ 3,702.4	4.4%	$ 3,434.4	4.4%
Cowlitz Falls Hydro Project	4.0 – 5.3% through 2032	42.4	5.1	47.3	5.1
Terminated nonfederal generation:					
Nuclear Project 1	4.0 – 5.0% through 2042	815.6	4.7	829.0	4.8
Nuclear Project 3	3.1 – 5.0% through 2042	960.9	4.8	967.4	4.8
Northern Wasco Hydro Project	n/a	—	n/a	1.9	5.0
Lease-Purchase Program:					
Lease-purchase liability	2.4 – 5.7% through 2048	1,653.6	3.1	1,671.7	2.9
NIFC debt	5.4% through 2034	119.2	5.4	119.1	5.4
Finance lease liability	1.3 – 6.9% through 2087	100.7	5.1	103.3	5.1
Other financial liability	3.4% through 2043	14.8	3.4	15.4	3.4
Customer prepaid power purchases	4.3 – 4.6% through 2028	85.7	4.5	111.7	4.5
Total Nonfederal debt		$ 7,495.3	4.2%	$ 7,301.2	4.2%
Federal debt and appropriations					
Borrowings from U.S. Treasury	0.9 – 5.9% through 2054	$ 6,245.5	3.5%	$ 5,960.7	3.4%
Federal appropriations	1.4 – 4.4% through 2075	1,087.1	3.2	1,110.7	3.2
Federal appropriations (not scheduled for repayment)		687.9	n/a	586.4	n/a
Total Federal debt and appropriations		$ 8,020.5	3.5%	$ 7,657.8	3.3%
Total debt and appropriations		$ 15,515.8	3.9%	$ 14,959.0	3.8%

NONFEDERAL DEBT

Nonfederal generation and Terminated nonfederal generation

As described in Note 1, Summary of Significant Accounting Policies, Nonfederal generation section, BPA is party to long-term contracts for BPA to acquire all of the generating capability of Energy Northwest's Columbia Generating Station and, through June 2032, all of Lewis County PUD's Cowlitz Falls Hydroelectric Project. Under certain agreements, BPA also has financial responsibility for meeting all costs of Energy Northwest's Projects 1 and 3, including debt service costs of bonds and other financial instruments issued for the projects, even though these projects have been terminated. BPA was also required by a "Settlement and Termination Agreement" between BPA and Northern Wasco PUD to pay amounts equal to annual debt service on certain bonds of the Northern Wasco Hydro Project. Under the Settlement and Termination Agreement, BPA ceased its participation in this project.

Cowlitz Falls Hydroelectric Project debt of $42.4 million is callable, in whole or in part, at Lewis County PUD's option with the approval of BPA, at 100% of the principal amount plus accrued interest.

BPA recognizes certain expenses for these nonfederal generation and terminated nonfederal generation projects based on annual total project cash funding requirements, which include interest expense and operating and maintenance expense. BPA recognized operating and maintenance expense for these projects of $395.1 million, $331.5 million and $327 million in fiscal years 2025, 2024 and 2023, respectively, which is included in Operations and maintenance in the Combined Statements of Revenues and Expenses. On the Combined Balance Sheets, related assets for CGS and the Cowlitz Falls Hydroelectric Project are included in Nonfederal generation. Related assets for terminated nonfederal generation are included in Regulatory assets. (See Note 5, Effects of Regulation.)

During fiscal years 2025 and 2024, BPA recorded gains of $3.4 million and $2 million when certain Energy Northwest debt was extinguished via the issuance of long-term debt. BPA recorded no similar gains or losses during fiscal year 2023.

Energy Northwest debt of $3.12 billion is callable, in whole or in part, at Energy Northwest’s option with the approval of BPA, on call dates between July 2026 and July 2035 at 100% of the principal amount.

Lease-Purchase Program

Under the Lease-Purchase Program, BPA has incurred financial liabilities for lease-purchase transactions with certain third-party entities. These transactions are primarily with the Port of Morrow, a port district located in Morrow County, Oregon, and the Idaho Energy Resources Authority (IERA), an independent public instrumentality of the State of Idaho, for transmission facilities, including lines, substations and general plant assets. These financial liabilities are paid from the rental payments made by BPA. The facilities are not security for the payment of these obligations. The lease-purchase agreements contain provisions that allow BPA to purchase the related assets at any time during each lease term for a bargain purchase price plus the value of the related outstanding debt instrument. During fiscal year 2025, BPA recorded a loss of $0.3 million when certain lease-purchase liabilities were extinguished via the issuance of long-term debt. During fiscal year 2024, BPA recorded gains of $2.1 million when certain lease-purchase liabilities were extinguished via the issuance of long-term debt.

Under the Lease-Purchase Program, BPA consolidates one special purpose corporation, Northwest Infrastructure Financing Corporation, or NIFC. (See Note 9, Variable Interest Entities.) As of Sept. 30, 2025, and 2024, the NIFC had $119.6 million of bonds outstanding, including debt issuance costs. The rental payments from BPA are pledged to the payment of the debt, but the facilities do not secure the debt. The NIFC bonds are reported as NIFC debt and are subject to redemption by NIFC, in whole or in part, at any date, at the higher of the principal amount of the bonds or the present value of the bonds discounted using the U.S. Treasury rate plus a premium of 12.5 basis points.

On the Combined Balance Sheets, the Lease-Purchase liability and NIFC debt are included in Nonfederal debt. The related assets are included in Utility plant and in Deferred charges and other for unspent funds held in trust accounts outside the Bonneville Fund.

Finance lease liability

Included among this liability are finance lease agreements for transmission lines and equipment. The related assets are recorded as completed plant. For additional information regarding finance leases, see Note 4, Leases.

Other financial liability

This agreement is with a transmission customer. BPA is deemed the accounting owner of the assets, which are included in Utility plant on the Combined Balance Sheets. The agreement contains provisions that allow BPA to purchase the related assets at any time during the contract term, with ownership transferring to BPA at the end of the term.

Customer prepaid power purchases

During fiscal year 2013, BPA entered into agreements with four regional COUs for the advance payment of portions of their power purchases. Under this program, customers purchased prepaid power in blocks through fiscal year 2028. For each block purchased, BPA repays the prepayment, with interest, as monthly fixed credits on the customers' power bills.

In March 2013, BPA received $340 million representing $474.3 million in scheduled credits for blocks purchased by customers. BPA accounts for the prepayment proceeds as a financing transaction and reports the value of the obligations associated with the fixed credits as a prepayment liability. Interest expense is recognized using a weighted-average effective interest rate of 4.5%. The prepaid liability is reduced and the credits are applied as power is delivered through fiscal year 2028.

FEDERAL DEBT AND APPROPRIATIONS

Borrowings from U.S. Treasury

BPA is authorized by Congress to issue and sell bonds to the U.S. Treasury and to have outstanding at any time up to $13.70 billion aggregate principal amount of bonds. Beginning in fiscal year 2028, an additional $4 billion of U.S. Treasury borrowing authority will be available. Of the $13.70 billion in borrowing authority currently available, $1.25 billion is available for electric power conservation and renewable resources, including capital investment at the FCRPS hydroelectric facilities owned by the USACE and Reclamation, and $12.45 billion is available for BPA's transmission capital program and to implement BPA's authorities under the Northwest Power Act. Of the total U.S. Treasury borrowing authority available at any one time ($13.70 billion through fiscal year 2027 and $17.70 billion beginning in fiscal year 2028), $750 million can be issued to finance Northwest Power Act-related expenses. The interest on BPA's outstanding bonds is set at rates comparable to rates on debt issued by other comparable federal government institutions at the time of issuance. Bonds can be issued with call options.

As of Sept. 30, 2025, and 2024, no bonds outstanding were related to Northwest Power Act expenses.

As of Sept. 30, 2025, $1.46 billion of variable-rate bonds are callable by BPA at par value on their interest repricing dates, which occurs every three or six months. The remaining $4.79 billion of bonds are callable by BPA at a premium or discount, which is calculated based on the current government agency rates for the remaining term to maturity at the time the bonds are called. As of Sept. 30, 2024, $392.1 million of variable-rate bonds were outstanding.

In fiscal year 2025, BPA called $724.2 million of bonds it had previously issued to the U.S. Treasury. As a result, BPA recognized a net gain of $238.7 million to Other, net in the Combined Statements of Revenues and Expenses. This net gain was comprised of $241.2 million in gains, offset by $2.5 million in losses. In fiscal year 2024, BPA called $274.1 million of bonds it had previously issued to the U.S. Treasury and recognized a related net loss of $0.1 million to Other, net in the Combined Statements of Revenues and Expenses. In fiscal year 2023, BPA called $322.9 million of bonds it had previously issued to the U.S. Treasury, and recognized a related net gain of $5 million to Other, net in the Combined Statements of Revenues and Expenses.

Federal appropriations

Federal appropriations reflect the responsibility that BPA has to repay the U.S. Treasury for congressionally appropriated amounts in the FCRPS. Federal appropriations repayment obligations consist of the remaining unpaid power portion of USACE and Reclamation capital investments funded through congressional appropriations. These include appropriations for the Columbia River Fish Mitigation program as allocated to the power purpose of the USACE's FCRPS hydroelectric projects. BPA's repayment obligation begins when capital investments are completed and placed into service, unless directed otherwise by specific legislation.

BPA is obligated to establish rates to repay appropriations for federal generation and transmission plant investments within a specified repayment period, which is the reasonably expected service life of the facilities, not to exceed 50 years. Federal appropriations may be repaid early without penalty at their par value (i.e., carrying value for federal appropriations) as part of BPA's payment to the U.S. Treasury. BPA repaid appropriations earlier than their due dates in fiscal years 2025 and 2024. BPA establishes schedules for the repayment of federal appropriations when it establishes its power and transmission rates. These schedules can change depending on whether appropriations have been prepaid or deferred. Interest on appropriated amounts begins accruing when the related assets are placed into service, unless repayment obligation is deferred by specific legislation.

As of Sept. 30 — millions of dollars	Maturing Nonfederal debt excluding finance leases	Future minimum lease payments under finance leases	Borrowings from U.S. Treasury	Federal appropriations	Total
2026	$ 624.7	$ 10.7	$ 131.0	$ —	$ 766.4
2027	532.9	9.2	181.0	—	723.1
2028	677.1	7.3	324.8	—	1,009.2
2029	165.4	7.1	331.0	—	503.5
2030	306.1	6.8	295.0	—	607.9
2031 and thereafter	5,447.9	157.1	4,982.7	1,775.0	12,362.7
Total	$ 7,754.1	$ 198.2	$ 6,245.5	$ 1,775.0	$ 15,972.8
Less: Executory costs	2.6	—	—	—	2.6
Less: Amount representing interest	723.4	97.5	—	—	820.9
Less: Unamortized debt issuance cost	24.3	—	—	—	24.3
Plus: Unamortized premiums	390.8	—	—	—	390.8
Present value of debt	7,394.6	100.7	6,245.5	1,775.0	15,515.8
Less: Current portion	565.6	6.2	131.0	—	702.8
Long-term debt	$ 6,829.0	$ 94.5	$ 6,114.5	$ 1,775.0	$ 14,813.0

FAIR VALUE OF DEBT AND APPROPRIATIONS

See Note 13, Fair Value Measurements, for a comparison of carrying value to fair value for debt. Due to the current par value call provision on BPA's federal appropriations, the fair value of BPA's federal appropriations is equal to the carrying value. This call provision allows BPA to prepay appropriations repayment obligations without premiums or a mark-to-market adjustment.

9. Variable Interest Entities

A VIE is an entity that does not have sufficient equity at risk to finance its activities without additional financial support or whose equity investors lack characteristics of a controlling financial interest. An enterprise that has a controlling interest is known as the VIE's primary beneficiary and is required to consolidate the VIE.

Management reviews executed lease-purchase agreements with nonfederal entities for VIE accounting impacts. BPA has determined that NIFC is a VIE and that BPA is the primary beneficiary of NIFC. As such, this entity is consolidated. The key factors in this determination are BPA's ability to take contractual actions that significantly impact the economic, commercial and operating activities of NIFC and BPA's obligation to absorb losses that could be significant to NIFC. Additionally, BPA's lease-purchase agreement with NIFC obligates BPA to absorb the operational and commercial risks, and thus potentially significant benefits or losses associated with the underlying transmission facilities. BPA also has exclusive use and control of the facilities during the lease period and has indemnified NIFC for all construction and operating risks associated with its transmission facilities.

Amounts related to NIFC include Lease-Purchase trust funds and other assets of $20.7 million and $20.6 million and Nonfederal debt of $119.2 million and $119.1 million as of Sept. 30, 2025, and 2024, respectively. BPA has also entered into lease-purchase agreements with Port of Morrow and IERA, which are nonfederal entities. These entities are governmental and, in accordance with VIE accounting guidance, are therefore not consolidated into the FCRPS financial statements. (See Note 8, Debt and Appropriations.)

BPA has entered into power purchase agreements with wind farm-related VIEs, which, because of their pricing arrangements, provide that BPA absorb commodity price risk from the perspective of the counterparty entities. However, BPA management has concluded that in no instance does BPA have the power to control the most significant operating and maintenance activities of these entities. Therefore, BPA is not the primary beneficiary and does not consolidate these entities. Additionally, BPA does not provide, and does not plan to provide, any additional financial support to these entities beyond what BPA is contractually obligated to pay. Thus, BPA has no exposure to loss on contracts with these VIEs. Expenses related to VIEs for which BPA is not the primary beneficiary were $8.2 million, $7.8 million and $9.5 million in fiscal years 2025, 2024 and 2023, respectively. These expenses were recorded to operations and maintenance as BPA management considers the related purchases to be part of the FCRPS resource pool.

10. Residential Exchange Program

BACKGROUND

In 1981 and as provided in the Northwest Power Act, BPA began to implement the Residential Exchange Program (REP) through various contracts with eligible regional utility customers. BPA's implementation of the REP has been the subject of various litigations and settlement agreements.

REP SCHEDULED AMOUNTS

As of Sept. 30 — millions of dollars		
2026	$	286.1
2027		286.1
2028		286.1
Subtotal of annual payments		858.3
Less: Discount for present value		39.5
IOU exchange benefits	$	818.8

2012 RESIDENTIAL EXCHANGE PROGRAM SETTLEMENT AGREEMENT

Beginning in April 2010, over 50 litigants and other regional parties entered into mediation to resolve numerous disputes over the REP. In fiscal year 2011 the parties reached a final settlement agreement – the 2012 Residential Exchange Program Settlement Agreement (2012 REP Settlement Agreement). As a result of the settlement, BPA recorded an associated long-term IOU exchange benefits liability and corresponding regulatory asset of $3.07 billion. Under the 2012 REP Settlement Agreement, the IOUs' REP benefits were determined for fiscal years 2012 - 2028 (also referred to herein as Scheduled Amounts). The Scheduled Amounts started at $182.1 million for fiscal year 2012 and increase over time to $286.1 million for fiscal year 2028. As provided in the 2012 REP Settlement Agreement, the Scheduled Amounts are established for each IOU based on the IOU's average system cost, its residential exchange load and BPA's applicable Priority Firm Exchange rate. The Scheduled Amounts total $4.07 billion over the 17-year period through fiscal year 2028, with remaining Scheduled Amounts as of Sept. 30, 2025, totaling $858.3 million. Amounts recorded of $818.8 million at Sept. 30, 2025, represent the present value of future cash outflows for these IOU exchange benefits.

11. Deferred Credits and Other

Deferred Credits and Other include the following items:

As of Sept. 30 — millions of dollars	2025	2024
Interconnection agreements	$ 332.0	$ 282.3
Phase 2 Implementation Plan (P2IP) Settlement Agreement	221.8	232.5
Irrigation assistance	197.7	214.3
Deferred project revenue funded in advance	158.6	142.3
Unearned revenue from customer deposits	101.4	73.9
Third AC Intertie capacity agreements	79.9	80.2
Service deposits	76.7	79.3
Operating leases	73.4	86.8
Federal Employees’ Compensation Act	20.0	21.0
Commercial readiness deposits	12.9	—
Fiber optic leasing fees	5.1	5.5
Radio Spectrum	2.5	—
Derivative instruments	2.3	1.7
Other	2.1	1.8
Resilient Columbia Basin Agreement - Six Sovereigns	—	91.0
Total	$ 1,286.4	$ 1,312.6

“Interconnection agreements” are advances for requested new network upgrades and interconnections. These advances accrue interest and will be returned as cash or credits against future transmission service on the new or upgraded lines.

“**Phase 2 Implementation Plan (P2IP) Settlement Agreement**” represents the undiscounted long-term portion of future payments to be made to certain Upper Columbia River tribes as agreed to in the P2IP Settlement Agreement signed in September 2023. Per the terms of the agreement, BPA will provide $10 million per year, beginning in fiscal year 2024 for the 20-year duration of the agreement, for a total of $200 million (adjusted for inflation). These funds are to be used to test the feasibility of, and ultimately reintroduce salmon in blocked habitats in the Upper Columbia River Basin. The Settlement Agreement became effective in October 2023 upon the pause of the related tribal litigation.

“Irrigation assistance” represents the long-term portion of future payments to be made to the U.S. Treasury in connection with the original construction costs of certain Pacific Northwest irrigation facilities. Amounts owed are representative of construction costs that are deemed to be beyond the irrigators ability to pay. (For further information, see Note 1, Summary of Significant Accounting Policies and Note 5, Effects of Regulation.)

“Deferred project revenue funded in advance” consists of third-party advances received where BPA will own the resulting transmission assets. The balance is amortized as other revenue not with customers over the life of the assets, so that the balance prevents any stranded costs in case of impairment as prescribed by the transmission rate process.

“**Unearned revenue from customer deposits**” consists of advances received from customers for projects or studies undertaken at their request. Revenue is recognized as expenditures are incurred. (See Note 2, Revenue Recognition.)

“**Third AC Intertie capacity agreements**” reflect unearned revenue from customers related to the Third AC Intertie transmission line capacity project. Revenue is recognized over an estimated 51-year life of the related assets, which are generally added and retired each year. (See Note 2, Revenue Recognition.)

“Service deposits” reflect required deposits for BPA products or services. The majority of these amounts are expected to be returned to the customer after a period of service.

“**Operating leases**” consists of long-term lease liabilities. (See Note 4, Leases.)

“**Federal Employees’ Compensation Act**” reflects the actuarial estimated amount of future payments for current recipients of BPA’s worker compensation benefits.

“**Commercial readiness deposits**” are deposits received from transmission customers in lieu of providing evidence of certain commercial readiness milestones during various stages of the transmission interconnection process. These commercial readiness deposits do not accrue interest and will be returned once a customer provides evidence of meeting certain commercial readiness milestones, withdraws from the interconnection queue or executes an interconnection agreement.

“**Fiber optic leasing fees**” reflect unearned revenue related to the leasing of fiber optic cables. BPA recognizes revenue over the lease terms, which extend through 2026. (See Note 2, Revenue Recognition.)

“**Radio Spectrum**” reflects the remaining balance of additional Spectrum Relocation Funds received in fiscal year 2025 to reimburse BPA for the costs of further telecommunications relocation studies. For more information, see Note 7, Deferred Charges and Other.

“**Derivative instruments**” reflect the unrealized loss of the derivative portfolio, which primarily includes physical power purchase and sale transactions.

“Resilient Columbia Basin Agreement – Six Sovereigns’” represented the undiscounted long-term portion of future payments BPA expected to make to certain Lower Columbia River tribes and States (collectively known as the Six Sovereigns) in alignment with the settlement agreement signed in December 2023. However, in June 2025, BPA derecognized this liability and the associated regulatory asset to comply with a Presidential Memorandum. For more information, see Note 5, Effects of Regulation.

12. Risk Management and Derivative Instruments

BPA is exposed to various forms of market risks related to commodity prices and volumes, counterparty credit and interest rates. Non-performance risk, which includes credit risk, is described in Note 13, Fair Value Measurements. BPA has formal risk management processes in place to manage agency risks, including the use of derivative instruments. The following sections describe BPA’s exposure to and management of certain risks.

RISK MANAGEMENT

Due to the operational risk posed by fluctuations in river flows and electricity market prices, net revenues that result from underlying surplus or deficit energy positions are inherently uncertain. BPA’s Risk Oversight Committee has responsibility for the oversight of market risk and determines the transactional risk policy and control environment at BPA. Through simulation and analysis of the hydro supply system, experienced business and risk managers install market price risk measures to capture additional market-related risks, including credit and event risk.

COMMODITY PRICE RISK AND VOLUMETRIC RISK

BPA has exposure to commodity price risk through fluctuations in electricity market prices that affect the value of energy bought and sold. Volumetric risk is the uncertainty of energy production from the hydro system. The combination of the two results in net revenue uncertainty. BPA routinely models commodity price risk and volumetric risk through parametric calculations, Monte Carlo simulations and general market observations to derive net revenues at risk, mark-to-market valuations, value at risk and other metrics as appropriate. These metrics capture the uncertainty around single point forecasts in order to monitor changes in the revenue risk profile from changes in market price, market price volatility and forecasted hydro generation. BPA measures and monitors the output of these methods on a regular basis. In order to mitigate revenue uncertainty that is beyond BPA’s risk tolerance, BPA enters into short-term and long-term purchase and sale contracts by using instruments such as forwards, futures, swaps, and options.

CREDIT RISK

Credit risk relates to the loss that might occur as a result of counterparty non-performance. BPA mitigates credit risk by reviewing counterparties for creditworthiness, establishing credit limits and monitoring credit exposure. To further manage credit risk, BPA obtains credit support, such as letters of credit, parental guarantees, and cash in the form of prepayments, deposits or escrow funds, from some counterparties. BPA monitors counterparties for changes in financial condition and regularly updates credit reviews. BPA uses scoring models, publicly available financial information and external ratings from major credit rating agencies to determine appropriate levels of credit for its counterparties.

During fiscal year 2025, BPA experienced no material losses as a result of any customer defaults or bankruptcy filings. As of Sept. 30, 2025, BPA had $39.2 million in credit exposure related to purchase and sale contracts after taking into account netting rights. Of this $39.2 million, $26.9 million was related to investment grade counterparties and $12.3 million was related to sub-investment grade counterparties who provided letters of credit, cash collateral, or a combination of both. The letters of credit and collateral serve as a guarantee arrangement and mitigate BPA's credit risk exposure to these counterparties.

INTEREST RATE RISK

BPA has the ability to issue variable rate bonds to the U.S. Treasury. BPA may manage the interest rate risk presented by variable rate U.S. Treasury debt by holding U.S. Treasury security investments with a similar maturity profile. Such investments may earn interest that is correlated, but typically lower than, the interest rate paid on U.S. Treasury variable rate debt.

DERIVATIVE INSTRUMENTS

Commodity Contracts

BPA's forward electricity contracts are eligible for the normal purchases and normal sales exception if they require physical delivery, are expected to be used or sold by BPA in the normal course of business and meet the derivative accounting definition of capacity described in the derivatives and hedging accounting guidance. Transactions for which BPA has elected the normal purchases and normal sales exception are not recorded at fair value in the financial statements. Recognition of these contracts in Sales or Purchased power in the Combined Statements of Revenues and Expenses occurs when the contracts are delivered and settled.

For derivative instruments recorded at fair value, BPA offsets unrealized gains and losses as Regulatory assets and Regulatory liabilities on the Combined Balance Sheets. Realized gains and losses are included in Sales and Purchased power in the Combined Statements of Revenues and Expenses and under the Net revenues (expenses) caption within the operating activities section of the Combined Statements of Cash Flows when the contracts are delivered and settled.

When available, quoted market prices or prices obtained through external sources are used to measure a contract's fair value. For contracts without available quoted market prices, fair value is determined based on internally developed modeled prices. (See Note 13, Fair Value Measurements.)

As of Sept. 30, 2025, the derivative commodity contracts recorded at fair value totaled 2.4 million megawatt hours (MWh), gross basis, with delivery months extending to September 2026.

On the Combined Balance Sheets, BPA reports net fair value amounts of derivative instruments subject to a master netting arrangement (excluding contracts designated as normal purchases or normal sales) in accordance with ASC 210 and 815. In the event of default or termination, contracts with the same counterparty are offset and net settle through a single payment. BPA does not offset cash collateral against recognized derivative instruments with the same counterparty under the master netting arrangements.

If reported gross, BPA's derivative position would have resulted in assets of $10.2 million and $20 million, and liabilities of $3.4 million and $2.9 million as of Sept. 30, 2025, and 2024, respectively. (See Note 5, Effects of Regulation.)

13. Fair Value Measurements

BPA applies fair value measurements and disclosures accounting guidance to certain assets and liabilities including assets held in trust funds, commodity derivative instruments, debt and other items. BPA maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Fair value is based on actively quoted market prices, if available. In the absence of actively quoted market prices, BPA seeks price information from external sources, including broker quotes and industry publications. If pricing information from external sources is not available, BPA uses forward price curves derived from internal models based on perceived pricing relationships to major trading hubs.

BPA also utilizes the following fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value, into three broad levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities that BPA has the ability to access at the measurement date. Instruments categorized in Level 1 primarily consist of financial instruments such as exchange-traded financial futures, fixed income investments, equity mutual funds and money market funds.

Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived from observable market data by correlation or other means. Instruments categorized in Level 2 include certain non-exchange traded commodity derivatives. Fair value for certain non-exchange traded derivatives is based on forward exchange market prices and broker quotes adjusted and discounted.

Level 3 – Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability.

The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The lowest level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

BPA includes non-performance risk when calculating fair value measurements. This includes a credit risk adjustment based on the credit spreads of BPA’s counterparties when in an unrealized gain position. BPA’s assessment of non-performance risk is generally derived from the credit default swap market and from bond market credit spreads. The impact of the credit risk adjustments for all outstanding derivatives was immaterial to the fair value calculation at Sept. 30, 2025, and 2024. There were no transfers between Level 2 and Level 3 during fiscal years 2025 and 2024.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

As of Sept. 30, 2025 — millions of dollars

	Level 1	Level 2	Level 3	Total
Assets				
Nonfederal nuclear decommissioning trusts				
Equity securities	$ 597.6	$ —	$ —	$ 597.6
Debt securities	101.6	—	—	101.6
Cash and cash equivalents	14.9	—	—	14.9
Derivative instruments [1]				
Commodity contracts	—	4.6	4.5	9.1
Transmission line-related receivables	—	—	10.4	10.4
Total	$ 714.1	$ 4.6	$ 14.9	$ 733.6
Liabilities				
Derivative instruments [1]				
Commodity contracts	$ (0.9)	$ (1.4)	$ —	$ (2.3)
Total	$ (0.9)	$ (1.4)	$ —	$ (2.3)

As of Sept. 30, 2024 — millions of dollars

	Level 1	Level 2	Level 3	Total
Assets				
Nonfederal nuclear decommissioning trusts				
Equity securities	$ 516.4	$ —	$ —	$ 516.4
Debt securities	89.9	—	—	89.9
Cash and cash equivalents	17.2	—	—	17.2
Derivative instruments [1]				
Commodity contracts	0.8	2.5	15.5	18.8
Transmission line-related receivables	—	—	10.4	10.4
Total	$ 624.3	$ 2.5	$ 25.9	$ 652.7
Liabilities				
Derivative instruments [1]				
Commodity contracts	$ —	$ (1.7)	$ —	$ (1.7)
Total	$ —	$ (1.7)	$ —	$ (1.7)

[1] Derivative instruments assets and liabilities are included in Deferred charges and other and Deferred credits and other, respectively, on the Combined Balance Sheets. See Note 12, Risk Management and Derivative Instruments for more information related to BPA's risk management strategy and use of derivative instruments.

Commodity contracts assets and liabilities classified as Level 3 consist of instruments for which fair value is derived using one or more significant inputs that are not observable for the entire term of the instrument. These instruments consist of power contracts measured at fair value on a recurring basis using the California-Oregon Border (COB) forward price curves. They include power contracts delivering to illiquid trading points or contracts without available market transactions for the entire delivery period. Forward prices are considered a key component to contract valuations. All valuation pricing data is generated internally by BPA's risk management organization.

Quantitative information regarding the only significant unobservable input used in the measurement of Level 3 commodity contract assets and liabilities is presented below:

	Fair Value		Valuation Technique	Significant Unobservable Input	Range (per MWh)		
	Assets[1]	Liabilities[1]			Low	High	Weighted Average
	(in millions)						
As of Sept. 30, 2025							
Physical forward power contracts	$ 4.5	$ —	Discounted cash flow	Electricity forward price	$ 34.8	$ 87.1	$ 62.0
As of Sept. 30, 2024							
Physical forward power contracts	$ 15.5	$ —	Discounted cash flow	Electricity forward price	$ 29.8	$ 124.8	$ 85.3

[1] The valuation techniques, unobservable inputs and ranges are the same for asset and liability positions

The significant unobservable input listed above is used by the risk management organization to construct the fair value through the use of available market prices, broker quotes and bid/offer spreads. In periods where market prices or broker quotes are not available, the risk management organization derives monthly prices by applying seasonal shaping based on historical broker quotes and spreads. Long-term prices are derived from internally developed or commercial models with both internal and external data inputs. BPA management believes this approach maximizes the use of pricing information from external sources and is currently the best option for valuation. Significant increases or decreases in the inputs would result in significantly higher or lower fair value measurements.

Forward power prices are influenced by, among other factors, the price of natural gas, seasonality, hydro forecasts, expectations of demand growth, and planned changes in the regional generating plants.

Transmission line-related receivables classified as Level 3 consist of a set of contracts executed between BPA and IPC governing the Purchase, Sale and Security provisions related to the transfer of BPA's permitting interest share in the proposed Boardman-to-Hemingway transmission line to IPC. (For further information on this transaction, see Note 7, Deferred Charges and Other.) These contracts determine whether, when and how much of BPA's contributions towards project security, initial design and permitting will be returned to BPA.

Significant unobservable inputs related to the Transmission line-related receivable asset are the occurrence of certain contingent contractual provisions and the energization of the underlying transmission line. These assessments result in expectations concerning specific future cash flows, which are currently estimated to occur between 2028 and 2047.

The following table presents the changes in the assets and liabilities measured at fair value on a recurring basis and included in the Level 3 fair value category.

As of Sept. 30 — millions of dollars	2025	2024
Beginning Balance	$ 25.9	$ 21.5
Changes in unrealized gains (losses)[1]	(11.0)	4.4
Ending Balance	$ 14.9	$ 25.9

[1] Unrealized gains and losses are included in Regulatory assets and Regulatory liabilities on the Combined Balance Sheets. Realized gains and losses are included in Sales and Purchased power, respectively, in the Combined Statements of Revenues and Expenses.

DEBT

As of Sept. 30 — millions of dollars	2025		2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Nonfederal Debt				
Nonfederal generation:				
Columbia Generating Station	$ 3,702.4	$ 3,660.4	$ 3,434.4	$ 3,438.7
Cowlitz Falls Project	42.4	42.5	47.3	47.4
Terminated nonfederal generation:				
Nuclear Project 1	815.6	830.1	829.0	840.7
Nuclear Project 3	960.9	985.1	967.4	1,004.3
Northern Wasco Hydro Project	—	—	1.9	1.9
Lease-Purchase Program:				
Lease-purchase liability	1,653.6	1,376.7	1,671.7	1,408.5
NIFC debt	119.2	127.4	119.1	129.8
Other financial liability	14.8	8.8	15.4	9.5
Customer prepaid power purchases	85.7	85.7	111.7	111.7
Federal debt				
Borrowings from U.S. Treasury	$ 6,245.5	$ 5,707.2	$ 5,960.7	$ 5,349.1

The fair value measurements described above are considered Level 2 in the fair value hierarchy.

The fair value of Nonfederal debt, excluding Other financial liability and Customer prepaid power purchases, is primarily based on a market input evaluation pricing methodology using a combination of market observable data such as current market trade data, reported bid/ask spreads and institutional bid information.

The fair value of Other financial liability is based upon discounted future cash flows using estimated interest rates for similar debt that could have been issued at Sept. 30, 2025, and 2024.

The opportunity to participate in the Customer prepaid power purchase program was made to a subset of BPA's power customers with repayment terms through billing credits extending to fiscal year 2028. Management believes that the customer prepaid power purchases are specific to BPA's operating environment and are nontransferable. As a result, the carrying value of customer prepaid power purchases is equal to its fair value.

The fair value of Borrowings from U.S. Treasury is based on discounted future cash flows using interest rates for similar debt that could have been issued at Sept. 30, 2025, and 2024.

The table above does not include Finance lease liabilities, a component of BPA's nonfederal debt. See Note 8, Debt and Appropriations, for the full carrying value of BPA's debt portfolio.

14. Commitments and Contingencies

INTEGRATED FISH AND WILDLIFE PROGRAM

The Northwest Power Act directs BPA to protect, mitigate and enhance fish and wildlife to the extent they are affected by the federal hydroelectric projects on the Columbia River and its tributaries from which BPA markets power. BPA makes expenditures and incurs other costs for fish and wildlife protection and mitigation that are consistent with the purposes of the Northwest Power Act and the Pacific Northwest Power and Conservation Council's Columbia River Basin Fish and Wildlife Program. In addition, certain fish and wildlife species that inhabit the Columbia River Basin are listed under the Endangered Species Act (ESA) as threatened or endangered. BPA makes expenditures and incurs other costs related to power purposes to comply with the ESA and implement certain biological opinions (BiOp) prepared by the National Oceanic and Atmospheric Administration Fisheries Service and the U.S. Fish and Wildlife Service in furtherance of the ESA (including results from the Columbia River System Operations (CRSO) Environmental Impact Statement). BPA's total commitment including timing of payments under the Northwest Power Act, ESA and BiOp, including CRSO Environmental Impact Statement impacts, is not fixed or determinable.

As of Sept. 30, 2025, BPA has long-term fish and wildlife agreements with estimated commitments of $376 million, as described below, which excludes the Columbia Basin Fish Accords. BPA anticipates these agreements will result in future expenses or regulatory assets in the future as work progresses by the agreement partners in accordance with contractual terms.

In fiscal year 2024, and as a result of commitments made in the September 2023 P2IP Settlement Agreement, BPA signed two separate 10-year agreements with the Spokane Tribe of Indians and Coeur d'Alene Tribe to implement projects that promote the protection and restoration of fish and wildlife in the upper Columbia River Basin. Together these agreements originally committed approximately $311 million, after adjustment for inflation, expire in 2033 and will result in future expenses or regulatory assets. As of Sept. 30, 2025, approximately $291 million is available under these agreements.

Additionally, in October 2024 BPA signed an agreement with the Kalispel Tribe of Indians which committed approximately $89 million through Sept. 30, 2034. As of Sept. 30, 2025, approximately $85 million is available under this agreement.

Columbia Basin Fish Accords

The Columbia Basin Fish Accord agreements expired Sept. 30, 2025. BPA anticipates that much of the fish and wildlife mitigation that had previously been funded under the Accords will continue as part of BPA's annual implementation of the Fish and Wildlife Program. This ongoing mitigation will be funded through the BPA Fish and Wildlife Program's standard annual budget and procurement award processes. In addition, it is BPA's intent that certain of these projects (or other appropriate fish and wildlife mitigation actions that BPA may agree to) may also be eligible to receive a portion of up to approximately $51 million that was committed but not expended over the life of the Accords. Disbursement of such funds would depend on BPA's final agreement with the specific mitigation work proposed for implementation.

DAY AHEAD MARKET PARTICIPATION

In fiscal year 2025, BPA committed to fund Phase 2 of Southwest Power Pool's Markets+, which will include remaining development through the market go-live. If the Markets+ effort does not continue, for reasons including but not limited to SPP ceasing to offer a day-head market, BPA will be responsible for its proportionate share of development costs incurred up to the time of termination. As of Sept. 30, 2025, this amount was not to exceed $36.1 million. BPA has not recorded a liability in connection with this Phase 2 Markets+ funding commitment as no present obligation to repay these implementation costs exists.

FIRM PURCHASE POWER COMMITMENTS

Years ended Sept. 30 — millions of dollars		
2026	$	32.2
2027		32.7
2028		35.7
2029		35.5
2030		36.6
2031		34.6
Total	$	207.3

BPA periodically enters into long-term commitments to purchase power for future delivery. When BPA forecasts a resource shortage, based on its planned contractual obligations for a period and the historical water record for the Columbia River basin, BPA takes a variety of operational and business steps to cover a potential shortage including entering into power purchase commitments. Additionally, under BPA's current Tiered Rates Methodology and its current Regional Dialogue power sales contracts, BPA's customers may request that BPA meet their power requirements in excess of the Rate Period High Water Mark load under their contract. For these Above High Water Mark load requests, BPA may meet such requests by entering into power purchase commitments.

The preceding table includes firm purchase power agreements that are currently in place to assist in meeting expected future obligations under BPA's current long-term power sales contracts. Included are five purchases to meet load obligations in Idaho through 2031. Power purchase agreements to satisfy load obligations in Idaho utilize variable pricing. Variable pricing arrangements are based on the current market price of energy on the date of delivery. The expenses associated with the Idaho purchases were $25.9 million, $52.1 million and $74.9 million for fiscal years 2025, 2024 and 2023, respectively.

BPA has several other purchase agreements with wind-powered and other generating facilities that are not included in the preceding table as payments are based on the variable amount of future energy generated and as there are no minimum payments required.

ENERGY EFFICIENCY PROGRAM

BPA is required by the Northwest Power Act to meet the net firm power load requirements of its customers in the Pacific Northwest. BPA is authorized to help meet its net firm power load through the acquisition of electric conservation. BPA makes available a portfolio of initiatives and infrastructure support activities to its customers to ensure the conservation targets established in the Northwest Power and Conservation Council's then-current Power Plan are achieved. The Council released the 2021 Northwest Power Plan in fiscal year 2022. These initiatives and activities are often executed via conservation commitments made by BPA to its customers through agreements with utility customers and contractors that provide support in the way of energy efficiency program research, development and implementation. The timing of the payments under these commitments is not fixed or determinable, and these agreements will expire at various dates through fiscal year 2030. Conservation-related expenses are recorded to operations and maintenance expense as incurred.

1989 ENERGY NORTHWEST LETTER AGREEMENT

In 1989, BPA agreed with Energy Northwest that, in the event any participant shall be unable for any reason, or shall fail or refuse, to pay to Energy Northwest any amount due from such participant under its net billing agreement for which a net billing credit or cash payment to such participant has been provided by BPA, BPA will be obligated to pay the unpaid amount in cash directly to Energy Northwest. As of Sept. 30, 2025, and 2024, no amounts have been accrued related to this agreement.

NUCLEAR INSURANCE

BPA is a member of Nuclear Electric Insurance Limited (NEIL), a mutual insurance company established to provide insurance coverage for nuclear power plants. The insurance policies purchased from NEIL by BPA for

CGS include: 1) Property and Decontamination Liability Insurance and 2) NEIL I Accidental Outage Insurance.

Under each insurance policy, BPA could be subject to a retrospective premium assessment in the event that a member-insured loss exceeds reinsurance and reserves held by NEIL. The maximum assessment for the primary layer of Property and Decontamination Liability Insurance policy is $19.5 million. For the excess layer of the Property and Decontamination Liability Insurance policy, the maximum assessment is $6.1 million. For the NEIL I Accidental Outage Insurance policy, the maximum assessment is $6.7 million.

Additionally, in the event of a nuclear accident resulting in public liability losses exceeding $500 million under the Nuclear Regulatory Commission’s indemnity for public liability coverage under the Price-Anderson Act, BPA could be subject to a retrospective assessment of up to $165.9 million limited to $24.7 million per incident within one calendar year. Assessments would be included in BPA’s costs and recovered through rates. As of Sept. 30, 2025, there have been no assessments payable by BPA under any of these events.

ENVIRONMENTAL MATTERS

From time to time there are sites for which BPA, the USACE or Reclamation may be identified as potential responsible parties. If these costs are appropriately allocated to the power purpose they are recovered in BPA’s rates. However, costs associated with cleanup of sites are not expected to be material to the FCRPS financial statements. As such, no material liability has been recorded.

INDEMNIFICATION AGREEMENTS

BPA, USACE and Reclamation have provided indemnifications of varying scope and terms in contracts with customers, vendors, lessors, trustees, and other parties with respect to certain matters including, but not limited to, losses arising out of particular actions taken on behalf of the FCRPS, certain circumstances related to Energy Northwest Projects, and in connection with lease-purchases. Because of the absence of a maximum obligation in the provisions, management is not able to reasonably estimate the overall maximum potential future payments. Based on historical experience and current evaluation of circumstances, management believes that as of Sept. 30, 2025, the likelihood is remote that the FCRPS would incur any significant costs with respect to such indemnities. No liability has been recorded in the financial statements with respect to these indemnification provisions.

RESERVES DISTRIBUTION CLAUSE

The Reserves Distribution Clause (RDC) is a rate adjustment mechanism that triggers if reserves for risk levels exceed certain cash on hand targets at September 30 for Power Services or Transmission Services. Terms of the RDC are discussed in the BP-24 and BP-22 rate cases, which state that the BPA Administrator shall consider above-threshold financial reserves for debt reduction, incremental capital investment, rate reduction through a Dividend Distribution, distribution to customers, or any Power- or Transmission-specific purposes determined by the Administrator.

Based upon fiscal year 2025 financial results and year-end reserves for risk levels for Power and Transmission services, neither a Power nor Transmission RDC is expected to occur for application in fiscal year 2026.

Based on fiscal year 2024 financial results and year-end reserves for risk levels for Transmission Services, a Transmission RDC occurred for application in fiscal year 2025. BPA’s Administrator determined final amounts and use of the Transmission RDC during fiscal year 2025, and application of RDC actions occurred between December and September of fiscal year 2025.

As of Sept. 30, 2025, and 2024, no liability had been accrued for the RDC.

LITIGATION

Rates

BPA’s rates are frequently the subject of litigation. Most of the litigation typically involves claims that BPA’s rates are inconsistent with statutory directives, are not supported by substantial evidence in the record, or are arbitrary and capricious. It is the opinion of BPA’s general counsel that if any rate were to be rejected, the remedy accorded would be a remand to BPA to establish a new rate. BPA’s flexibility in establishing rates could be restricted by the rejection of a BPA rate, depending on the grounds for the rejection. BPA is unable to predict, however, what new rate it would establish if a rate were rejected. If BPA were to establish a rate that was lower than the rejected rate, a petitioner may be entitled to a refund in the amount overpaid; however, BPA is required by law to set rates to meet all of its costs. Thus, it is the opinion of BPA’s general counsel that BPA may be required to increase its rates to seek to recover the amount of any such refunds, if needed.

Other

The FCRPS may be affected by various other claims, actions and complaints, including claims regarding litigation under the Endangered Species Act, which may include BPA as a named party. Certain of these cases may involve material amounts including operational changes at FCRPS federal dams that may restrict hydroelectric generation. Management is unable to predict whether the FCRPS will avoid adverse outcomes in these legal matters.

Judgments and settlements are included in FCRPS costs and recovered through rates. As of Sept. 30, 2025, no material liability has been recorded for the above legal matters.

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