



Rating Action: Moody's Ratings downgrades Bonneville Power Administration's (OR) issuer rating and supported debt obligations to Aa2 from Aa1. Outlook revised to stable

19 May 2025

Approximately \$7.7 billion of debt affected

New York, May 19, 2025 -- Moody's Ratings (Moody's) has downgraded Bonneville Power Administration's (OR) (BPA) issuer rating to Aa2 from Aa1 and revised its outlook to stable from negative. We also downgraded to Aa2 from Aa1 the ratings of BPA supported debt obligations consisting of Energy Northwest, WA - Project 1's (Project 1) electric revenue bonds, Energy Northwest, WA - Project 3's (Project 3) electric revenue bonds, and Energy Northwest, WA - Project 2 (Columbia Generation Station)'s (CGS) electric revenue bonds, Morrow (Port of) OR's (POM) transmission facilities revenue bonds, Idaho Energy Resources Authority's transmission facilities revenue bonds, Northwest Infrastructure Financing Corporation, OR's transmission facilities revenue bonds, and Lewis County Public Utility District 1, WA's Cowlitz Falls hydroelectric project revenue bonds. The rating outlooks for Project 1, Project 3, and CGS also have been revised to stable from negative.

RATINGS RATIONALE

The downgrade of BPA's rating to Aa2 and the revision in outlook to stable from negative is prompted by Moody's May 16th, 2025 downgrade of the rating of the Government of the United States of America to Aa1 from Aaa and revision of the outlook to stable from negative. The rating action incorporates BPA's close linkages with the US government given its role as a line agency of the US Department of Energy. BPA's most prominent connections with the US government are its \$13.7 billion borrowing line with the US Treasury (increasing to \$17.7 billion after FY2027), an ability to defer debt service payments to the US Treasury, the placement of BPA's cash in the Bonneville Fund with the US Treasury, and the ownership by other parts of the US government of most of the hydropower assets from which BPA sources power. Furthermore, BPA employees are part of the pension plan for US federal civil service employees and most valid legal claims against BPA are paid by the separate US Judgment Fund. Given BPA's extensive dependence on the US government, the US government's credit quality serves as a constraint to BPA's overall rating with a one notch differential that considers BPA's weaker standalone credit profile.

Beyond BPA's linkages to the US government, additional drivers of BPA's credit quality include its strongly positioned and expansive network of hydro and transmission assets, access to competitive power, long-term power supply contracts with customers through 2028, and credit supportive financial policies. BPA's also has credit challenges, including hydrology and wholesale market price risk, a "regulated utility" like ratemaking process, environmental burdens, and consolidated financial metrics that are typically weak for the rating. Hydrology and wholesale market prices are typically the greatest year over year volatility drivers to BPA's financial performance.

The ratings assigned to BPA-supported obligations including Energy Northwest Project 1, Project 3 and CGS electric revenue bonds reflect BPA's Aa2 issuer rating and BPA's underlying contractual obligation to pay.

RATING OUTLOOK

BPA's stable outlook reflects the stable outlook of the US government. The outlooks of Project 1, CGS, and Project 3 reflect the stable outlook of BPA.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- BPA could be upgraded if the US government's rating is upgraded to Aaa, BPA does not weaken its financial policies, and it continues to maintain a minimum net borrowing capacity under the US Treasury line in excess of \$6 billion.
- The rating of the BPA-supported bonds could be upgraded if BPA's rating is upgraded.

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- BPA's rating could be downgraded if the US government's rating is downgraded, if its financial policies are weakened or if its availability under the US Treasury line is materially diminished.
- The ratings on BPA-supported bonds could be downgraded if BPA's rating is downgraded or if the underlying contractual arrangement is, or is likely to be, violated or abrogated.

LEGAL SECURITY

Since BPA is not allowed to issue direct external debt, BPA's \$15.2 billion of debt obligations consist of \$7.4 billion of non-federal debt created via operating contracts and \$7.8 billion of federal debt, which is debt owed by BPA to the federal government. BPA's rated, non-federal debt, such the debt of Project 1 and Project 3 and CGS, is supported by contracts that ultimately require BPA to pay on an unconditional basis.

Since these obligations are treated as an operating expense of BPA, they have a priority over BPA's direct debt obligation to the US Treasury, and BPA can defer payments to US Treasury, if necessary.

PROFILE

BPA was created in 1937 by an act of the US Congress and is one of four regional power marketing administrations within the US Department of Energy. BPA is primarily responsible for 22 GW of federally owned hydro generation and 15,000 miles of electric transmission assets in the US Pacific Northwest spanning all or parts of eight states. The US Army Corps of Engineers and the Bureau of Reclamation own and operate the hydro projects. BPA's obligations are not backed by the full faith and credit of the US government, and its cash payments are limited to funds available in the Bonneville Fund.

METHODOLOGY

The principal methodology used in these ratings was US Public Power Electric Utilities with Generation Ownership Exposure published in January 2023 and available at <https://ratings.moody.com/rmc-documents/398041>. An additional methodology used in the Project 1, Project 3, and CGS ratings was US Municipal Joint Action Agencies published in December 2022 and available at <https://ratings.moody.com/rmc-documents/396803>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of these methodologies.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moody.com/rating-definitions>.

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