

2012 ANNUAL REPORT



**YEAR IN REVIEW AND MANAGEMENT'S
DISCUSSION & ANALYSIS**



**75 YEARS OF
SERVING THE
NORTHWEST**





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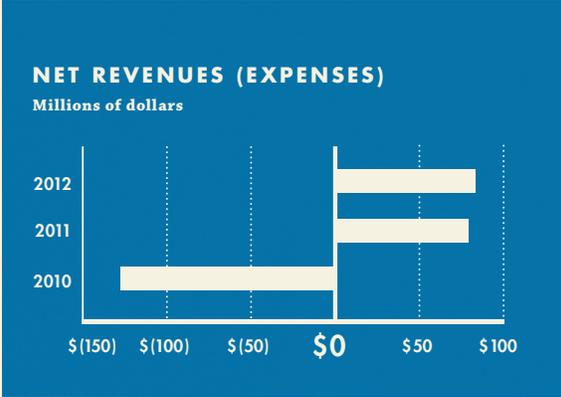
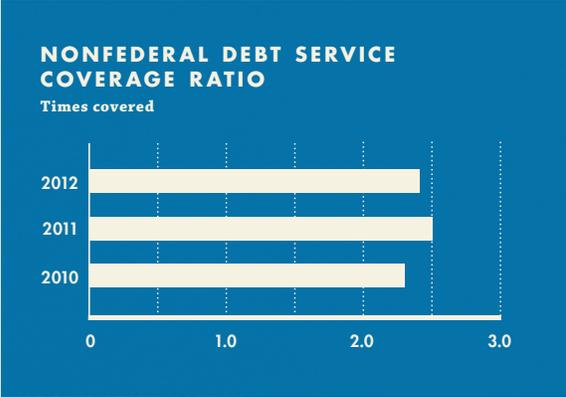
CELEBRATING 75 YEARS OF SERVING THE NORTHWEST

2012 FINANCIAL HIGHLIGHTS



FOR THE FEDERAL COLUMBIA RIVER POWER SYSTEM
Thousands of dollars

Total operating revenues	\$ 3,317,850
Total operating expenses	<u>2,988,798</u>
Net operating revenues	329,052
Net interest expense	<u>242,300</u>
Net revenues	<u>\$ 86,752</u>



UNLESS OTHERWISE NOTED, ALL ANNUAL DATES IN THIS REPORT REFER TO THE FEDERAL FISCAL YEAR, WHICH BEGINS OCT. 1 AND RUNS THROUGH SEPT. 30. FOR EXAMPLE, FISCAL YEAR 2012 BEGAN OCT. 1, 2011, AND CONCLUDED SEPT. 30, 2012.

LETTER
TO THE



PRESIDENT



Dear Mr. President

The defining theme of the Bonneville Power Administration's 75th anniversary has been the enduring value of the river and the significance of the relationships built around it.

From BPA's earliest days, our purpose and identity have been defined by the Columbia River. That unstinting force continues to flow through our every challenge, every decision, every effort and every celebration.

Today, hydroelectric power makes Bonneville the nation's number one provider of clean, carbon-free energy. We are a national leader in energy efficiency and renewable wind integration, and co-manager with our tribal, federal and state partners of one of the largest habitat protection and restoration programs in the world. The work we perform together will greatly strengthen the Columbia River's resilience against the effects of changing climate patterns.

In 2012, BPA's work to preserve the value of the Federal Columbia River Power System yielded significant benefits for the Northwest. Among them:

- We completed the 79-mile McNary-John Day transmission project to connect clean wind energy to urban areas, finishing the work early and saving ratepayers \$140 million along the way.
- We integrated almost 1,000 megawatts of new wind power to our transmission system while maintaining grid reliability.
- We made the largest land purchase in almost 40 years in the lower Columbia estuary, 920 acres of habitat to support fish and wildlife.
- We partnered with the North Pacific Paper Corp. to fund one of the largest industrial energy efficiency projects in

U.S. history, which will reduce the plant's electricity use by 12 average megawatts.

- We funded replacement and refurbishment of essential equipment within Columbia River hydropower dams, many of which are more than half a century old.
- We worked with Columbia Basin sovereigns and stakeholders toward a recommendation on the future of the international agreement that has governed the operation of the Columbia River for five decades, the Columbia River Treaty.
- We successfully concluded the first year of our new 20-year Regional Dialogue contracts, which offer customers long-term stability and certainty, promote the wise use of power and protect BPA from the effects of extreme market volatility.

In a challenging 2012 economy, BPA's foundational commitment to being a wise steward of the region's valuable resources took on added resonance, just as in 1937. As we moved into another rate-setting cycle, we shared our capital priorities and costs with customers, many of whom continue to experience financial setbacks

and sacrifices. Those frank discussions about the challenges facing customers and ratepayers will strengthen our decisions on investments, operations and services to keep rates as low as possible in the fiscal year 2014–15 rate case.

We asserted disciplined cost management during 2012 when low wholesale electricity prices drove down our forecast revenue. Ultimately we were able to finish the fiscal year in the black as expense reductions more than offset the revenue decline. For the 29th year in a row, we maintained our commitment to make our U.S. Treasury payment on time and in full.

As my 12-year term as administrator draws to a close, I want to express how incredibly grateful I am for the opportunity to serve, alongside a cadre of tremendous public servants, in an agency that has such a tremendous positive impact on enhancing the quality of life in the Pacific Northwest.

With thanks,



Stephen J. Wright

BPA ADMINISTRATOR & CEO

Year in Review



FINANCIAL PERFORMANCE

After three challenging quarters, the interplay of consistent hard work and inconsistent weather patterns found a favorable conclusion and BPA finished fiscal year 2012 solidly in the black. With net revenues of \$87 million, BPA met its financial targets and made an \$886 million payment to the U.S. Treasury. We remained faithful to our commitment to disciplined financial management in 2012, our second straight year of positive net revenues, as well as the 29th consecutive year we have made our Treasury payment on time and in full.

Over the course of BPA's 75th anniversary year, however, a positive financial outcome was anything but certain. Two significant forces aligned to present obstacles. One factor was familiar, the other less so: unusual weather and unusually low natural gas prices.

Mother Nature, in the form of precipitation, was a very late arrival in BPA's 75th year. The early winter was so dramatically dry that forecast runoff at The Dalles Dam dwindled to 85 percent of normal by February. Meanwhile, the nation's soaring natural gas production drove electricity prices downward to levels significantly lower than anticipated in the last rate case. For the second spring in a row, during some hours of low energy demand, BPA was forced to offer a considerable amount of surplus electricity for free. This situation is significant because we rely on selling

surplus power at a positive value in order to keep our power rates among the lowest in the nation.

By spring, we had slipped well behind our \$401 million net secondary revenue forecast for the year and we redoubled our emphasis on cost control as we girded for more bad news.

Mother Nature then made a grand, belated entrance with record precipitation late in the spring. Snow and rain fell through June over the Canadian Rockies, the mountain range that supercharges the turbines of the Columbia River hydropower system. In June, British Columbia, Canada, experienced its wettest month on record. Runoff swelled to 121 percent of normal, setting up a third-quarter turnaround in our financial outlook. Unusually high streamflows that stretched into August gave us more power to sell, but low prices prevented us from meeting our rate case target for secondary revenue. Cost control and debt management were critical to achieving positive net revenues in fiscal year 2012, ending our 75th year of public service on a high note.

For the year, Transmission Services continued a pattern of healthy financial performance, netting \$89 million, far exceeding BPA's rate case forecast of about \$57 million, and Power Services recorded positive net revenues of \$39 million, \$14 million below our rate case forecast of about \$53 million. Transmission revenues exceeded expectations because of the volume of transmission business resulting from the high water year. As in Power, cost control contributed to net revenues.

Our financial reserves were \$1.02 billion, which was \$57 million higher than the start-of-year expectation of \$965 million. A major driver in the increased reserves was the receipt of \$74 million from the California

Woody Guthrie writes BPA's soundtrack

OUR 75TH ANNIVERSARY has given us the happy occasion to look back at BPA's unlikely place in American musical history — Woody Guthrie's month as a Public Affairs employee, in May 1941, speed-writing the music for a BPA film on the new Columbia River hydro system.

"They couldn't get him on the (permanent) payroll," says Gene Tollefson, BPA retiree and author of "BPA and the Struggle for Power at Cost." "So they hired him for 30 days. And he wrote a song a day."

The month's work paid only \$266.66, a monumental bargain for a 28-year-old songwriter at the peak of his powers. It was the year after Guthrie had written a song he renamed and released in 1944 as "This Land Is Your Land," America's unofficial anthem.

With a BPA driver at the wheel of a black Hudson, the tumbleweed troubadour swept up and down the Columbia Gorge, a dust storm of song ideas billowing behind him. The mind-boggling sight and story of the new Bonneville and Grand Coulee dams — whose gray, elephantine sides crawled with workers in an era of desperate unemployment — set Guthrie's songwriter brain afire.

For 30 days, he sang, he smoked, he toured, he typed. His legendary creative turbines spun at full capacity as he witnessed first-hand the ways hydroelectricity would elevate a hardscrabble life for so many in the Northwest.

The pictures and words from that trip were "faster to come and dance in my ears than I could ever get them wrote down," he said.

Indeed, BPA information officer Steve Kahn said Guthrie almost vibrated as the ideas flowed through him — he'd clasp a metal disc and beat out rhythms on the leg of his metal desk at the old Northeast Oregon Street headquarters as he wrote. (It's said he got relocated from the second floor to the basement early on for disturbing others.)

When Guthrie was done, he'd fulfilled his contract with 26 song lyrics, a dozen recordings and new arrangements of old American melodies put to colorful original lyrics — "Roll On, Columbia," "Pastures of Plenty," "Grand Coulee Dam." He recorded 11 of the songs in BPA's basement; three songs he recorded in a New York studio eventually appeared in the agency documentary "The Columbia."

"The Pacific Northwest is one of my favorite spots in this world," he declared.



A motorcade of antique automobiles carried dignitaries past flag-waving onlookers at Bonneville Dam during the 75th anniversary celebration of the Bonneville Power Administration in 2012. More than 1,500 people turned out Sept. 15 to honor BPA's work in sharing the value of the Columbia River with the region.



Power Exchange as part of a legal proceeding dating back to the West Coast energy crisis.

New financial tools

Essential to BPA's role as a trustworthy steward of the federal power system is maintaining sustainable access to capital. BPA has developed a comprehensive Access to Capital Strategy that provides for reliable, long-term access to cost-effective capital while ensuring that capital costs are prudent, well controlled and sufficient to meet the agency's investment priorities.

An increase in our U.S. Treasury borrowing authority through the American Recovery and Reinvestment Act of 2009 has helped us support the Northwest economy during the recession and beyond with new projects identified by BPA and its partners as priorities for the region. It did not, however, assure adequate capital funding for the foreseeable future; prior to developing the Access to Capital Strategy, agency forecasts showed we faced the likelihood of exhausting our Treasury borrowing authority in 2017, if actions to seek capital funding alternatives were not undertaken.

With this reality firmly in mind, we are developing and expanding financing sources. One innovative new tool we initiated in

2012 is customer power prepayment, designed in consultation with a team representing the spectrum of our regional preference customers. If implemented, this new strategy would allow power customers to prepay BPA for a portion of their planned power purchases through fiscal year 2028. Rather than using Treasury borrowing authority, BPA would use customer prepayments to fund capital investments in federal hydro-related projects while preserving our limited Treasury borrowing authority.

A key financial tool BPA continued to successfully deploy in 2012 is lease financing. BPA established a third-party lease financing agreement with the Port of Morrow, a state development corporation located on the Columbia River near Boardman, Ore. The facilities acquired under the leases with the Port of Morrow support improvements to transmission infrastructure that advance the region's economy and livability, as well as integrate new sources of environmentally friendly energy into the grid.

We supported Energy Northwest, which owns and operates the Columbia Generating Station nuclear plant, in a transaction to accept depleted uranium from the U.S. Department of Energy and have it enriched by the United States Enrichment Corp.

Energy Northwest conducted a pilot of this transaction in 1999–2000 that showed significant benefits for the region. BPA and Energy Northwest’s goal in this transaction is to hedge market volatility for future fuel needs through 2028.

BPA and Energy Northwest have estimated the total net present value savings to be more than \$100 million. The transaction results in near-term decreases in Energy Northwest/BPA costs of more than \$20 million per year from 2014 to 2017, helping keep rates lower than they otherwise would be. Future ratepayers will also benefit from access to low-cost fuel.



PRESERVING AND ENHANCING POWER AND TRANSMISSION ASSETS

Power Services

The current era’s environmental and economic challenges have only highlighted the enduring value of the Federal Columbia River Power System to the Northwest. Today’s residents of the region inherit a hydropower system that has provided one of the cleanest, lowest-cost power resources in the world for 75 years.

Embedded in BPA’s most closely held values is our responsibility to keep the system healthy and dependable for the demands of coming decades. That requires integrating the past into the future: updating aging system infrastructure while accommodating the high operational demands of a new era

of variable generation. To meet these essential objectives, we are investing in the 31-dam hydropower system to improve unit reliability and efficiency, as well as the material condition of system infrastructure.

Unit reliability, by far the largest investment category, supports the reliable performance of equipment such as turbines, generators, transformers, exciters and governors. In 2012, we teamed with the U.S. Army Corps of Engineers to perform \$30 million of work on Chief Joseph Dam, including the replacement of two turbine runners, to improve reliability and modernize aging equipment, with an added benefit of a 2 to 3 percent increase in generation efficiency. Also this year, we invested \$16 million to rehabilitate generators at McNary Dam. Each of these infrastructure investments will help preserve the value of the region’s hydroelectric assets for future generations.

Fiscal year 2012 heralded the successful implementation of long-term Regional Dialogue contracts, including a new system of tiered rates. The 20-year power sales contracts, which went into effect Oct. 1, 2011, allow customers to lock in a predetermined amount of cost-based federal power, called Tier 1 power. Customers are then responsible for the cost of acquiring additional power, called Tier 2, if needed. Among the benefits of the new contracts are greater long-term stability and financial certainty for customers, as well as protection from the risk of extreme market volatility for BPA. The Regional Dialogue contracts, which run through 2028, also incentivize the wise use of energy because customers pay the full market cost of power after they exhaust their available Tier 1 amounts.

Transmission Services

Transmission Services experienced a highly productive year, starting with the February

Working with the people of the Northwest

INSTEAD OF MAKING DECISIONS and then informing the public, External Affairs manager Jack Robertson had the farsighted idea that BPA invite the public into the process. He thought that could help defuse the kind of controversy BPA encountered on the Colstrip line in the early 1980s.

Colstrip was a 350-mile electrical highway that BPA wanted to build to export power from a new coal plant in eastern Montana to five utilities in Washington, Oregon and parts of Montana.

On Colstrip, BPA learned that the days of receiving accolades for introducing electricity to rural areas were over. Construction crews were once greeted with cheers and refreshments when they brought light to remote farms and communities. But by the 1980s, a new transmission line was more likely to provoke protests and lawsuits. Many Montana residents detested the idea of a line that would slice across their land without much benefit to them.

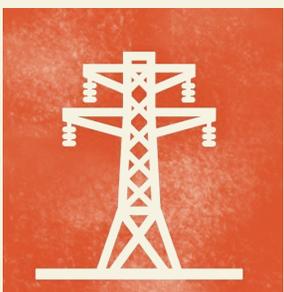
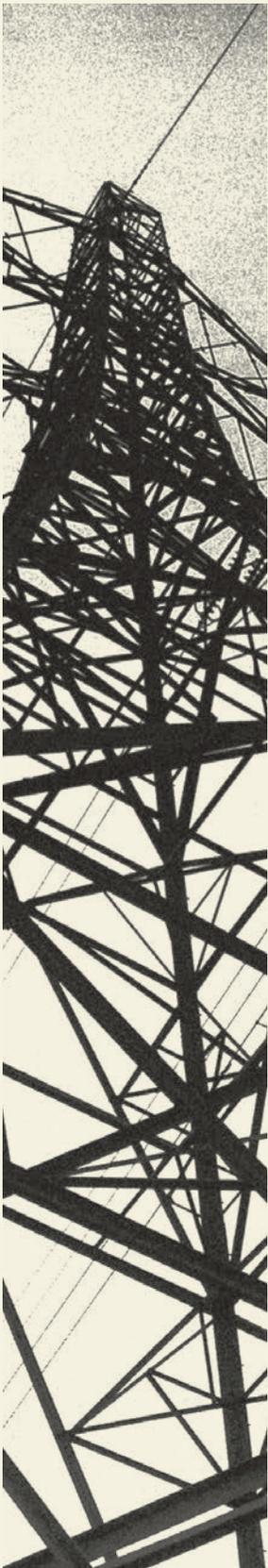
Beginning with Colstrip, BPA put a new public involvement philosophy into action. It reflected Administrator Peter T. Johnson's direction that the agency had to go further to demonstrate public accountability. The agency invited input from anyone who had an interest. It held dozens of meetings to identify problems, listen to concerns and suggestions, and respond to questions.

BPA radically changed its approach over about five years.

"We took all the environmental leaders in the region, for example, and formed a group out of them," recalled Robertson, assistant to the administrator for External Affairs. "To many people in Bonneville, these guys were dangerous. But I said, not only are we going to talk with them, we're going to get 'em in a room. You're going to be there, I'm going to be there. They can set the agenda. We're going to do it every month. It's going to start out as a screaming match, but we're going to turn it into a dialogue."

It worked.

"Our operations did not come to a screeching halt," Johnson later concluded. "On the contrary, we gained authority and legitimacy, avoided costly lawsuits and political challenges, and arrived at creative solutions to seemingly intractable problems. Overall, our policy-making improved."



BPA energized the 79-mile McNary-John Day transmission line on Nov. 1, 2011. The line, which was completed ahead of schedule and under budget, allows BPA to meet growing requests for transmission service, including 495 megawatts of wind energy.



celebration for the completion of the McNary-John Day 500-kilovolt high-voltage transmission line in Washington and Oregon. The 79-mile project, funded through borrowing authority provided in the American Recovery and Reinvestment Act, was finished ahead of schedule and significantly under budget.

The project allows us to provide transmission service to 495 megawatts of wind energy. When combined with other BPA projects currently being planned or built, it will enable us to meet about 3,880 megawatts of total customer transmission service requests.

At Grand Coulee Dam, construction of six new 500-kilovolt overhead transmission lines began in February 2012 in preparation for overhauls of the third power plant. The new lines will help ensure continued safe and reliable transmission of power between Grand Coulee Dam's Third Powerplant and our transmission system. After assisting the Bureau of Reclamation with the design of the \$28 million project, we are now funding and constructing it for our federal partner.

We are also moving forward in pursuing proposed upgrades to the Pacific Direct Current Intertie, an electrical superhighway connecting the Northwest and California. The intertie delivers surplus Northwest hydropower and increasing

amounts of wind energy to California, and carries electricity north to meet winter demand in the Northwest. The upgrades will provide an opportunity to increase the intertie's capacity from 3,100 to 3,220 megawatts, avoid outages and strengthen it against weather and other threats. The improvements, to begin in 2015 and estimated to cost approximately \$428 million, will provide jobs and an economic boost in the Columbia River Gorge while replacing aging equipment with a simplified, modern converter terminal.

Data farms

One of the Northwest's most notable business trends of the early 21st century has been the proliferation of data farms. The massive computing centers have increasingly been attracted to the region by its abundant supply of low-cost, clean electricity. One of the foundational values we are celebrating on our 75th anniversary is our longstanding commitment to responsive collaboration with customers. Our work with Pacific Power in 2012 to facilitate the development of Facebook's Prineville, Ore., data center provides another example of this agency pillar.

We had completed system upgrades to accommodate the first phase of Facebook's

new data center, and had plans to significantly increase the capacity to serve new load and address the power constraints in central Oregon, when we were approached by Pacific Power with a request to move forward even more quickly in fiscal year 2012. We cooperated in exploring options and finding solutions to expedite the schedule for installing the new transformer at the Ponderosa Substation and making other transmission upgrades to serve the Prineville area. This work developed into a plan that allowed us to deliver the upgrades sooner than expected, meeting Facebook's requirements for its Phase II and Phase III expansion projects. The expedited schedule was also a factor in Apple's decision to build a new data center in Prineville.



COLUMBIA RIVER TREATY

As 129 million acre feet of Columbia River water flowed oceanward in 2012, a decision carrying deep and broad consequences for the Northwest was approaching as rapidly and immutably as the river runs to the sea.

Since the Columbia River Treaty went into effect in 1964, both Canada and the United States have seen significant benefits as the water management agreement acted as the unseen hand in coordinating operations of reservoirs, dams and water flows on the Columbia and Kootenay rivers on both sides of the border.

But its creators foresaw that the political, financial and environmental landscape

would change over the Treaty's lifespan and built in a window of reconsideration. While the Treaty continues indefinitely, the year 2024 is a watershed date for its continued implementation, marking the end of 60 years of prepaid flood-control storage from Canada. In addition, with at least 10 years' notice, its terms allow either Canada or the United States to indicate its intention to let many provisions of the Treaty expire at any time after 2024.

No one can say what such change might mean, but BPA and the U.S. Army Corps of Engineers, the agencies responsible for implementing the Treaty for the United States, are leading a regional discussion to bring greater clarity to the options for the region and the nation. A policy-level team of federal, state and tribal representatives known as the Sovereign Review Team is currently in the midst of a multiyear review process designed to help the U.S. Entity, comprised of BPA and the Corps of Engineers, identify and consider viable options for the Treaty's future after 2024. The goal of the process is to prepare a recommendation to the U.S. Department of State in September 2013.

To learn how the Columbia River hydroelectric system might be operated after 2024, and what the consequences might be of terminating versus continuing the Treaty, a series of computer simulations is being performed and refined. The information from those models will inform the U.S. Entity, stakeholders and the public about the spectrum of possible benefits and risks that could arise under various sets of circumstances.

By summer 2012, a review team had completed the first of those iterations, which compared four different ways to operate the

Columbia River Treaty history

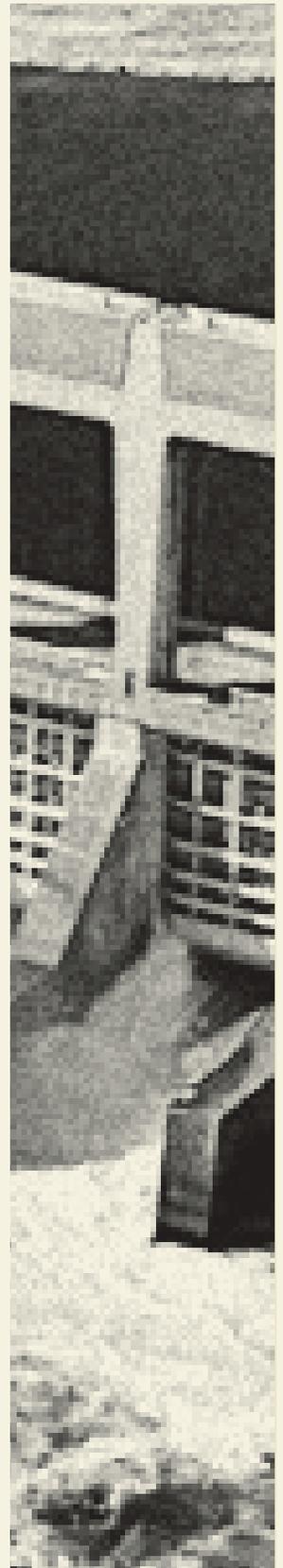
ONE OF THE LARGEST shared resources in North America has been quietly managed for nearly four decades under the unified vision of an international agreement called the Columbia River Treaty.

The Columbia River Treaty is an agreement between Canada and the United States, signed in 1961 and ratified in 1964, for the development and operation of large storage reservoirs and dams in the upper Columbia River Basin in Canada and the U.S. The operation of Treaty storage provides flood control and power benefits to both countries.

Following World War II, as the demand for power grew in the Northwest, the U.S. and Canadian governments recognized a need for development of water storage sites in the upper reaches of the Columbia River Basin. In the early 1960s, Canada and the United States crafted the Columbia River Treaty to provide for the cooperative use of dams that would be built by both countries. It optimized flood control and power generation on the mighty river that laces together the countries' corners and economies.

The Treaty required Canada to construct and operate three dams with 15.5 million acre feet of reservoir storage on the Columbia River and a tributary in Canada for optimum power generation and flood control benefits downstream in Canada and the United States. The Treaty also allowed the U.S. to construct the Libby project on the Kootenai River in Montana for flood control and other benefits. The Canadian storage projects are Duncan, which began operation in 1967; Keenleyside/Arrow (1968); and Mica, which went into use in 1973, the same year as Libby.

Since the Treaty went into effect, both countries have seen significant benefits as the water management agreement acted as the unseen hand in coordinating operations of reservoirs, dams and water flows on the Columbia and Kootenay rivers on both sides of the border.

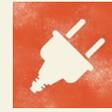


hydroelectric system in two simulated futures, one in which the Treaty continued and the other in which it terminated. The models also sought to clarify the possible consequences of different approaches to flood management that could occur after 2024.

This first set of alternatives and potential impacts was presented at four listening sessions in the region. Other factors were also discussed, including flooding, the estimated costs of flood control assistance from Canada, reservoir elevations and river flow, navigation and irrigation. Operations to benefit fish, both as required under the Endangered Species Act and more broadly, were also discussed during the listening sessions. The input from those interested in how the river is operated after 2024 provided direction as the review team crafts a more complex second round of computer modeling and studies.

That phase, Iteration 2, will widen the scope of the study to consider effects on a broader range of Northwest river users. That broader array of needs and concerns includes irrigation, water supply and quality, navigation, recreation, cultural resources, fish protection operations and ecosystem function needs, as well as potential effects of climate change. This second step is expected to be completed by the end of 2012.

The public and stakeholders will be invited in 2013 to respond to the results of the second round of computer simulations. That input will further shape the factors that will inform a final recommendation to the U.S. Department of State on the Treaty's future.



ADVANCING ENERGY EFFICIENCY

One of the most concrete ways BPA expresses its dedication to environmental and financial stewardship is through its national leadership in energy efficiency. With the lowest cost and lowest risk, energy efficiency is BPA's priority resource for meeting load growth for the customers we serve and other interested parties. It also offers powerful proof that what is good for the environment can also enhance the health of the Northwest economy.

This was a noteworthy year for BPA's energy efficiency program. We saw a dramatic shift in policy that created greater equity among our customers, but also significant challenges we are still working to address. This was the first year in which BPA implemented its Post-2011 Policy, which dramatically changed the way we fund energy efficiency in the region. The new policy creates an equitable distribution of efficiency funding throughout the region and ensures that the benefits of energy efficiency are more evenly distributed throughout the service territories of all of our customers.

However, the changeover was accompanied by a significant challenge in delivering a software system for regional energy efficiency reporting. In order to accommodate the changes resulting from the Post-2011 Policy, BPA needed to update the online system customers use to report efficiency accomplishments. Unfortunately, the replacement software system, EE Central, would not meet our customers' needs and

The birth of energy efficiency

THE NAME OF THE Pacific Northwest Electric Power Planning and Conservation Act says it all: In 1980, conservation became a fundamental mission for BPA. The Act required BPA to seek to meet energy needs through cost-effective conservation before acquiring other resources.

Two weeks after the Act passed, BPA increased its expenditures for energy conservation. It hired 181 new staffers, many for the conservation effort — including a future administrator, Steve Wright. That marked the beginning of the building of the conservation power plant.

Bursting out of the starting gates in March 1981, the agency announced plans for a \$400 million, five-year program to acquire the equivalent of 300 megawatts of energy savings. By 1989, BPA had achieved that mark, and its cumulative investments exceeded \$1 billion. Evaluations demonstrated that the average cost of that conservation was just 2 cents per kilowatt-hour, lower than BPA's wholesale power rate at the time. BPA had 32 conservation programs up and running, including those to weatherize homes, improve irrigation efficiency, retrofit institutional buildings, design energy efficient commercial buildings and improve industrial processes.

It was during this 'go-go' era that BPA launched the Super Good Cents Manufactured Home Assistance Program, known as MHAP. One of the early examples of market transformation, MHAP demonstrated that BPA and utilities could acquire efficiency up the market chain by working directly with manufacturers. BPA contracted directly with 18 regional manufacturers to build all of their electrically heated manufactured homes to Super Good Cents levels of efficiency. All of the region's investor-owned utilities agreed to reimburse BPA for those homes sited in their service territories and ultimately, 50,000 manufactured homes were built and sited in the Northwest through the program.

In 1991, BPA's programs to promote the model conservation standards achieved a huge milestone when Washington adopted the standards into its state building code. Oregon followed suit in 1992.

While 300 megawatts represented a proud achievement for the first decade's pioneering work, energy efficiency has gone on to become part of the regional culture, far surpassing its early milestones. BPA and its customers have now achieved more than 1,300 megawatts of energy savings, while the Northwest has surpassed a total of 4,000 MW. That's enough to spare the Northwest four power plants the size of the region's only nuclear plant, the Columbia Generating Station in Richland, Wash.



At King Estate Winery, near Eugene, Ore., they use sheep to eat grass and weeds. In 2012, King Estate became the first utility-scale solar project to connect to BPA's transmission system. The organic vineyard has 4,100 solar panels on its 1,000-acre estate to harvest the sun's rays.



the system was taken off line. Although BPA is working to improve the interim solution it is currently using, the lack of a robust regional reporting system for energy efficiency continues to present a challenge for the agency and our customers.

At the same time, we were fortunate to play a key role in a number of energy efficiency successes in 2012, ranging from new measure offerings and improvements to one of the largest efficiency projects in the nation. In partnership with the Northwest Power and Conservation Council, we continue to work to fill the efficiency pipeline with the technologies and measures that will create the foundation for an efficient future in the Northwest.

In 2012, we were proud to partner in one of the largest energy efficiency projects ever completed. North Pacific Paper Corp. (NORPAC) of Longview, Wash., is the largest newsprint and specialty paper mill in North America and one of the largest industrial consumers of electricity in the state. The mill is served by BPA customer Cowlitz County Public Utility District. BPA worked with both organizations to help fund a multistage, \$60 million efficiency project that will save 12 average megawatts. This is equivalent to the generation capacity needed to power more than 8,000 homes for a year.

Another energy efficiency initiative got off to a very promising start in 2012. After commissioning tests that showed residential heat pump water heaters could provide energy savings of up to 50 percent in our cool Northwest climate, BPA devised an incentive program allowing our utility customers to support the purchase of heat pump water heaters within their service territories. BPA's support, through a long-term collaborative effort with our customers and the Northwest Energy Efficiency Alliance, is a prime example of the impact we can have by working together with regional stakeholders.

While large projects like NORPAC and new measures like the heat pump water heaters are important to our energy efficiency efforts, so too are the actions we take to support our customers. For BPA's small and/or rural customers, pursuing a robust energy efficiency program can be challenging given their comparatively modest resources and widely distributed customers. To help our more than 80 small and rural customers, we increased the available performance payments from 20 percent to 30 percent of the total efficiency funding we provide. These extra funds give vital support for energy efficiency infrastructure. BPA also participates

in work groups that are building solutions to the unique issues small and rural customers face and helping shape our efforts for years to come.

In addition to today's energy efficiency opportunities, BPA works to ensure the region continues its legacy of leadership in the future. In 2012, we remained on track to reach the next two-year goal under the Northwest Power and Conservation Council's Sixth Power Plan. We adjusted our five-year Energy Efficiency Action Plan to account for faster-than-expected energy efficiency savings in 2010–2011. This fine-tuning helped recalibrate the pace of spending over the two years to account for customers' accelerated progress, which totaled 231 megawatts in 2010–2011.

Public power's higher-than-expected conservation savings in the region were recognized when our Energy Efficiency staff received the Golden Eagle Award from the Northwest Energy Coalition in May. In 2011, BPA's public power customers achieved the most energy savings in a single year (117 average megawatts) since the Northwest Power and Conservation Act was passed in 1980. This is enough electricity to power 85,410 homes, reducing the need for new power plants.

"Bonneville's commitment to energy conservation has helped energy efficiency become the resource of choice for the Northwest," said Sara Patton, NWECC executive director.

To serve 85 percent of regional load growth through 2030 via energy efficiency, we will need to develop programs and technologies that either do not exist today or are not yet commercially viable. In the near term, BPA is pursuing several unique energy efficiency pilots to identify programs that could be rolled out to our customers in coming years. This year, we continued work with three customers exploring the potential of behavior based

energy efficiency. These programs derive energy savings from changes in individual or organizational behavior and decision making, and the pilots have the potential of bringing such programs to the region. In the industrial sector, BPA is continuing our energy management pilot, which achieves energy savings through low- and no-cost process improvements and maintenance in industrial facilities.

BPA relies upon our nationally recognized emerging technology program to support the long-term future of regional efficiency. BPA's Emerging Technologies for Energy Efficiency initiative is a collaborative effort of many stakeholders including NEEA and our utility customers. BPA works with experts to identify promising new technologies, and through research and demonstration, selects and advances the viability of those technologies with the greatest potential benefits to the region. In 2012, we launched an Emerging Technology Field Test program to streamline the process. These collaborative efforts with our customers will gather data and answer research questions on the performance of potentially important efficient technologies, leading to larger pilots and eventually to program offerings for all customers.



PIONEERING THE RENEWABLE FRONTIER

The same farsighted commitment to clean energy that prompted BPA to partner with DOE, Boeing and NASA in 1979 to construct the nation's first commercial-scale wind project has continued to position the Northwest as a leader in renewable resources in 2012.

Capturing the power of the wind

BPA'S HISTORY WITH commercial wind energy dates back to the technology's earliest days. In 1979, the Department of Energy was seeking a location to test a commercial-scale wind project, and BPA proposed the Goodnoe Hills site above the Columbia Gorge. On a windswept bluff, they built three 2.5-megawatt experimental wind generators, called the MOD-2. The huge turbines were 350 feet tall, or more than a football field high. The project tested how well the hydro system could back up wind generators.

"The Columbia will act like a battery to store wind power for when it's most needed," BPA Administrator Sterling Munro said.

The wind pilot also involved project manager NASA, manufacturer Boeing, researcher Battelle and host utility Klickitat PUD. Munro soon found himself breaking ground in 1981 for the experiment on that windy hillside with Sen. Warren G. Magnuson (D-Wash.), Washington Gov. Dixy Lee Ray and Boeing CEO Thornton "T" A. Wilson. The MOD-2 cluster, tied to the grid in October 1982, operated for two years as the first multi-megawatt, commercial-scale "wind farm" in the world.

The output of each machine was comparable to that of a diesel locomotive, and the triad of MOD-2 turbines — a total of 7.5 MW — could supply enough power to pull a mile-long freight train up the Gorge or power several thousand average Northwest homes.

The MOD-2s were a quantum leap above any other wind generation project undertaken at the time, but they were not without their unique problems. BPA technicians had no experience with the one-of-a-kind equipment and found it challenging to maintain machinery inside a big metal box 200 feet in the air.

By 1986, the research, development and demonstration effort had run its course and the MOD-2 machines were dismantled.

But they had served their purpose, leading to improvements in the design of wind turbines and valuable lessons about how to smoothly integrate variable wind power into the grid.

Goodnoe Hills proved to be the earliest ancestor of the flourishing wind industry that would spring up in the area two decades later. The pioneering project's 7.5 MW output was an impressive achievement for 1982. Today the bar is set about 600 times higher. By 2012, BPA had integrated a total of 4,711 megawatts of wind power into its grid — with more coming soon.



On June 5, 2012, the wind generation on BPA's transmission system peaked at more than 4,000 megawatts — then held at that remarkable level for a record 11 hours. BPA's work to integrate renewable energy into the transmission grid continues to play a vital role in wind power development in the Pacific Northwest.



In the past year, BPA again made major strides, deploying classic and cutting-edge tools to integrate nearly 1,000 megawatts of new wind energy into our system. In just six years, the amount of clean wind energy on our grid has now increased ninefold to 4,711 MW.

To put that in a national context: That amount of installed wind capacity would rank BPA second among all U.S. states, according to a June 2012 report by the American Wind Energy Association. The installed wind capacity in BPA's balancing authority area now accounts for almost 10 percent of the nation's total.

We experienced another milestone that month. On June 5, the wind energy on our transmission system peaked at more than 4,000 megawatts — then held at that remarkable level for a record 11 hours. During that period, the amount of wind power was three times as high as the combined energy from coal, gas and nuclear sources in BPA's balancing authority area, enough to power four cities the size of Seattle on wind alone.

At the same time, no contemporary aspect of our business continues to exemplify both our triumphs and our trials as much as wind. Every megawatt of new renewable energy we embrace amplifies the challenge of

keeping the transmission system operating safely and reliably.

As a balancing authority, BPA Transmission Services is the entity responsible for maintaining a constant, moment-to-moment balance between the energy, including wind, entering our system and the demand (or load) consuming energy at the other end.

Supporting system reliability and renewable energy are both fundamental regional goals. To reliably integrate the output of a growing wind fleet, it is vital that BPA expand balancing capabilities and resources. To accomplish that, in 2012 we worked to broaden customer access to flexible balancing resources, develop new products, enhance operational tools and increase collaboration.

The continued growth of wind requires that BPA and the region jointly understand and manage the costs and risks that come with increased variability in the region's resource portfolio. This was a special focus in fiscal year 2012 because, although the federal hydroelectric system has been the principal source of balancing reserves for managing fluctuations in wind generation, these supplies are limited and could be exhausted as soon as 2013. Accordingly, we worked diligently this year to push the pace of innovation and pursue several major

strategies to sustain the adequacy, reliability and cost-effectiveness of the regional system.

Oversupply

In collaboration with regional stakeholders, we are developing durable solutions to address occasional events where there is an oversupply of power relative to demand. This can result from concurrent high wind and high water events, especially during the spring runoff season, when generation must be reduced in order to maintain a consistent regional balance between load and resources, protecting the integrity of the grid. During spring and summer 2012, we displaced a total of 49,744 MWh of potential generation, after spilling federal hydroelectric generation to its limits. This displacement was about half of 2011's total. The underlying challenge is driven by the timing and volume of runoff in the Columbia River Basin, as well as wind patterns, and we continue to seek solutions and improve our practices in collaboration with our regional partners.



FISH AND WILDLIFE

BPA's focus on the environment in 2012 produced promising signs that more juvenile salmon are passing dams safely. That emphasis also resurrected critical wetlands and preserved one of the most important pieces of habitat in the Columbia River estuary. Through collaborative partnerships with tribes, states and conservation groups, BPA is implementing dam mitigation measures funded by electric ratepayers that form the centerpiece of the largest ecosystem restoration program in the nation.

Most critically, BPA and other federal agencies responsible for managing the Federal Columbia River Power System continued to make significant improvements at the dams to ensure safe passage of juvenile salmon and steelhead that migrate to the ocean each spring and summer.

The Biological Opinion for the system sets a high bar, calling for an average dam survival rate of 96 percent for spring migrating fish and 93 percent for those migrating in summer. Some questioned whether the dams could ever meet such high standards for the survival of juvenile fish. In 2012, the Corps of Engineers conducted scientifically designed tests at six of the eight FCRPS dams on the Snake and lower Columbia rivers to assess their performance in safely passing juvenile fish. These tests indicate that several of the dams are on track to meet or exceed the survival standards for spring chinook and steelhead. The agencies have begun confirming these results with the region.

The key to meeting these benchmarks is passage of migrating fish over the dams in surface spill, which creates more natural conditions attractive to fish. Such spill is often safer for fish than conventional spill and uses less water. Surface passage structures are now in operation at all eight of the federal Snake and lower Columbia River dams. At John Day Dam, for example, about 60 percent of fish use surface passage routes with almost 100 percent survival. From these results, BPA has learned that it is not more spill over the dam that improves fish survival, but better spill.

Our Fish Accords with Idaho and the Shoshone-Bannock Tribes are improving the outlook for the Redfish Lake sockeye, which swim a remarkable 900 miles to an elevation of 6,500 feet up into the Sawtooth Range, yet nearly disappeared in the 1990s.

Legacy of Lonesome Larry

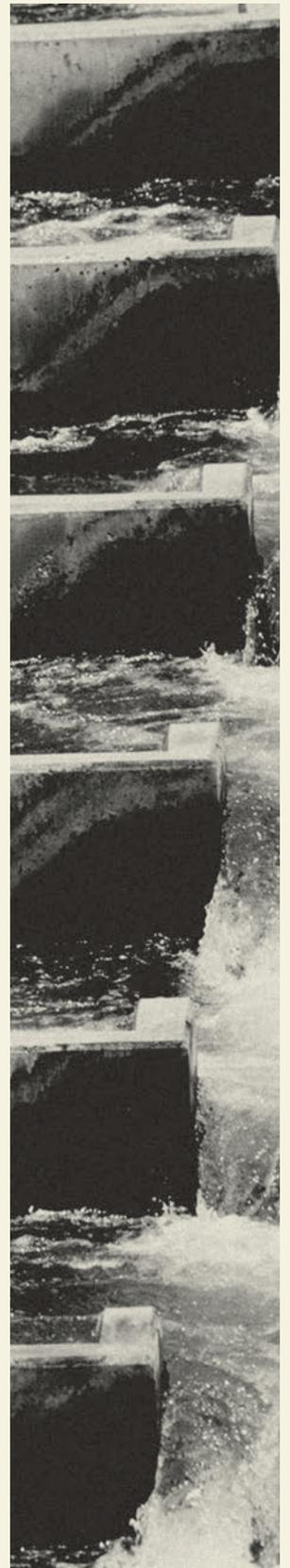
IN 1992, ONE SOCKEYE SALMON became the symbol for the environmental calamity that had struck his species.

Redfish Lake sockeye swim a remarkable 900 miles to an elevation of 6,500 feet up in the Sawtooth Range from the ocean to return to their birthplace to spawn. The National Marine Fisheries Service listed the run as endangered in 1991, citing hydropower development, water diversions and storage, harvest and predation.

As if to underscore the urgency, one fish made the epic swim from the mouth of the Columbia, past eight dams, into the craggy mountains of Central Idaho — only to find himself alone.

The daughter of a hatchery employee named the fish Lonesome Larry, a name that Idaho Gov. Cecil Andrus repeated to The New York Times. Andrus, a longtime fisherman and secretary of Interior in the Carter administration, kept the famous fish mounted in the Idaho Statehouse as a symbol of his push to restore salmon as part of Idaho's heritage. "I know I'm right on this and I'm not going to stop until these rivers have salmon in them again," he said.

It would take years, but Lonesome Larry's dogged determination would live on through his genes, preserved in the breeding program, eventually giving rise to a new generation of Snake River sockeye. If Lonesome Larry had made his epic trek in more recent years, he wouldn't have been so lonely — 1,100 sockeye returned to reproduce at Redfish Lake in 2012.



BPA's focus on the environment produced promising signs that more juvenile salmon are passing dams safely. Scientific tests at six FCRPS dams in 2012 indicate several are on track to meet or exceed a high bar for average dam survival rates: 96 percent for spring migrating fish and 93 percent for those migrating in summer.



Supported by BPA funding, construction began this year on Springfield Hatchery in Idaho, which will expand production of the endangered fish five-fold to as many as 1 million, helping to rebuild the species.

To bolster the success of hatchery and water management actions, BPA also continued to work with tribal, state and conservation group partners to improve fish and wildlife habitat. In 2012, BPA acquired or restored approximately 70,000 acres of important habitat and 25,000 acre feet of water in Washington, Oregon, Idaho and Montana. This land and water will be managed to conserve fish and wildlife.

In January, BPA, the Corps of Engineers and the Columbia Land Trust announced the purchase of the 920-acre Columbia Stock Ranch on the south shore of the Columbia River. It was the largest purchase of riverside habitat in the Columbia River estuary in nearly 40 years and set the stage for the Corps of Engineers to restore hundreds of acres of historic wetlands to provide food and shelter for salmon migrating to and from the ocean. The restored habitat will also benefit wildlife such as black bear, elk and river otter.

The ramp-up of fish and wildlife improvements spiked in 2012, however, challenging

BPA's budget. The agency took disciplined steps to manage spending, maintaining its commitment to both fish and wildlife and its project partners, as well as its commitment to ratepayers.

This year also brought progress for the Pacific lamprey, the oldest fish in the Columbia River system. The eel-like fish lives in the soft bottoms of freshwater rivers and streams for three to seven years before migrating to the sea, returning one to three years later to freshwater to spawn and die. Once returning to the Columbia River and its tributaries by the millions, lamprey numbers fell to a low of about 8,600 in 2009. This year saw some improvement, with more returning than in any year since 2006.

BPA has funded projects to benefit lamprey since 1994. In June, we joined more than 30 federal agencies, states and tribes to sign a historic lamprey conservation agreement. Under the 2008 Fish Accords, BPA funds research and lamprey reintroduction projects, while the Corps of Engineers funds dam passage improvements for the species. Under the new agreement, BPA will work with the other agencies to achieve increased long-term population growth of lamprey that will support traditional tribal cultural use of the species throughout its historic range.



OPERATIONAL EXCELLENCE AND EMPLOYEE ENGAGEMENT

In this time of economic difficulty and rapid industry change, we believe it is more important than ever to continuously improve the way we do business to produce more effective methods of delivering on our mission and vision. From completing a major transmission line millions of dollars under budget to staying on the leading edge of new technology to identifying disturbances and protecting the grid, BPA made diverse, meaningful progress in operational excellence across the agency in fiscal year 2012.

In February, we celebrated the completion of the 79-mile McNary-John Day transmission line in Washington and Oregon. Construction started in the summer of 2009 and the 500-kilovolt line was finished nearly a year ahead of schedule and \$140 million under budget.

Not only was McNary-John Day an example of BPA's conscientious stewardship of public funds, the finished project reflected our focus on delivering high-quality products and services that customers value. McNary-John Day's benefits were confirmed through our innovative Network Open Season process, in which customers helped identify our top transmission construction priorities. The line is important to customers because it allows them to deliver power from new renewable resources east of the Cascade Mountains to their customers west of the Cascades, as well

as to the north end of the interties that connect the Northwest and California.

One major reason the project came in under budget was a new tower design developed by BPA engineers that saved \$11 million. Structural engineer Dave Hesse developed software that allowed BPA to save time, money and materials in the design of steel lattice towers, which utilities had used for decades with little improvement.

The new design software, which makes towers stronger despite using less steel, holds the potential for significant savings by utilities around the world. Thanks to this design breakthrough, BPA was honored for the first time as a finalist at the Platts Global Energy Awards in New York on Dec. 1, 2011, in the commercial technology of the year category. And in October 2012, the tower design was again recognized when Secretary of Energy Steven Chu honored Hesse with the Secretary's Excellence Award.

BPA is also leading the nation in the use of synchrophasor data. Phasor measurement units (PMUs), originally deployed at BPA in the 1980s, have helped move the art of managing the grid into a new era by collecting data at different sites on the system 60 times per second. This allows operators to instantly compare measurements taken from any point in the Western Interconnection, transmission that spans Canada to Mexico.

BPA began installing experimental PMUs in the 1980s, and the data gave the agency a clearer picture of the system's moment-to-moment health. Today, BPA is playing a leading role in the Western Interconnection Synchrophasor Program, which will install more than 300 PMUs to identify and analyze system vulnerabilities in real time to detect and respond to evolving disturbances.

Rising to a challenge

TREES GROWING INTO POWER LINES is the nightmare of every transmission operator. In 2008, BPA faced a massive challenge, and the way the agency tackled it improved practices and reliability across its transmission system.

On July 3, 2008, just weeks after a tree hit a BPA line for the second time in less than a year, the Western Electricity Coordinating Council ordered BPA to inspect all 8,500 miles of its transmission rights-of-way, covering 15,000 circuit miles, within 90 days. Crews had to cut any encroaching vegetation, no questions asked.

“We are stunned, embarrassed and shaken by the event,” Administrator Steve Wright and Senior Vice President of Transmission Services Vickie VanZandt wrote to the region on July 1.

BPA responded with all hands on deck. Transmission line maintenance crews and many others across the agency canceled leave and missed vacations to help get the enormous job done immediately.

A week into the 2008 effort, VanZandt said, “Our people have responded to a very challenging situation. They are dealing with extended work schedules, high temperatures, rugged terrain and concerned landowners, and they are doing it very well against a very tight deadline.”

Crews walked or drove the lines while aircraft inspected from above. Several million dollars and 56 days later, BPA finished the job. It was a hard and expensive lesson, but the results underscored BPA’s fundamental commitment to be frank about problems and use root cause analysis to assure problems are clearly defined and addressed.

BPA has since adopted a high-tech laser tool to more quickly and accurately identify encroaching vegetation. Light Detection and Ranging (LiDAR) technology bounces lasers from low-flying aircraft off tree branches, transmission lines and other objects to create color-coded 3-D computer images that pinpoint any vegetation getting too close to lines.

“We can calculate where the line will be at its lowest sag, and we can see every tree branch,” says Robin Furrer, VP of Field Services.

The use of LiDAR has been a game-changer in the crucial job of managing vegetation growth across a system that spans four states. The proof? No vegetation-related incidents have occurred since.



Our PMU investments will prove especially valuable in BPA's work to rapidly integrate large amounts of wind energy to the grid. During 2012, we installed 49 more PMUs at substations throughout the BPA operating area, including some wind generators, raising our total now in use on our grid to 53. Monitoring wind generation sites will provide us with high-resolution data, allowing us to improve our computer modeling and increase the reliability of the system under challenging conditions.

Back at headquarters, monitoring information across our employee network also took a step forward in 2012. One initiative, to reduce paper use by putting all personnel records online, rolled out so economically and efficiently that BPA drew kudos plus a refund from the U.S. Office of Personnel Management.

OPM is the voice of experience, having guided more than 85 projects to implement the new electronic Official Personnel Folder at agencies under the U.S. executive branch. The program is part of an effort to increase efficiency, flexibility and security in managing human resource records.

BPA not only completed its launch on time, but 30 percent under budget, generating a refund of \$173,684 from OPM. OPM attributed BPA's lower overall cost to "how smoothly and quickly the project went. BPA has required less support than typical ... These estimates are based off statistics from every project we have completed. BPA is unique in how smoothly things went once work began."

Another facet of our efforts to improve efficiency and sustainability won recognition this year. "Making green the default in our daily work lives" was the theme that lifted BPA's Information Technology staff and

other sustainability-minded colleagues to the highest national honor in the Environmental Protection Agency's Federal Electronics Challenge. The actions that distinguished our Platinum Award-winning 2012 sustainability effort were disposal of used electronics and reduced energy use in computing. Each demonstrates how we manage our fleet of electronics in a cost effective and responsible way for ratepayers.

Employee Engagement

We recognize that employee engagement is a proven path to developing professional bonds among a quality workforce, and our 75th anniversary was replete with unique opportunities to experience BPA's collective identity, pride and purpose.

To kick off the 75th anniversary summer, Administrator Steve Wright led a river of spirited BPA runners in Portland's Starlight Run. One hundred-sixty employees and family members donned Columbia River-blue T-shirts and flowed along the 3.1-mile route through downtown's festive, crowd-lined streets before the Rose City's annual Starlight Parade.

The river provided the soundtrack in August at a well-attended concert at headquarters. BPA retiree and folk musician Bill Murlin and his band The Wanderers performed the Columbia River songs written in May 1941 by BPA's most famous alumnus, Woody Guthrie, as hundreds of staffers joined in for the chorus of "Roll On, Columbia, Roll On."

Our anniversary year climaxed Sept. 15 with a festive party at Bonneville Dam. Employees joined more than 1,500 customers and tribal and government representatives in a celebration of three-quarters of a century of sharing the value of the Columbia River with the region.





PERFORMANCE TARGET RESULTS

BPA sets key agency targets that measure the agency's annual performance toward meeting its mission and achieving its strategic objectives. In 2012, BPA met 17 of 24 key agency targets.

Stakeholder Perspective

TRANSMISSION SYSTEM INFRASTRUCTURE

 **TARGET MET.** BPA achieved transmission system direct capital expenditures of \$396 million, which is 84 percent of the start-of-year budget and within the target range of 80 percent to 100 percent of the start-of-year budget. BPA met 83 percent of the cumulative in-service date milestones in the capital work plan, which is above the minimum target of 80 percent. Of BPA's transmission projects, 78 of 96 projects, or 81.25 percent, were on track to meet end-of-project completion targets for cost, schedule and scope, exceeding the 80 percent target.

HYDRO GENERATION SYSTEM INFRASTRUCTURE

 **TARGET MET.** BPA's budget expenditure rate for the Federal Hydro Capital Program was 94 percent, within the target range of 85 percent to 100 percent and representing \$206.2 million in investment. The fiscal year milestone completion rate for major projects was 86 percent, exceeding the target of 80 percent or greater. The end-of-project completion target for cost, schedule and scope was also met for 94 percent of projects against a target of 80 percent.

ENERGY EFFICIENCY

 **TARGET NOT MET.** BPA met the targets for integrating energy efficiency in BPA's day-to-day business, for improving our budget management and reporting, and for keeping costs low per average megawatt of energy efficiency savings. However, BPA fell short of the 70 aMW target of new energy efficiency savings with an estimated total of 60 aMW from BPA, public utility energy efficiency programs and market transformation.

TRANSMISSION SYSTEM PERFORMANCE

 **TARGET NOT MET.** BPA missed its transmission system performance target for transmission reliability due to one system operating limit event issue in March 2012 that will likely result in a Western Electricity Coordinating Council final rating of a Violation Risk Factor and/or a high Violation Severity Level of severe or high.

FEDERAL HYDRO PERFORMANCE

 **TARGET NOT MET.** BPA met the equivalent availability factor target of 77.5 percent with a result of 79 percent, met all generation reliability compliance targets and met its fleet cost and generation targets. However, complications in the repair of several units required more time than planned, resulting in an equivalent forced outage rate of 3.6 percent, above the target of 2.5 percent or less.

COLUMBIA GENERATING STATION PERFORMANCE AND COST

 **TARGET MET.** The cost of power at the Columbia Generating Station nuclear plant was \$47.34 per megawatt-hour, within the target range of \$44.77 to \$49.49. The overall plant performance index result was 78.4, above the target of 77.5 or greater.

RENEWABLE RESOURCE INTEGRATION

 **TARGET MET.** BPA filed its Oversupply Management Protocol with the Federal Energy Regulatory Commission on March 6, 2012, ahead of the March 31, 2012 target. BPA also evaluated the effectiveness of physical solutions in coordination with the Northwest Power and Conservation Council and the Oversupply Technical Oversight Committee, and developed a work plan to investigate the feasibility of long-term oversupply solutions. BPA developed and posted business practices for supplemental service and committed intra-hour scheduling and defined a balancing reserve strategy for 2014–2015. BPA also actively participated in the Northwest Power Pool Market Assessment Committee and Balancing Authority Coordination Committee, which are exploring regional solutions to balancing supply, including energy imbalance markets.

KEYS PUMP GENERATING PLANT MODERNIZATION

 **TARGET NOT MET.** In March 2012, the final environmental assessment was completed and the finding of no significant impact was signed. Following analysis and customer inputs, BPA made the decision to invest in the refurbishment of existing equipment to help maintain and improve reliability. However, customer engagement and agreement on cost allocation issues was not concluded.

COMMERCIAL TRANSMISSION POLICY REVIEW

 **TARGET MET.** BPA conducted a process to evaluate proposals to terminate or modify existing Precedent Transmission Service Agreements and is on track with those evaluations. BPA shared a conceptual proposal for Generation Interconnection policy reform with customers and is on track to finalize the concepts for management decision in 2013. A preliminary future state model of Network Open Season was also shared with customers, and BPA will present the final version to management for decision in 2013.

COLUMBIA RIVER TREATY

 **TARGET NOT MET.** Although BPA met its 2012 stakeholder engagement and federal coordination targets, the target to complete 90 percent of alternative modeling was not met. As a result, BPA is currently assessing its ability to remain on track to deliver a recommendation in September 2013 to the U.S. Department of State on the Columbia River Treaty provisions governing power generation and flood control between the U.S. and Canada.

ESA COMPLIANCE

-  **TARGET MET.** BPA is on track to meet its responsibilities by 2018 under the 2008 FCRPS Biological Opinion Reasonable and Prudent Alternative (as amended by the 2010 Supplemental Biological Opinion) by meeting hydro, tributary habitat, estuary habitat and adaptive management implementation plan targets for 2012. BPA also developed a remand strategy and plan with partner agencies and the National Oceanic and Atmospheric Administration and began implementation in preparation to submit a new or supplemental Biological Opinion by Jan. 1, 2014.

CLIMATE CHANGE RISK MANAGEMENT

-  **TARGET MET.** BPA prepared a scoping assessment for applying and integrating scientifically sound climate change scenarios into key analyses and decision-making processes across the agency. BPA created and approved an action plan to determine the modeling and planning timeline for integrating scenarios and to identify additional areas of research. BPA also met all 2012 action plan milestones.

CUSTOMER SATISFACTION

-  **TARGET MET.** Survey results showed a customer satisfaction rating of 7.6 against a target of 7.0.

CONSTITUENT SATISFACTION

-  **TARGET MET.** Survey results showed a constituent satisfaction rating of 7.9 against a target of 7.0.

TRIBAL GOVERNMENT SATISFACTION

-  **TARGET MET.** Survey results showed a Tribal Government satisfaction rating of 7.4 against a target of 7.0.

Financial Perspective

CAPITAL ACCESS STRATEGY

-  **TARGET MET.** BPA developed a comprehensive capital access strategy plan, informed by input received from public meetings, that anticipates and integrates timelines, capital levels, funding strategies, and alternative financing approaches to extend access to capital for a rolling 10-year period.

BOND RATING

-  **TARGET MET.** BPA-backed bonds maintained ratings as affirmed by Moody's (Aa1), Standard & Poors (AA-) and Fitch (AA).

NET REVENUE*

-  **TARGET MET.** BPA achieved net revenues of \$87 million, within the target range of \$5 million to \$130 million or greater.

* POWER SERVICES AND TRANSMISSION SERVICES COMBINED NET REVENUES WERE \$128 MILLION FOR 2012.

COST MANAGEMENT

 **TARGET MET.** BPA's agency departmental expenses were \$827.7 million, which is below the target of \$857.2 million or less.

TREASURY PAYMENT

 **TARGET MET.** BPA paid the U.S. Treasury \$886.1 million in 2012. This marks the 29th consecutive year that BPA has made its scheduled annual payments on time and in full.

Internal Operations Perspective

REAL-TIME OPERATIONS, DISPATCH, AND SCHEDULING SYSTEM (RODS) REPLACEMENT & RETIREMENT PROJECT (RRP)

 **TARGET MET.** BPA is on track to replace all required RODS functionality with new technology, usage of existing technology, or acceptable workarounds. The plan is in place to decommission all legacy RODS hardware and software, with the goal to retire RODS by December 2012. The RODS RRP costs were \$14.6 million, within the target range of \$14.2 million to \$15.6 million.

SMART GRID

 **TARGET MET.** An analytical framework was developed to support creation of a Regional Smart Grid Business Case and the analysis of inputs was completed in preparation for 2013 data collection. In addition, BPA met its target to complete over 80 percent of the milestones for the Pacific Northwest Smart Grid Demonstration Project and completed all Western Interconnection Synchrophasor Project milestones, including installation of phasor measurement units and phasor data concentrators, installation and testing of edge router links, and building networks for synchrophasor data and related testing.

People and Culture Perspective

TALENT MANAGEMENT

 **TARGET NOT MET.** BPA met its target to hold employee and manager progress reviews. However, only 79 percent of manager performance contracts were in place by Oct. 31, 2011, which fell short of the 90 percent target. BPA implemented technologies and streamlined processes and is on track to meet the 2013 target of 100 days time-to-hire with hiring actions initiated after Sept. 1, 2012. BPA had 98 percent participation in new supervisor training, Leadership Essential and Forum courses, which was above the target of 90 percent or greater.

SAFETY

 **TARGET NOT MET.** BPA suffered a tragic loss to the BPA family in 2012 with the death of transmission lineman Matt Karstetter. Matt did not survive a fall from a transmission tower near the Idaho-Montana border while working on a spacer replacement project out of the Bell Maintenance Facility in Spokane. This tragic accident underscores the importance and priority that BPA must continue to place upon safety. BPA's cumulative lost-time accident frequency rate, however, was 1.1 per 200,000 hours worked, below the target of 1.5.

BPA PROFILE

The Bonneville Power Administration is a federal agency based in the Pacific Northwest under the Department of Energy. BPA markets wholesale electrical power from 31 federal hydroelectric projects owned and operated by the U.S. Army Corps of Engineers and Bureau of Reclamation, one nonfederal nuclear plant and some small nonfederal resources. BPA supplies about one-third of the electric power used in the Pacific Northwest.

BPA also operates and maintains about three-fourths of the region's high-voltage transmission system and is a leader in integrating renewable resources, such as wind energy, into its grid. BPA's service area includes Oregon, Washington, Idaho, western Montana, and small parts of Wyoming, Nevada, Utah, California and eastern Montana.

As a self-funding agency, BPA covers its costs by selling wholesale power, transmission and related services at cost. Under federal law, BPA must meet the power needs of its preference customers, consumer-owned utilities that include public utility districts, people's utility districts, cooperatives, tribal utilities, municipalities and federal agencies. BPA also sells power to investor-owned utilities, some direct-service industries in the region and — when there is a surplus of power in the Northwest — to marketers and utilities in Canada and the Western United States.

BPA promotes energy efficiency, renewable energy and new technologies. The agency funds regional efforts to protect and enhance fish and wildlife populations affected by federal hydro-power development in the Columbia River Basin. BPA is committed to public service and seeks to make its decisions in a manner that provides financial transparency and opportunities for input from all stakeholders.



FORWARD-LOOKING INFORMATION

This forward-looking information contains statements which, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting Bonneville Power Administration’s business and financial results could cause actual results to differ materially from those stated in the forward-looking statements. BPA does not plan to issue any updates or revisions to the forward-looking statements.

Economic climate

In the wake of the recession, the region continues to experience high unemployment, elusive economic growth and cautious capital investment. Meanwhile, regional power loads declined from 2008 to 2010, and growth is expected to be slight until 2015. Given our economic environment and aging infrastructure, BPA continues to focus on disciplined cost management, maintaining the lowest possible rates, capital project prioritization and access to capital in order to maintain the reliability and cost-effectiveness of the federal power and transmission system.

The acceleration in the national development of shale gas has driven natural gas prices steadily downward to levels thought inconceivable less than two years ago. The changed outlook for the price of natural gas has significant implications for future electricity prices and for BPA’s net secondary revenue and power rates.

Rates

BPA expects to devote much of the 2013 fiscal year to setting Power and Transmission rates for the 2014 and 2015 fiscal years. The rate case, which began in November 2012, will conclude in time to implement new rates on Oct. 1, 2013.

We spent much of fiscal year 2012 working with customers in the Integrated Program Review process to thoroughly examine program benefits and spending levels. The upcoming rate case itself will address how the agency will establish rates so that it can continue to recover its costs, with the next hurdle being Federal Energy Regulatory Commission review, and hopefully, confirmation and approval of the agency’s rates.

We expect the effort to be rigorous and controversial because it addresses cost allocation, including how the costs of integrating growing amounts of wind generation will be recovered.

Infrastructure

One of the consequences of BPA being 75 years old is that in some cases the agency is working with equipment nearly that old. Aging equipment challenges the agency’s primary responsibility – providing reliable power and transmission service. In preparation for the BP-14 rate case that began in November 2012, BPA conducted its IPR during the summer. The Integrated Program Review is a collaborative scrubbing of the agency’s proposed costs for the next two-year rate period (fiscal years 2014-2015). It focuses the region’s attention on the extraordinary non-routine maintenance necessary

for safe, reliable operation of the U.S. Army Corps of Engineers and Bureau of Reclamation hydro projects. The maintenance includes overhauling the Grand Coulee Third Powerplant as well as other significant projects.

Infrastructure investments also have been affected by economic, policy and commercial considerations. Transmission Services has spent significant time negotiating with wind generators who signed service agreements that required BPA to build transmission lines to connect their generation to the grid. Many generation projects have been put on hold or reduced in scope due to the economy and expiring tax credits for renewable resources. This has resulted in BPA delaying some transmission projects.

Access to capital

Federal Columbia River Power System capital requirements have grown to unprecedented levels in order to replace and modernize aging infrastructure, add capacity to integrate renewable resources and fulfill regional commitments for energy efficiency and fish and wildlife restoration. In the fall of 2011, BPA conducted a public forum entitled Strategic Capital Discussions. During those sessions, we discussed concerns about capital access stemming from the large increase in expected spending levels in coming years. We initially identified alternative solutions and indicated that we would pursue some of those initiatives.

In fiscal year 2012, the agency collaborated with the region in the Capital Investment Review to consider and comment on BPA's long-term capital forecasts and draft asset strategies. BPA also developed a draft comprehensive Access to Capital Strategy that will provide for reliable access to cost-effective sources of capital over a rolling 10-year period, ensuring that the costs of these sources are prudent and well controlled, and that the sources will be reliable and sufficient to meet the agency's investment priorities. Absent the plan, the agency could have run out of Treasury borrowing authority as early as 2017 assuming no other actions. The plan relies on tools such as lease financing, a new power prepay program, conservation third-party financing, reserve financing and prioritizing proposed capital investments to help inform decisions on potential reductions or delays in capital investment to the extent needed.

Columbia Generating Station

The Columbia Generating Station, which has the capacity to produce 1,150 megawatts of power, achieved license renewal this year to operate for an additional 20 years. The Nuclear Regulatory Commission signed documents in May 2012 to extend the Richland, Wash., plant's license through December 2043. The previous license was due to expire in 2023.

The plant, which provides about 10 percent of the power marketed by BPA, is owned and operated by a Washington state, not-for-profit joint operating agency, Energy Northwest. Energy Northwest comprises 28 public power member utilities from across the state serving more than 1.5 million ratepayers.

Climate change

Potential climate change resulting from greenhouse gas emissions has emerged as a matter of intense and growing concern across the region and around the globe. In the Northwest, the Federal Columbia River Power System has a long history of cost-effective, climate friendly generation. The Northwest, including the FCRPS, produces less carbon dioxide per megawatt-hour than any other region in the U.S. Even in low water years, the federal hydroelectric system produces about 7,000 average megawatts of electricity, allowing the region to sustain a relatively small carbon footprint.

While the direction of federal climate change and energy legislation remains uncertain, neighboring California plans to reduce greenhouse gas emissions by launching a cap and trade platform to put a price

on these emissions in January 2013. This is likely to affect electricity prices and the types of new generation that are developed.

Also, recent studies suggest Northwest weather could continue to warm, resulting in increased river flows in winter and early spring, reduced flows in summer and potentially significant new challenges for future river operations and planning. Regional population and economic growth will place increasing demands on an already stretched FCRPS for a variety of power and non-power needs, such as fish protection. While additions of renewable resources such as wind and solar power are important, it will be equally essential to preserve and enhance the value of the existing federal hydropower system.





MANAGEMENT'S DISCUSSION & ANALYSIS

Refer to the Audited Financial Statements for Financial Statements and Notes to Financial Statements.

Results of operations

OPERATING REVENUES

Federal Columbia River Power System
For the years ended Sept. 30 (thousands of dollars)

	2012	2011	2010
Gross sales:			
Power	\$ 2,450,595	\$ 2,486,801	\$ 2,233,570
Transmission	790,969	739,606	738,330
Bookouts	(61,972)	(92,198)	(120,803)
Sales	3,179,592	3,134,209	2,851,097
Derivative instruments	—	—	14,800
U.S. Treasury credits for fish	76,983	85,102	123,090
Miscellaneous revenues:			
Power	31,012	29,299	33,969
Transmission	30,263	36,164	32,175
Total operating revenues	\$ 3,317,850	\$ 3,284,774	\$ 3,055,131

Fiscal year 2012 revenues compared to fiscal year 2011

For the fiscal year ended Sept. 30, 2012, Power Services and Transmission Services consolidated gross sales, excluding the effects of bookouts, increased \$15 million, or less than 1 percent, from the prior year.

Power Services implemented a new rates structure in fiscal year 2012. Under this new rates structure, BPA's consumer-owned utility customers may purchase only a set amount of power at Tier 1 rates. Tier 1 rates recover costs including the federal system resources, fish and wildlife, and energy efficiency. Tier 2 rates recover costs of resources that BPA acquires for consumer-owned utility customers who request that BPA meet their power requirements in excess of their Tier 1 requirements.

Tiered rates provide BPA's customers with choices as to how they will serve their full power requirements. Tiered rates also give BPA's customers an incentive to conserve energy. Every kilowatt-hour saved by a utility reduces its need to add new resources or purchase power from BPA at higher Tier 2 rates. BPA's 2012–2013 rates also include incentives to reduce and control utilities' peak power use.

Power Services gross sales decreased \$36 million, or slightly over 1 percent. The change was primarily due to the following key factors:

- Firm sales decreased \$31 million, or slightly over 1 percent in fiscal year 2012 compared to fiscal year 2011 due to decreases in load shaping in the third and fourth quarters of fiscal year 2012.

- Load shaping revenues, under the new rate structure, were lower than expected because aggregate customer loads were lower than the capability of the Tier 1 federal system in fiscal year 2012.
- January through July runoff volume at The Dalles Dam was 129 maf, the ninth highest runoff on record since 1938. A typical metric to measure runoff is million acre feet. The full fiscal year 2012 October through September volume finished as the thirteenth highest runoff on record at 159 maf, a decrease from the 175 maf in fiscal year 2011, and continues to be above the historical average of 133 maf.
- Power gross sales increased to 96,714,819 megawatt-hours in fiscal year 2012 from 93,557,046 megawatt-hours in fiscal year 2011 or 3 percent. The Columbia Generating Station condenser outage decreased generation in fiscal year 2011.
- Secondary sales decreased \$10 million, or 2 percent, in fiscal year 2012 compared to fiscal year 2011 due to lower market prices. The effect of increased generation on secondary revenues was offset by lower market prices in fiscal year 2012 compared to fiscal year 2011.

Transmission Services sales increased \$51 million, or 7 percent, mainly due to increases in Point-to-Point Long-Term sales and Operating Reserves. In addition, Southern Intertie Long-Term sales and Townsend-Garrison Transmission revenues also increased. Point-to-Point Long-Term and Southern Intertie Long-Term are firm transmission services of one year or more delivering federal and nonfederal power across the Federal Columbia River Transmission System; Operating Reserves, an ancillary product, is a reserve obligation needed to serve load in the event of a system contingency; and Townsend-Garrison Transmission is transmission associated with the Montana Intertie on a separately identified portion of the Federal Columbia River Transmission System.

- Point-to-Point Long-Term sales increased by \$20 million due to Conditional Firm sales, deferrals that started service, and the energization of the McNary-John Day transmission line, a Network Open Season Project.
- Operating Reserves revenue was higher by \$20 million largely due to a rate increase for this product and a decrease in customer self-supplied Operating Reserves.
- Southern Intertie Long-Term sales increased by \$8 million due to the California-Oregon Intertie improvement project which enabled additional sales.
- Townsend-Garrison Transmission increased by \$3 million due to the elimination of the exchange provision in the Montana Intertie Agreement which provided a discount to customer charges.

Bookouts are presented on a net basis in the Combined Statements of Revenues and Expenses. When sales and purchases are scheduled with the same counterparty on the same path for the same hour, the power is typically booked out and not scheduled for physical delivery. The megawatt-hours that offset each other net to zero. The dollar values of these offsetting transactions are recorded as bookouts. The result is that revenues and expenses are presented on a net basis in the Combined Statements of Revenues and Expenses. Therefore, the accounting treatment for bookouts has no effect on net revenues, cash flows or margins.

U.S. Treasury credits for fish decreased from \$85 million in fiscal year 2011 to \$77 million in fiscal year 2012, or about 10 percent. The change was primarily due to lower direct capital program costs, lower prices of purchased power for fish mitigation, as well as lower volumes of power purchases.

Fiscal year 2011 revenues compared to fiscal year 2010

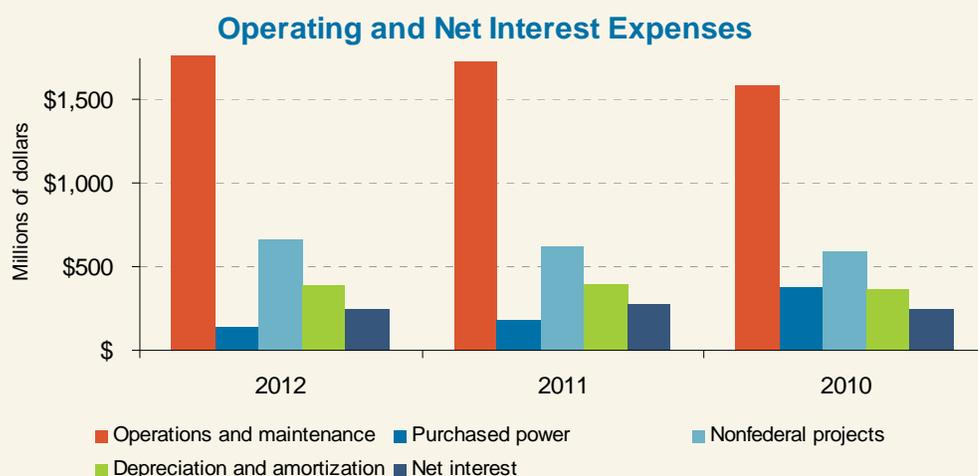
For the fiscal year ended Sept. 30, 2011, Power Services and Transmission Services consolidated gross sales increased \$255 million, or 9 percent, from the prior year.

Power Services gross sales increased \$253 million, or 11 percent. The change was primarily due to the following key factors:

- Firm sales increased \$72 million, or 4 percent, in fiscal year 2011 compared to fiscal year 2010 due to higher priority firm sales resulting from higher firm loads and inclusion of slightly higher stepped rates for a few customers. In addition, 2011 had higher revenues from sales to direct-service industries as DSI contracts were not fully in place at the beginning of fiscal year 2010.
- Secondary sales increased \$180 million, or 59 percent, in fiscal year 2011 compared to fiscal year 2010 due to much higher streamflows. January through July runoff volume at the Dalles Dam was 142 maf, the fourth highest on record for the runoff season. The full fiscal year 2011 October through September volume finished as the sixth highest water year on record at 175 maf, a significant increase from 110 maf in fiscal year 2010 and above the historical average of 133 maf.
- Power gross sales increased to 93,557,046 megawatt-hours in fiscal year 2011 from 76,545,126 megawatt-hours in fiscal year 2010, or 22 percent. The effect of higher streamflows on revenues from secondary sales was partially offset by slightly lower average prices in fiscal year 2011 compared to fiscal year 2010. In addition, unplanned extensions of planned maintenance outages at CGS and at a turbine in the Grand Coulee Third Powerplant reduced agency power sales revenues by an estimated \$65 million from what would have been expected had the extended outages not occurred.

Derivative instruments decreased to zero in fiscal year 2011 compared to \$15 million unrealized gain at the end of fiscal year 2010. The change resulted from the application of Regulated Operations accounting treatment beginning in fiscal year 2010 to the unrealized gains and losses related to certain power purchase and power sale contracts. As a result these amounts are recorded on the Combined Balance Sheets under Regulatory assets or Regulatory liabilities rather than in the Combined Statements of Revenues and Expenses.

U.S. Treasury credits for fish decreased to \$85 million in fiscal year 2011 from \$123 million in fiscal year 2010, or about 31 percent. The change was primarily due to increased streamflows and higher federal generation which decreased the need for purchased power. This resulted in lower purchased power costs which were partially offset by higher direct program costs for fish mitigation.



Fiscal year 2012 expenses compared to fiscal year 2011

For the fiscal year ended Sept. 30, 2012, operating expenses increased \$58 million from fiscal year 2011.

Operations and maintenance increased \$63 million, or 4 percent, from the prior fiscal year, as reported in the Combined Statements of Revenues and Expenses, primarily due to:

- Transmission engineering, operations and maintenance costs increased by \$29 million because of increased compliance activities and the write-off of a software project.
- Fish and Wildlife costs increased \$28 million, primarily due to increased funding for the Northwest Power and Conservation Council's Columbia River Basin Fish and Wildlife Program, the ramp-up of work in support of the 2010 Supplemental Columbia River System Biological Opinion, and the Columbia River Basin Fish Accords.
- Corps of Engineers and Bureau of Reclamation costs increased by \$20 million, primarily due to non-routine maintenance activities. The purpose of these activities was to minimize potential outages at other dams during work on Grand Coulee's Third Powerplant.
- Residential Exchange Program costs increased overall by \$19 million as payments to investor-owned utilities were higher based on the 2012 REP Settlement Agreement, and payments to consumer-owned utilities were also higher in the current rate case.
- Transmission acquisition and ancillary services costs increased by \$11 million primarily driven by a probable settlement agreement.
- Other costs increased by \$5 million primarily due to power scheduling and operations and business support costs.
- CGS costs decreased \$30 million, mainly due to 2012 not being a refueling year, as well as the use of unrestricted funds from the Department of Energy spent fuel storage settlement in lieu of direct payments from BPA.
- The impairment of certain defective transmission line spacer dampers, discussed below in fiscal year 2011 activities, did not recur in fiscal year 2012.

Purchased power expenses decreased \$35 million, or 20 percent, from the prior fiscal year primarily due to:

- Contracted power purchases declined by \$58 million, largely due to higher total generation, which reduced the amount of power purchases to meet load. The drop in hydro generation was more than offset by the increase in generation at CGS. Slightly lower market prices for power purchases also contributed to the decline.
- The conservation and renewable rate credits were no longer part of the power rate structure, resulting in a decrease of \$30 million.
- There was an increase of \$48 million for BPA's current obligations under a new agreement for hydro storage with Canada.
- There was an \$8 million increase in Tier 2 purchases, resulting from the implementation of the new Tiered Rate methodology in fiscal year 2012.

Nonfederal projects debt service increased \$35 million, or 6 percent, due to increased payments for Energy Northwest's Project No. 1 and CGS, partially offset by reduced payments for Project No. 3. Over

the past two decades, Energy Northwest debt service has been periodically restructured to achieve overall federal and nonfederal debt service objectives that reduced nonfederal projects expense. These debt management actions have created an uneven Energy Northwest debt service structure such that there can be significant variances from year to year.

Depreciation and amortization decreased \$4 million, or 1 percent from the prior fiscal year. A BPA depreciation study was completed in March 2012 resulting in a decrease in depreciation expense.

Net interest expense decreased \$30 million, or 11 percent, for the year ended Sept. 30, 2012, from the comparable period a year ago. Interest expense decreased \$21 million, or 6 percent, due to a reduction of costs allocated to power purposes for intake assets at the Cougar Dam, partially offset by increases associated with borrowings for continued expansion of transmission construction, conservation, and fish & wildlife programs. Allowance for funds used during construction increased \$3 million, or 7 percent, reflecting an increased construction work in progress balance related to capital investments for generation and transmission assets. Interest income increased \$6 million, or 16 percent, as the result of a \$16 million accrual for interest income related to outstanding receivables. This one time accrual was partially offset by the effect of lower cash balances and interest rates. Consistent with an agreement with the U.S. Treasury, annually increasing amounts of BPA's reserve balance have been and will be invested in U.S. Treasury market-based special securities in lieu of accruing interest rate credits based on the weighted-average interest rate of BPA's outstanding bonds issued to the U.S. Treasury.

Fiscal year 2011 expenses compared to fiscal year 2010

For the fiscal year ended Sept. 30, 2011, operating expenses decreased \$9 million from fiscal year 2010.

Operations and maintenance increased \$145 million, or 9 percent, from the prior fiscal year, as reported in the Combined Statements of Revenues and Expenses, due mainly to increases of \$65 million for maintenance and biennial refueling for the CGS. Other year-over-year increases were Transmission Services operations and maintenance of \$23 million, Fish and Wildlife Program of \$22 million, and other agency expenses of \$14 million. Fish and wildlife increases were driven by changes in the Northwest Power and Conservation Council's Columbia River Basin Fish and Wildlife Program and in the Endangered Species Act biological opinions. In addition certain defective transmission line spacer dampers were impaired, resulting in a \$21 million impairment charge.

Purchased power expenses decreased \$204 million, or 53 percent, mainly due to higher streamflows during the current fiscal year when compared to the prior fiscal year. Higher streamflows contributed to increased federal generation, which reduced the amount of power purchased to meet load.

Nonfederal projects debt service increased \$25 million, or 4 percent, due to higher bond principal payments of \$204 million for Energy Northwest Project No. 1 and Project No. 3. The increase was offset by a reduction of \$143 million for CGS. Another reduction was the non-recurrence in fiscal year 2011 of a one-time-only \$34 million termination fee for two floating-to-fixed LIBOR interest rate swaps which occurred in fiscal year 2010.

Depreciation and amortization increased \$25 million, or 7 percent from the prior fiscal year, primarily due to increases for conservation amortization of \$10 million and depreciation on transmission assets of \$8 million, consistent with increases in capital expenditures.

Net interest expense for the fiscal year ended Sept. 30, 2011, increased \$29 million, or 12 percent, compared to fiscal year 2010. The primary drivers were \$15 million of call premiums paid for refinancing bonds issued to the U.S. Treasury and a \$17 million, or 32 percent, reduction of interest income as a result of lower cash balances and interest rates.

Selected quarterly information

Federal Columbia River Power System
3 months ended (thousands of dollars)

	Dec 31	Mar 31	Jun 30	Sep 30	Totals
2012					
Operating revenues	\$ 818,190	\$ 879,375	\$ 829,519	\$ 790,766	\$ 3,317,850
Operating expenses	721,111	761,960	702,565	803,162	2,988,798
Net interest expenses	67,852	35,870	64,236	74,342	242,300
Net revenues (expenses)	\$ 29,227	\$ 81,545	\$ 62,718	\$ (86,738)	\$ 86,752
2011					
Operating revenues	\$ 851,022	\$ 931,689	\$ 730,822	\$ 771,241	\$ 3,284,774
Operating expenses	736,585	707,562	708,876	777,710	2,930,733
Net interest expenses	64,813	62,941	63,274	81,331	272,359
Net revenues (expenses)	\$ 49,624	\$ 161,186	\$ (41,328)	\$ (87,800)	\$ 81,682
2010					
Operating revenues	797,473	821,173	731,860	704,625	3,055,131
Operating expenses	683,274	784,180	670,008	801,908	2,939,370
Net interest expenses	57,974	59,467	59,475	66,426	243,342
Net revenues (expenses)	\$ 56,225	\$ (22,474)	\$ 2,377	\$(163,709)	\$ (127,581)

Historically, due to autumn and winter heating loads for Northwest utilities, first and second quarters normally have higher revenues. Maintenance on transmission facilities increases during summer, usually resulting in higher operating expenses for fourth quarters.

Results from quarter to quarter may fluctuate as a result of seasonal weather conditions, changes in load shaping rates, and other factors. Tiered rates went into effect with the start of fiscal year 2012. The tiered rates design flattens the bulk of the priority firm revenues over the year. The composite and non-slice rates in particular are flat every month. The load shaping rate varies from month to month, with higher load shaping revenue in winter than in fall, spring, and summer of fiscal year 2012. Aggregate customer loads were comparatively higher in winter than the capability of the Tier 1 federal system. Prior to tiered rates, subscription rates were based on a dollar-per-megawatt rate which varied month to month.

Liquidity and capital resources

SUMMARY CASH FLOWS

Federal Columbia River Power System
For the years ended Sept. 30 (thousands of dollars)

	2012	2011	2010
Cash and cash equivalents at beginning of year	\$ 892,125	\$ 1,078,671	\$ 1,357,019
Net cash provided by and (used for)			
Operating activities	648,023	436,986	370,368
Investing activities	(837,491)	(983,466)	(712,616)
Financing activities	246,202	359,934	63,900
Net increase and (decrease) in cash and cash equivalents	56,734	(186,546)	(278,348)
Cash and cash equivalents at end of year	\$ 948,859	\$ 892,125	\$ 1,078,671

OPERATING ACTIVITIES

As a result of the factors previously discussed, the FCRPS earned net revenues of \$87 million for the fiscal year ended Sept. 30, 2012. By comparison, net revenues were \$82 million for the fiscal year ended Sept. 30, 2011. Cash provided by operating activities of the FCRPS increased \$211 million to \$648 million for the twelve months ended Sept. 30, 2012, when compared to fiscal year 2011. The change in operating cash flow activities primarily reflects increased amortization of nonfederal projects, differences in the timing of payments of accounts payable, and changes in regulatory assets and liabilities. Also, BPA received a cash payment of \$74 million for outstanding accounts receivable related to the West Coast energy crisis of 2000 and 2001.

The FCRPS earned net revenues of \$82 million for the fiscal year ended Sept. 30, 2011. By comparison, the FCRPS incurred net expenses of \$128 million for the fiscal year ended Sept. 30, 2010. Net cash provided by operating activities of the FCRPS increased to \$437 million for the fiscal year ended Sept. 30, 2011, as reported in the Combined Statements of Cash Flows.

INVESTING ACTIVITIES

Net cash used for investing activities of the FCRPS decreased \$146 million to \$837 million for the fiscal year ended Sept. 30, 2012, when compared to the fiscal year ended Sept. 30, 2011. Investment in utility plant increased \$74 million, driven primarily by a ramp-up of transmission and generating capital projects.

BPA invested \$100 million in U.S. Treasury market-based special securities at the beginning of both fiscal years. Under its banking arrangement with the U.S. Treasury, BPA agreed to increase the amount invested in market-based special securities by \$100 million per year through fiscal year 2018 or until the BPA fund is fully invested. Purchases of market-based special securities with maturities of 90 days or less are considered cash equivalents and as such are not presented as investing activities. During the fiscal year ended Sept. 30, 2012, \$639 million of investments and \$115 million of cash equivalents matured and were invested in other market-based special securities. BPA's current investment portfolio consists of primarily short-term securities.

In the fiscal year ended Sept. 30, 2012, the consolidated special purpose corporations deposited \$202 million into their restricted trust funds and transferred \$232 million to the BPA fund to support construction activities on leased transmission projects. When compared to the same activities for the fiscal year ended Sept. 30, 2011, \$69 million of the net change reflects an increase in construction activity on leased projects as seen by increases in both deposits to the restricted trust funds and advances to the BPA fund.

Net cash used for investing of the FCRPS increased \$271 million to \$983 million for the fiscal year ended Sept. 30, 2011, when compared to the fiscal year ended Sept. 30, 2010. Investment in utility plant increased \$104 million, driven primarily by investments for additional transmission assets and at generating facilities. During the fiscal year ended Sept. 30, 2011, \$163 million of investments and \$45 million of cash equivalents matured and were invested in other market-based special securities. In the fiscal year ended Sept. 30, 2011, the consolidated special purpose corporations deposited \$106 million into their restricted trust funds and transferred \$67 million to the BPA fund to support construction activities on leased transmission projects. When compared to the same activities for the fiscal year ended Sept. 30, 2010, the \$75 million net change reflects an increase in construction activity on leased projects as seen by increases in both deposits to the restricted trust funds and advances to the BPA fund.

FINANCING ACTIVITIES

Net cash provided by financing activities of the FCRPS was \$246 million for the fiscal year ended Sept. 30, 2012, compared to \$360 million for the fiscal year ended Sept. 30, 2011.

Cash provided by federal appropriations decreased compared to the prior fiscal year primarily due to \$125 million higher repayment and \$25 million lower funding for capital investments and operations and maintenance at federal generating facilities. In the current fiscal year, BPA borrowings from the U.S. Treasury were \$806 million, or \$6 million higher than borrowings during the prior fiscal year. Of the \$806 million, \$506 million was at fixed rates and \$300 million was at variable interest rates. The \$806 million includes \$252 million for transmission investments, \$259 million for generation investments, \$115 million for conservation investments, \$58 million for fish and wildlife investments, \$22 million for agency services and \$100 million for current operations using the Treasury short-term liquidity facility. Additional nonfederal debt of \$202 million was issued under the Lease Financing Program. Increased nonfederal debt repayments were primarily due to an increase of \$70 million for Energy Northwest Project No. 1 offset by a reduction in debt repayments of \$34 million for Project No. 3.

Net cash provided by financing activities of the FCRPS was \$360 million for the fiscal year ended Sept. 30, 2011, compared to \$64 million for the fiscal year ended Sept. 30, 2010. Cash provided by federal appropriations increased compared to the prior fiscal year primarily due to \$165 million lower repayment and \$43 million higher funding for capital investments and operations and maintenance at federal generating facilities. BPA borrowings from the U.S. Treasury were \$800 million, an increase of \$162 million, while U.S. Treasury bond repayment was \$370 million, an increase of \$115 million. The \$800 million in bonds issued to the U.S. Treasury in fiscal year 2011 include \$370 million for transmission investments, \$235 million for generation investments, \$80 million for fish and wildlife investments and \$115 million for conservation investments. Additional nonfederal debt of \$202 million was issued under the Lease Financing Program, \$96 million of which were issued in order to refinance \$90 million at a beneficially lower interest rate. Increased nonfederal debt repayments were primarily due to an increase of \$91 million and \$85 million for Energy Northwest's Project No. 1 and Project No. 3, respectively, partially offset by a reduction in debt repayments of \$141 million for CGS.

CASH AND CASH EQUIVALENTS BALANCE AND BPA RESERVES

As of Sept. 30, 2012, the FCRPS ending cash and cash equivalents balance on the Combined Balance Sheet was \$949 million. BPA's fiscal year-end cash and cash equivalents balance, excluding funds transferred from the Spectrum Relocation fund, was \$660 million, and the Corps and Reclamation combined fiscal year-end cash balance was \$289 million.

BPA's year-end reserves for fiscal years 2012, 2011 and 2010 were \$1.02 billion, \$1.01 billion, and \$1.11 billion, respectively. Financial reserves include BPA cash, investments in U.S. Treasury market-based special securities and deferred borrowing. The U.S. Treasury market-based special securities reflect the market value as if securities were liquidated as of Sept. 30, 2012. Deferred borrowing represents amounts that BPA is authorized to borrow from the U.S. Treasury for capital expenditures that BPA has incurred but has not borrowed for as of Sept. 30, 2012.

BPA BORROWING AUTHORITY FROM THE U.S. TREASURY

The aggregate principal amount of debt BPA is authorized to have outstanding with the U.S. Treasury at any one time is \$7.70 billion. The U.S. Treasury borrowing authority may be used to finance BPA's capital programs, and in certain cases for Pacific Northwest Electric Power Planning and Conservation Act expenses. BPA and the U.S. Treasury have agreed to a liquidity facility included in the \$7.70 billion borrowing authority, enabling BPA to borrow up to \$750 million for qualifying Northwest Power Act expenses. For capital programs, the related U.S. Treasury debt is term limited depending on the facilities financed: 50 years for Corps and Reclamation capital investments, 35 years for transmission facilities, 15 years for fish and wildlife and environment projects, 12 years for conservation projects and 7 years for corporate capital assets.

As of Sept. 30, 2012, BPA had \$3.42 billion of bonds outstanding with the U.S. Treasury. The original terms of the outstanding U.S. Treasury borrowings vary from three to 30 years. All debt issued to the U.S. Treasury after April 30, 2008, is issued with call options exercisable by BPA. As of Sept. 30, 2012, BPA had 103 callable borrowings totaling \$3.03 billion. The interest on BPA's outstanding borrowings from U.S. Treasury is set at fixed and variable rates comparable to the rates prevailing in the market for similar bonds issued by government corporations. As of Sept. 30, 2012, the interest rates on the outstanding U.S. Treasury borrowings ranged from 0.2 percent to 6.1 percent with a weighted-average interest rate of 3.6 percent. As of Sept. 30, 2012, BPA had \$300 million in outstanding variable rate U.S. Treasury bonds at an average interest rate of 0.2 percent.

LEASE FINANCING PROGRAM

The Lease Financing Program enables BPA to continue to invest in infrastructure to support a safe and reliable system for the transmission of power with an alternative to the use of limited statutory borrowing authority with the U.S. Treasury. Under this program, BPA has entered into lease arrangements with third parties to fund construction of specific transmission assets. These entities include the Port of Morrow and six special purpose entities. The special purpose entities are collectively referred to as the Northwest Infrastructure Financing Corporations and are consolidated by BPA for financial statement reporting purposes.

As of Sept. 30, 2012, BPA had outstanding leases of \$668 million with the NIFCs and \$85 million with the Port of Morrow. BPA, as the construction agent, constructs and installs the leased assets. The construction costs of the assets are being financed through bonds or bank lines of credit established by the third parties. The related debt service is paid from and secured solely by BPA's lease payments and amounts held in trust funds by the third parties. The related transmission assets are not pledged as security for repayment of the related loans or bonds. The lease agreements expire between fiscal years 2015 and 2042, at which point BPA may acquire the assets, negotiate the extension of the leases for longer terms, or arrange for the transfer of the assets to a separate owner and lease the assets from the new owner.

TREASURY PAYMENT

BPA paid the U.S. Treasury \$886 million for fiscal year 2012, making it the 29th consecutive year in which BPA has made its payments on time and in full. The fiscal year 2012 payments included \$493 million in principal and \$358 million in interest for U.S. Treasury debt and for the appropriated federal investment in the FCRPS. This fiscal year's principal payment included \$53 million to repay bonds issued to the U.S. Treasury in excess of the base payment calculated for the Federal Energy Regulatory Commission filings. BPA paid the U.S. Treasury \$35 million in other obligations associated with the operation of the FCRPS. Payments made in fiscal years 2011 and 2010 were \$830 million and \$864 million, including \$70 million and \$39 million, respectively, to repay federal appropriations and bonds issued to the U.S. Treasury in excess of the base payments calculated for FERC filings. As previously discussed, over the past two decades, Energy Northwest's debt service was periodically restructured to achieve overall federal and nonfederal debt service objectives which reduced nonfederal projects expense and accelerated principal payments of federal appropriations and bonds issued to the U.S. Treasury.

CREDIT RATINGS

Credit ratings on nonfederal debt backed by BPA as of Sept. 30, 2012, were as follows:

- Moody's at Aa1 with a stable outlook
- Standard & Poor's at AA- with a stable outlook
- Fitch at AA with a stable outlook

Contractual obligations and federal payments

Amounts shown in the following table for federal appropriations, borrowings from U.S. Treasury, nonfederal debt, capital leases, IOU exchange benefits, REP Refund Amounts and asset retirement obligations include interest expense and are therefore higher than amounts for these line items reflected in the Combined Balance Sheets and described in the Notes to Financial Statements - Note 6, Federal Appropriations; Note 7, Borrowings from U.S. Treasury; Note 8, Nonfederal Financing; Note 10, Residential Exchange Program and Note 4, Asset Retirement Obligations. Irrigation assistance is treated as a distribution from accumulated net revenues (expenses) when paid. Purchase power commitments are a period expense. Irrigation assistance and purchase power commitments are described in Note 14, Commitments and Contingencies.

CONTRACTUAL OBLIGATIONS AND FEDERAL PAYMENTS

As of Sept. 30 (thousands of dollars)

	2013	2014	2015	2016	2017	2018+	Total
Federal appropriations	\$ 236,870	\$ 236,870	\$ 236,870	\$ 236,870	\$ 236,870	\$ 9,859,654	\$ 11,044,004
Borrowings - U.S. Treasury	291,138	229,248	333,126	150,808	156,673	4,417,523	5,578,516
Nonfederal debt	787,514	861,175	1,035,585	1,021,082	761,855	4,150,450	8,617,661
Capital leases	8,122	8,029	8,029	8,030	8,030	249,722	289,962
IOU exchange benefits	182,100	197,500	197,500	214,100	214,100	2,878,300	3,883,600
REP Refund Amounts	76,537	76,537	76,537	76,537	76,537	153,078	535,763
Asset retirement obligations	4,850	5,022	5,199	5,384	5,655	250,919	277,029
Irrigation assistance	58,961	52,549	52,110	60,957	51,393	389,974	665,944
Purchase power commitments	66,441	35,234	17,477	19,026	20,863	44,877	203,918
Total	\$ 1,712,533	\$ 1,702,164	\$ 1,962,433	\$ 1,792,794	\$ 1,531,976	\$ 22,394,497	\$ 31,096,397

OFF-BALANCE SHEET ARRANGEMENTS

FCRPS is not engaged in any off-balance sheet arrangements through unconsolidated limited purpose entities.

Critical accounting policies and estimates

Certain accounting policies require management to make estimates and judgments concerning transactions that will be settled in the future. Amounts recognized in the Financial Statements from such estimates are based upon numerous assumptions involving varying and potentially significant degrees of judgment and uncertainty. Accordingly, the amounts currently reflected in the Financial Statements will likely increase or decrease in the future as additional information becomes available.

REGULATORY ACCOUNTING

BPA's rates are designed to recover its cost of service. In connection with the rate-setting process, certain current costs or credits may be included in rates for recovery or refund over future periods. Under those circumstances regulatory assets or liabilities are recorded in accordance with authoritative guidance for Regulated Operations. Such costs or credits are amortized either during the periods they are scheduled in rates or over the terms of the related nonfederal projects debt.

In order to apply regulatory accounting, an entity must have the statutory authority to establish rates that recover all costs, and rates so established must be charged to and collected from customers. If BPA's rates should become market-based, any deferred costs and revenues would be expensed and recognized, respectively, in the Combined Statement of Revenues and Expenses in that period. Since BPA's rates are not structured to provide a rate of return on rate base assets, regulatory assets are recovered at cost without an additional rate of return. Amortization of these assets and liabilities is reflected in the Combined Statements of Revenues and Expenses.

Quantitative and qualitative disclosures about risk

RISK MANAGEMENT

Due to the operational risk posed by fluctuations in river flows and electric market prices, net revenues that result from underlying surplus or deficit energy positions are inherently uncertain. BPA's Transacting Risk Management Committee has responsibility for the oversight of the market price, inventory and credit risks that arise from transacting in power markets. The TRMC establishes risk tolerances and limits that are represented in the transactional risk policy. This policy defines the control environment through which these risks are managed. Experienced business and risk analysts and managers conduct simulation and analysis of the hydro supply system and forward market prices to derive market price and credit risk positions. These results are measured against risk limits and reported to senior management.

Non-GAAP financial information

FISH AND WILDLIFE

The Northwest Power Act directs BPA to protect, mitigate and enhance fish and wildlife resources to the extent they are affected by federal hydroelectric projects on the Columbia River and its tributaries. BPA makes expenditures and incurs other costs for fish and wildlife consistent with the Northwest Power Act and the Northwest Power and Conservation Council's Columbia River Basin Fish and Wildlife Program. Additionally, certain Columbia River Basin fish species are listed under the Endangered Species Act as threatened or endangered. BPA is financially responsible for expenditures and other costs arising from conformance with the ESA and certain biological opinions prepared by the National Oceanic and Atmospheric Administration Fisheries and the U.S. Fish and Wildlife Service in furtherance of the ESA.

BPA's fish and wildlife costs consist of direct costs and operational impacts. Direct costs include integrated program costs. Operational impacts include replacement power purchase costs and estimated foregone power revenues. The following table includes these costs and estimates.

FISH AND WILDLIFE

Federal Columbia River Power System
For the years ended Sept. 30 (millions of dollars)

	2012	2011	2010
Direct costs	\$ 453	\$ 422	\$ 393
Operational impacts:			
Replacement power purchases	38	71	310
Estimated foregone power revenues	152	157	99
Total fish and wildlife	\$ 643	\$ 650	\$ 802



FEDERAL REPAYMENT

Revenue requirement study

The submission of BPA's annual report fulfills the reporting requirements of the Grand Coulee Dam – Third Powerplant Act, Public Law 89-448. The revenue requirement study demonstrates repayment of federal investment. It reflects revenues and costs consistent with BPA's 2012 Final Wholesale Power and Transmission Rate Proposals of Aug. 1, 2011, for fiscal years 2012 and 2013. (See BP-12-FS-BPA-02 for Power and BP-12-FS-BPA-07 for Transmission.) The final proposals filed with FERC contain the official amortization schedule for the rate periods. FERC provided interim approval for the BP-12 filings on Sept. 22, 2011, but has yet to issue the order for final approval.

Repayment demonstration

BPA is required by Public Law 89-448 to demonstrate that reimbursable costs of the FCRPS will be returned to the U.S. Treasury from BPA net revenues within the period prescribed by law. BPA is required to make a similar demonstration for the costs of irrigation projects that are beyond the ability of irrigation water users to repay. These requirements are met by conducting power repayment studies including schedules of payments at the proposed rates to demonstrate repayment of principal within the allowable repayment period.

Since 1985, BPA has prepared separate repayment demonstrations for generation and transmission in accordance with an order issued by FERC on Jan. 27, 1984 (26 FERC 61,096).

Repayment policy

BPA's repayment policy is reflected in its generation and transmission revenue requirements and respective rate levels. This policy requires that FCRPS revenues be sufficient to:

1. Pay the cost of operating and maintaining the power system.
2. Pay the cost of obtaining power through purchase and exchange agreements (nonfederal projects) and transmission services that BPA is obtaining under capitalized lease-purchase agreements.
3. Pay interest on and repay outstanding U.S. Treasury borrowings to finance transmission system construction, conservation, environmental, direct-funded Corps and Reclamation improvements, and fish and wildlife projects.
4. Pay interest on the unrepaid investment in facilities financed with appropriated funds. (Federal hydroelectric projects all were financed with appropriated funds, as were BPA transmission facilities constructed before 1978.)
5. Pay, with interest, any outstanding deferral of interest expense.
6. Repay the power investment in each federal hydroelectric project with interest within 50 years after the project is placed in service (except for the Chandler project, which has a legislated repayment period of 66 years).

7. Repay each increment of the investment in the BPA transmission system financed with appropriated funds with interest within the average service life of the associated transmission plant (48 years).
8. Repay the appropriated investment in each replacement at a federal hydroelectric project within its service life.
9. Repay irrigation investment at federal reclamation projects assigned for payment from FCRPS revenues, after all other elements in the priority of payments are paid and within the same period established for irrigation water users to repay their share of construction costs. These periods range from 40 to 66 years, with 50 years being applicable to most of the irrigation payment assistance.

Investments bearing the highest interest rate will be repaid first, to the extent possible, while still completing repayment of each increment of investment within its prescribed repayment period.

Repayment obligation

BPA's rates must be designed to collect sufficient revenues to return separately the power and transmission costs of each FCRPS investment and each irrigation assistance obligation within the time prescribed by law.

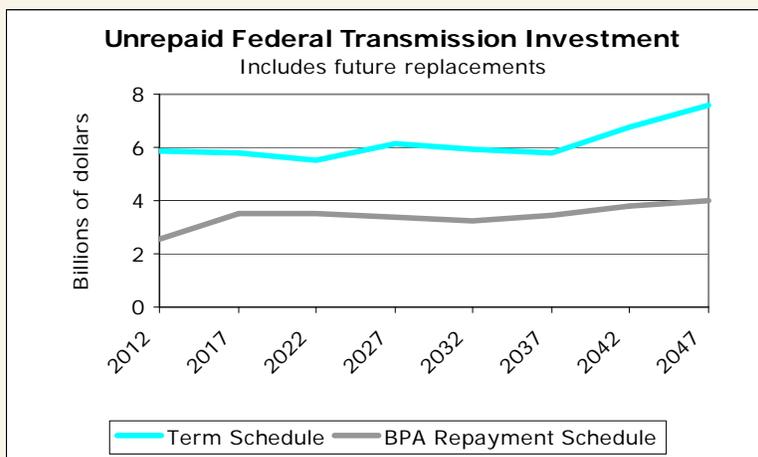
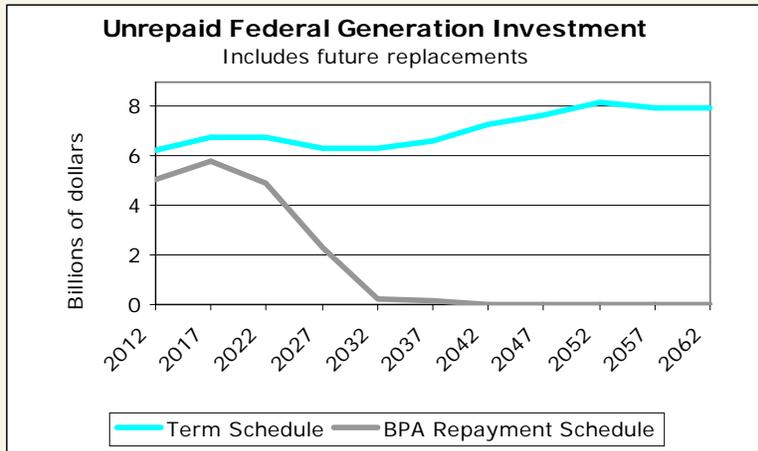
If existing rates are not likely to meet this requirement BPA must reduce costs, adjust its rates, or both. However, irrigation assistance payments from projects authorized subsequent to Public Law 89-448 are to be scheduled to not require an increase in the BPA power rate level. Comparing BPA's repayment schedule for the unrepaid capital appropriations and bonds with a "term schedule" demonstrates that the federal investment will be repaid within the time allowed. A term schedule represents a repayment schedule whereby each capitalized appropriation or bond would be repaid in the year it is due.

Reporting requirements of Public Law 89-448 are met so long as the unrepaid FCRPS investment and irrigation assistance resulting from BPA's repayment schedule are less than or equal to the allowable unrepaid investment in each year. While the comparison is illustrated by the following graphs representing total FCRPS generation and total FCRPS transmission investment, the actual comparison is performed on an investment-by-investment basis.

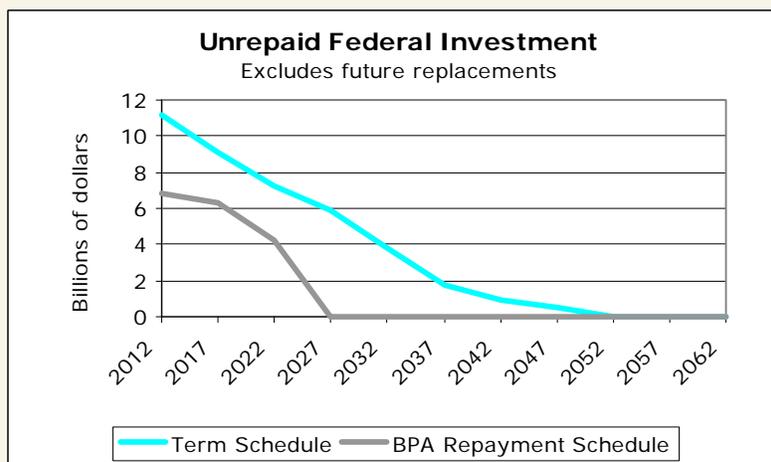
Repayment of FCRPS investment

The graphs for Unrepaid Federal Generation and Transmission Investment illustrate that unrepaid investment resulting from BPA's generation and transmission repayment schedules is less than the allowable unrepaid investment. This demonstrates that BPA's rates are sufficient to recover all FCRPS investment costs on or before their due dates.

The term schedule lines in the graphs show how much of the obligation can remain unpaid in accordance with the repayment periods for the generation and transmission components of the FCRPS. The BPA repayment schedule lines show how much of the obligation remains to be repaid according to BPA's repayment schedules. In each year, BPA's repayment schedule is ahead of the term schedule. This occurs because BPA plans repayment both to comply with obligation due dates and to minimize costs over the entire repayment study horizon (35 years for transmission, 50 years for generation). Repaying highest interest-bearing investments first, to the extent possible, minimizes costs. Consequently, some investments are repaid before their due dates while assuring that all other obligations are repaid by their due dates. These graphs include forecasts of system replacements during the repayment study horizon that are necessary to maintain the existing FCRPS generation and transmission facilities.



The Unrepaid Federal Investment graph displays the total planned unrepaid FCRPS obligations compared to allowable total unrepaid FCRPS investment, omitting future system replacements. This demonstrates that each FCRPS investment through 2012 is scheduled to be returned to the U.S. Treasury within its repayment period and ahead of due dates.



If, in any given year, revenues are not sufficient to cover all cash needs including interest, any deficiency becomes an unpaid annual expense. Interest is accrued on the unpaid annual expense until paid. This must be paid from subsequent years' revenues before any repayment of federal appropriations can be made.



EXECUTIVES

Stephen J. Wright

Administrator and Chief Executive Officer

William K. Drummond

Deputy Administrator

Kimberly A. Leathley, ACTING

Chief Operating Officer*

Claudia R. Andrews

Executive Vice President for Finance
and Chief Financial Officer

Larry D. Buttress, ACTING

Executive Vice President for Internal Business Services

Elliot E. Mainzer

Executive Vice President for Corporate Strategy

Randy A. Roach

Executive Vice President for General Counsel
and General Counsel

Lorri Bodi

Vice President for Environment, Fish and Wildlife

Jeffrey A. DiGenova, ACTING

Vice President for Information Technology
and Chief Information Officer

Samuel D. Cannady

Chief Risk Officer

John L. Hairston

Chief Compliance Officer

Douglas R. Marker, ACTING

Chief Public Affairs Officer

Terry V. Oliver

Chief Technology Innovation Officer

POWER SERVICES

Gregory K. Delwiche

Senior Vice President for Power Services

Suzanne B. Cooper

Vice President for Bulk Marketing

Mark O. Gendron

Vice President for Northwest Requirements Marketing

Karen L. Meadows, ACTING

Vice President for Energy Efficiency

Stephen R. Oliver

Vice President for Generation Asset Management

TRANSMISSION SERVICES

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Senior Vice President for Transmission Services

Larry N. Bekkedahl

Deputy Senior Vice President Transmission Services

John A. Lahti, ACTING

Vice President for Engineering and Technical Services

Cathy L. Ehli

Vice President for Transmission Marketing and Sales

Robin R. Furrer

Vice President for Transmission Field Services

Hardev S. Juj

Vice President for Planning and Asset Management

* CHIEF OPERATING OFFICER ANITA J. DECKER IS ON A TEMPORARY ASSIGNMENT AS ACTING ADMINISTRATOR FOR THE WESTERN AREA POWER ADMINISTRATION.



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360-414-5601

Covington District

28401 Covington Way S.E.
Kent, WA 98402
253-638-3770

IN MEMORY



All of us at BPA mourn the loss of lineman Matt Karstetter, who died Sept. 20, 2012, in a fall from a transmission tower while working on a spacer replacement project on high-voltage lines near the Montana-Idaho border.

Matt Karstetter, 34, was a true American hero. He was a husband, a father, a Marine, and a beloved and highly respected member of BPA's Bell Transmission line maintenance crew out of Spokane, Wash.

The day before his death, Matt performed a helicopter rescue of a crew member in medical distress, just one example of the courage and skills he displayed daily. He died in the line of public service, doing the important and challenging work to provide the reliable electric service that keeps millions of residents of the Northwest safe and comfortable. He will not be forgotten.

www.bpa.gov

BONNEVILLE POWER ADMINISTRATION

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