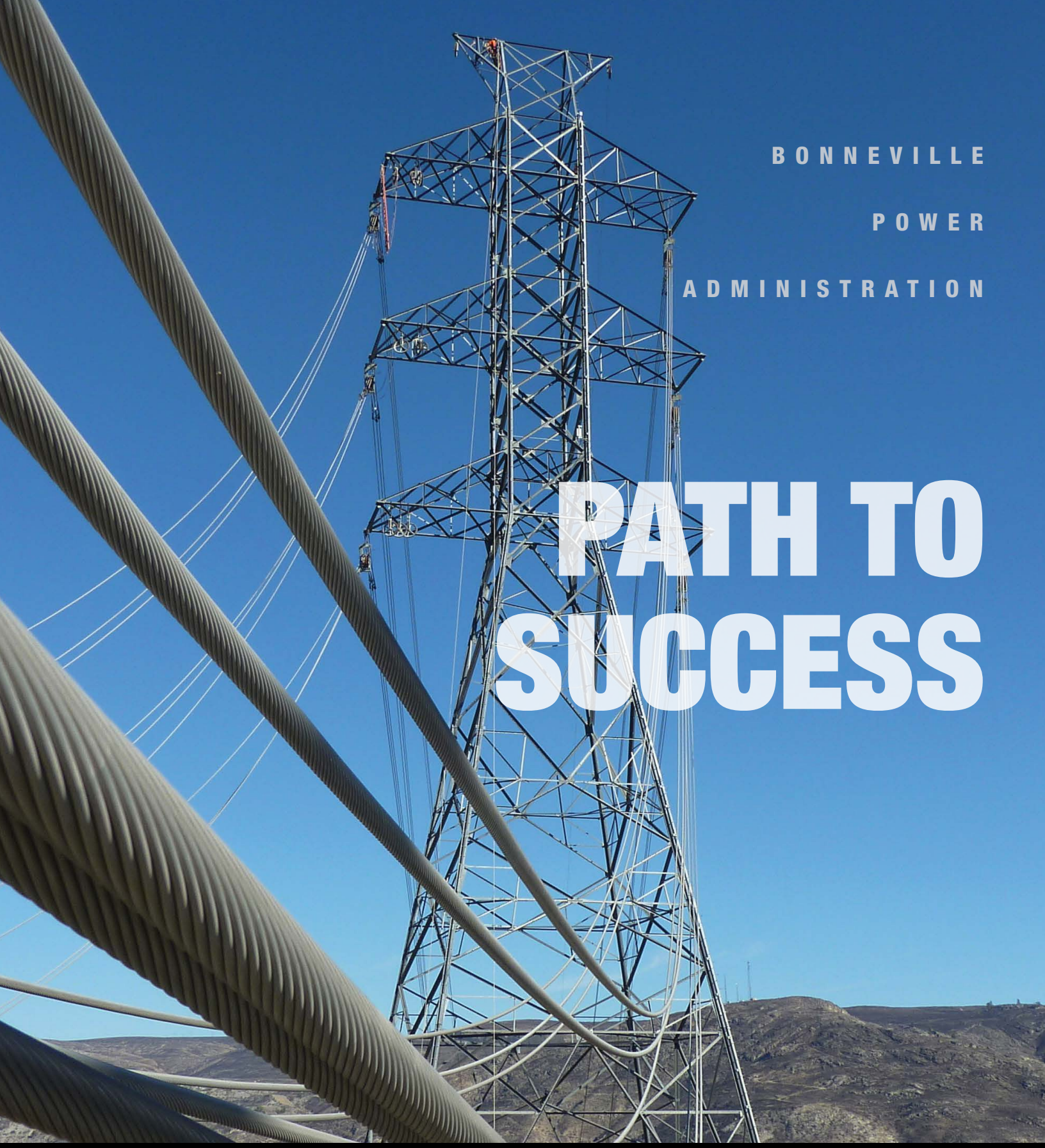

BONNEVILLE

POWER

ADMINISTRATION

PATH TO SUCCESS

2015 ANNUAL REPORT

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BPA PROFILE

The Bonneville Power Administration is a federal nonprofit power marketing administration based in the Pacific Northwest. Although BPA is part of the U.S. Department of Energy, it is self-funding and covers its costs by selling its products and services. BPA markets wholesale electrical power from 31 federal hydroelectric projects in the Northwest, one nonfederal nuclear plant and several small nonfederal power plants. The dams are operated by the U.S. Army Corps of Engineers and the Bureau of Reclamation. BPA provides about 28 percent of the electric power used in the Northwest, and its resources — primarily hydroelectric — make BPA power nearly carbon free.

BPA also operates and maintains about three-fourths of the high-voltage transmission in its service territory. BPA's territory includes Idaho, Oregon, Washington, western Montana and small parts of eastern Montana, California, Nevada, Utah and Wyoming.

BPA promotes energy efficiency, renewable resources and new technologies that improve its ability to deliver on its mission. It also funds regional efforts to protect and rebuild fish and wildlife populations affected by hydropower development in the Columbia River Basin.

BPA is committed to public service and seeks to make its decisions in a manner that provides opportunities for input from all stakeholders. In its vision statement, BPA dedicates itself to providing high system reliability, low rates consistent with sound business principles, environmental stewardship and accountability.

FINANCIAL HIGHLIGHTS

New turbine at Chief Joseph Dam (Photo by Jeff Katz, courtesy of Alstom)

FISCAL YEAR 2015

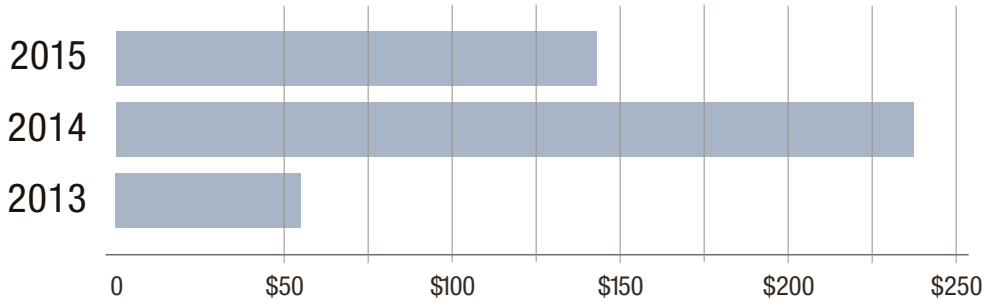
FEDERAL COLUMBIA RIVER POWER SYSTEM

THOUSANDS OF DOLLARS

Total operating revenues	$ 3,404,432
Total operating expenses	2,712,486
Net operating revenues	691,946
Net interest expense	287,292
Net revenues	$ 404,654
Adjusted net revenues	$ 142,575

ADJUSTED NET REVENUES

MILLIONS OF DOLLARS



CREDIT RATINGS

Moody's Investors Service	Aa1 with a stable outlook
Standard & Poor's	AA- with a stable outlook
Fitch Ratings	AA with a stable outlook

ADMINISTRATOR'S LETTER

The Bonneville Power Administration has proudly served the Northwest as an engine of economic prosperity and environmental vitality for nearly 80 years. In 2015, in light of unprecedented change sweeping the energy industry, we took steps to map our path for lasting success, with an eye toward remaining the Northwest's wholesale energy provider of choice for decades to come.

Our success hinges on performance in five strategic focus areas, and I'm pleased to report the progress we've made in each of these areas this year.

OUR PEOPLE

Our accomplishments in 2015 would not have been possible without our people — the source of every past success and the force behind our future. To that end, we began the year with a renewed focus on creating a safe, positive, inclusive work environment.

After elevating safety to our highest core value in 2014, we worked hard this year to put our words into action. Safety starts at the top, and our executives demonstrated this by devoting time and energy in all corners of the organization to create a shared vision among employees for a top-performing safety program. This concerted effort and many related accomplishments, such as adopting a new safety management system, advancing our training program and hiring additional safety professionals, set us well on our way to embedding safety into everything we do.

We also upheld our commitment to current and prospective employees by developing a first-in-class human resource program. In 2015, we not only completed actions to address shortcomings in our hiring capabilities, we received an Honor Award for our accomplishments from the secretary of energy and maintained top ratings in quarterly Department of Energy audits.

Following disappointing engagement scores in a 2014 employee survey, this year we developed and initiated a multi-year, BPA-wide action plan to improve engagement based on employee feedback. To measure our progress, we conducted a follow-up survey in July and received a record-breaking response rate of more than 80 percent of our workforce. The results indicate that we are moving in the right direction. And due to the increased participation, we have a better sense of where to focus the investments in our people so that we can achieve the type of workplace BPA employees want and deserve.

PHYSICAL ASSETS

The nation's largest non-carbon energy source — the Federal Columbia River Power System — has served us dependably for decades. But the infrastructure that supplies up to one-third of the Pacific Northwest's energy is showing signs of age and in need of extensive investment.

In 2015 alone, BPA ratepayers funded $167 million in hydropower capital investments and $365 million in operations and maintenance, improving both the reliability and efficiency of the power system. BPA plans for and executes hydropower capital investments with our federal partners, the U.S. Army Corps of Engineers and Bureau of Reclamation. A key to our accomplishments this year was the strengthened collaboration among the agencies, which has been crucial in the evaluation of asset health and creating plans to ensure the right investment in the right place at the right time.

BPA's transmission system, which spans more than 15,000 circuit miles across the region, is in the midst of one of the biggest expansions in our history. This fall, we made the final preparations to energize the new 38-mile, 500-kilovolt Central Ferry-Lower Monumental transmission line, built in part to carry hundreds of megawatts of wind energy generated in eastern Washington to population centers west of the Cascades. By the end of the calendar year, we expect to complete the 28-mile Big Eddy-Knight transmission project in Washington and Oregon, which also supports renewable energy and will allow us to offer more than 2,900 megawatts of new transmission service.

SUSTAINABLE FINANCES AND RATES

Our long-term success depends on our financial health. While severe drought conditions across the West created significant uncertainties for hydropower producers this year, thoughtful planning and collaboration among BPA and its partners in the operation of the FCRPS yielded positive results. We ended the year by exceeding start-of-year targets, with $405 million in net revenues and $143 million of adjusted net revenues. We also made a Treasury payment of $891 million, marking the 32nd consecutive year BPA has upheld its commitment to repay U.S. taxpayers.

In July, we concluded the BP-16 rate case for fiscal years 2016 and 2017, maintaining a difficult balance between making needed investments in aging federal power and transmission assets while setting rates that minimize near-term economic impacts and ensure a high probability of full cost recovery. I am proud of our efforts to manage the rate increase down from earlier forecasts.

This rate case marked the beginning of a redoubled effort to ensure we maintain financial health and cost competitiveness in the changing industry landscape over the coming decades. This longer-term approach took shape in pre-rate-case discussions on program costs, which led BPA to transition its Energy Efficiency costs from capital to expense, reducing long-term interest expense and preserving scarce borrowing authority.

This decision set the stage for a forum we are launching this fall, called Focus 2028, for BPA and our customers, constituents and stakeholders to come to a shared understanding of our financial structure and the types of strategic choices we face to maintain financial strength. With our customers' long-term power contracts expiring in 2028, our objective is to ensure we maintain cost competitiveness while continuing to meet our multiple statutory responsibilities and delivering the public benefits that are so valuable to this region. To guide our discussions, BPA is unveiling an innovative capability to analyze our rates and financial strength over a 15-year horizon under a variety of assumptions and scenarios. As a basis for comparison, we developed a projection of our financial health and rates in 2028 based on current assumptions. This analysis shows us where we are headed if we continue on our current course.

RELIABLE, EFFICIENT AND FLEXIBLE SYSTEM OPERATIONS

We aren't only expanding the federal transmission system, we're modernizing it. A modern grid will contribute to a growing economy and is critical for greater reliability and real-time awareness of conditions across the system. Our new tools are already helping us adapt to 21st century technologies and meet the evolving needs of energy consumers.

BPA has a history of using new technologies to get more from its existing equipment, and we built on that tradition in 2015. There is perhaps no better example than our network of synchrophasors, the largest, most sophisticated system of its kind, which provides a high-resolution view of grid conditions. Synchrophasors are enabling more advanced system tools, such as a new response system we are developing to assess the health of the grid and take actions within a split second of a disturbance, ensuring safe operations.

Grid modernization is also a central objective of the Northwest Power Pool and its members. Bonneville, together with regional entities involved in the NWPP Members' Market Assessment and Coordination Committee, has been evaluating a set of low-cost, low-risk steps to collectively address the regional power system's operational and commercial challenges. By the end of this year, we will be ready to decide whether to pursue these tools, which could enable more reliable, efficient within-hour operations.

THE NATURAL ENVIRONMENT

BPA funds and helps run one of the largest fish and wildlife programs in the world. In the spring and fall of 2015, chinook salmon passed Bonneville Dam in near-record numbers.

But in a disheartening turn of events during the summer, sockeye salmon in rivers across the region suffered. In the Columbia River Basin, an estimated 80 percent of the year's adult sockeye run was lost to unusually warm water temperatures. BPA worked closely with its federal partners to change hydropower operations, reducing water temperatures and speeding fish passage under the difficult conditions.

We also continued our expansive habitat programs and completed a key land acquisition in Idaho's Lemhi Basin to preserve and protect 10 miles of river and streamside habitat — more than half of that basin's salmon and steelhead spawning habitat.

As we continue to focus on these five strategic areas, taking care of the Bonneville workforce will remain among our highest priorities. It's the wisest investment we can make, especially as we work to sustain our leadership in a new era of energy production and distribution. I'm honored to lead such a skilled workforce that's dedicated to our public service mission, and I look forward to the possibilities that lie ahead for us.

Elliot Mainzer

Administrator and CEO

FINANCE

As the Pacific Northwest faced the impacts and uncertainties of severe drought in 2015, one vital resource the region could count on was its supply of clean, low-cost electricity from the Bonneville Power Administration and the Federal Columbia River Power System. The 31 dams of the FCRPS supply about 28 percent of the electricity consumed in the four-state region, at a cost that is very low in both dollar and carbon terms.

Early in the fiscal year, as above-normal temperatures caused more precipitation to fall as rain than snow in U.S. portions of the Columbia Basin, BPA readied plans for the onset of dry-year operations. In May, Bonneville and its federal and Canadian partners initiated a series of steps designed to stretch the benefits of the system for power production and fish and wildlife protection under conditions of scarce snowpack.

The total volume of water in 2015 passing the benchmark site in the Northwest, The Dalles Dam, was 86 percent of average. Solid snowpack in the Canadian Rockies recharged the Columbia River enough to allow the federal hydropower system to continue to provide more than sufficient energy to meet the needs of its customers around the region. Timely measures to manage both resources and costs helped BPA maintain net revenues and meet its financial targets.

We finished the year with FCRPS net revenues of $405 million and adjusted net revenues of $143 million, an increase of $43 million from the rate case and $52 million from the start-of-year budget, on total operating revenues of $3.4 billion. Adjusted net revenues is a non-GAAP metric that removes the effect of certain debt management actions that do not, in the opinion of BPA management, bear on financial results from operations.

Power Services achieved net revenues of $312 million. At $2.6 billion, power total operating revenues continued to be stable. At $2.3 billion, total expenses ran below the rate case.

Power modified net revenues were $43 million, a $53 million increase from the rate case projection of negative $10 million. Power modified net revenues is also a non-GAAP metric that adjusts for the effect of certain debt management actions. While total revenues were below rate case, this was partially offset by higher secondary sales associated with additional water releases from Canadian reservoirs to meet fiscal 2015 dry-year operations. However, those Canadian reservoirs must be replenished in the future. Although power purchases associated with dry-year operations throughout the late spring and summer increased over rate case, total power purchases for the year were lower. Overall, expenses were significantly less than the rate case as a result of BPA's serious commitment to cost management.

Transmission Services finished the year with net revenues of $99 million, an $11 million decrease from the rate case. Total operating revenues of $1 billion saw a slight decrease. Total expenses were $938 million.

Our total financial reserves were $1.2 billion, a $37 million decrease from fiscal year 2014. Total financial reserves, a non-GAAP liquidity measure used by BPA management, consist of BPA cash and cash equivalents, investments in U.S. Treasury market-based special securities and deferred borrowing.

TREASURY PAYMENT

BPA is proud of its record of sound financial management. In 2015, we made our Treasury payment on time and in full for the 32nd consecutive year. The payment of $891 million is the tangible measure of BPA's commitment to fully repay U.S. taxpayers with interest for their investment in the Federal Columbia River Power System. That sum included an additional $229 million prepayment of higher interest-rate appropriations — amounts made available in the BPA Fund as a result of refinancings for Regional Cooperation Debt, providing the benefit of lower interest expense to BPA ratepayers.

RATE CASE AND IPR2

The eight-month BP-16 rate case formally began in December 2014 with the issuing of an initial power and transmission rate proposal. The purpose of the rate proceeding was to establish rates that recover costs consistent with law, as well as allow customers and constituents, as parties to the case, to test the policy and legal basis of the rate proposal.

December's initial proposal reflected significant increases for both power and transmission rates for the upcoming 2016-2017 rate period. In response to customer requests for additional discussions about program costs and the future of the Energy Efficiency capital program, BPA opened a second phase of a biennial public process, called the Integrated Program Review. After considering extensive customer and stakeholder feedback from the IPR2, BPA decided to cease capitalizing Energy Efficiency program costs and begin expensing them in the fiscal year 2016-2017 rate period.

Bonneville Dam

Replacing wicket gates at Grand Coulee Dam

Making the transition to expense in a single rate period without creating a measurable rate impact required cost reductions of $20 million. Most importantly, the shift was made possible through the cooperation of the Energy Northwest executive board in approving Regional Cooperation Debt refinancing actions. This enabled us to smooth the rate transition by using interest savings and favorable debt amortization.

Following this redoubled effort to ensure rates are kept as low as possible, in July the BPA administrator released his final record of decision in the rate case covering power and transmission rates for fiscal years 2016 and 2017.

The average increase in power rates is 7.1 percent. The drivers include increased operations and maintenance costs for the hydropower system, increased fish and wildlife expenses, the expiration of debt management actions that reduced capital-related costs in the previous rate period, an automatic cost escalation in the 2012 Residential Exchange Program settlement, and higher costs for a transmission component of power rates. The average transmission rate increase of 4.4 percent primarily reflects investments in the transmission system.

BPA filed its new rates with the Federal Energy Regulatory Commission, which has granted

interim approval of the rates beginning Oct. 1, 2015, pending final review. The full approval process by the Commission is expected to take about a year.

With the new rates, BPA aims to strike the proper balance between the economic impacts of increased rates and the need for continued investments in our power and transmission assets while ensuring a high probability of recovering all costs.

ASSET MANAGEMENT

As the steward of a low-cost, low-carbon power and transmission system that provides tremendous value to the region's economy and environment, BPA has the responsibility to ensure that its actions maximize the system's value for generations to come.

Physical assets are central to delivering on BPA's mission of providing adequate, reliable and low-cost power while mitigating impacts to fish and wildlife. As aging assets and new demands for transmission expansion drive required investments, BPA must prioritize a complex sequence of decisions to finance and execute projects.

In 2015, we continued to employ an economic-value-based method for prioritizing and selecting expansion investments. We launched a strategic initiative to improve our capital portfolio management practices. Among its goals are high success rates in delivering projects with the planned benefits, on time and on budget.

Removing a turbine runner at Chief Joseph Dam

POWER SERVICES

For Power Services, 2015 was a year of intensified focus on the near- and long-term well-being of the Federal Columbia River Power System. BPA played a leading role in managing the system to stretch its benefits during a severe drought while simultaneously pushing ahead with federal partners on multimillion-dollar projects to renew aging infrastructure and maintain the integrity of the 31 federal dams for generations to come.

DRY-YEAR OPERATIONS

After an unusual winter that left a scant snowpack across many parts of the Columbia Basin, the region experienced one of the driest summers on record. In dry years, the relationship between BPA and its federal partners is particularly important. Extreme weather heightens the complexity of system operations, putting a premium on teamwork among BPA and the agencies that operate the dams, the U.S. Army Corps of Engineers and the Bureau of Reclamation.

In May, the agencies launched dry-year operations. BPA Power Services initiated a series of actions to ensure a reliable supply of low-cost electricity while providing water flows for fish. These steps included developing forecasts and load estimates, and helping coordinate Columbia River Treaty operations with Canada to aid U.S. power generation and fish migration.

RENEWING THE ASSETS

The FCRPS is one of the most valuable public assets in the Pacific Northwest, a reliable, low-cost workhorse that has powered many of the iconic accomplishments and products of the regional economy. The Northwest has enjoyed the unique economic and zero-carbon benefits flowing from the largest hydropower system in the nation — with a modern-day capacity of 22,458 megawatts — for more than 75 years.

After decades of vigorous and dependable service, the majority of mechanical equipment at the 31 dams has reached the era of renewal, with an average age of more than 55 years. Preserving the assets that provide the smallest carbon footprint per kilowatt-hour sold of any major U.S. utility requires significant and strategic capital investment.

BPA, the Corps of Engineers and Bureau of Reclamation coordinate capital investments in the system. The FCRPS partners evaluate the condition, criticality, cost and risk of failure for thousands of pieces of equipment. These data inform strategic priorities and help ensure the right investment at the right place at the right time.

In fiscal year 2015, BPA and its ratepayers funded approximately $167 million in hydropower capital improvements and $365 million in power operations and maintenance costs.

HYDROPOWER PROJECTS

The most dramatic example of such work unfolded in rural northern Washington, where the first mechanical overhaul on one of the largest hydroelectric turbines in the world neared completion in 2015. The two-year refurbishment of an 805-megawatt unit at Grand Coulee Dam, performed in partnership with the Bureau of Reclamation and its contractors, is the first step in an estimated $730 million project that will continue for more than a decade. During that span, each of the six massive turbines in the dam's Third Power Plant will be overhauled in sequence to provide up to 40 more years of service to the region.

Capital projects funded by BPA are preserving the reliability of additional facilities around the FCRPS. At the second-largest hydropower plant in the United States, Chief Joseph Dam near Bridgeport, Wash., the Corps of Engineers and its contractors progressed on a decade-long project to replace 16 aging turbine runners with more efficient models. (See page 17.)

Meanwhile, an innovative project with great regional promise moved ahead at Ice Harbor Dam, on the lower Snake River near the Tri-Cities in Washington. A team of government agencies and a private contractor are developing the next generation of turbines designed to be safer for downstream passage of young fish, with installation and testing of the first unit expected in 2016. If the new fish-friendly turbine designs live up to their promise after extensive testing, they would be available for use in other plants awaiting turbine replacement around the FCRPS.

And at McNary Dam, near Umatilla, Ore., the federal partners and contractors wrapped up work on a five-year, $86 million project to install new stator windings — the copper coils that transform the mechanical power of the turbine runner into electrical power — in 10 generators. The 1,044 new copper bars, replacing equipment that had been in service for more than half a century, will help secure the reliability of generation at McNary for decades to come.

COLUMBIA GENERATING STATION

The Columbia Generating Station near Richland, Wash., achieved two major performance milestones in 2015. The region's only commercial nuclear plant, owned and operated by Energy Northwest, set a record for its longest continuous operational run — 683 days — when operators shut down the reactor in May to start the station's biennial refueling and maintenance outage. For the first time in its 31-year history, Columbia achieved what's known in the industry as a "breaker-to-breaker" run, meaning the plant operated non-stop since reconnecting to the grid in June 2013 after its previous refueling outage.

At the conclusion of this year's refueling and maintenance outage, testing confirmed that the station's output has increased by about 28 megawatts to 1,153 MW. The majority of the improvement came as a result of a new feedwater flow meter, an ultrasonic instrument that more accurately measures the amount of water flowing through the reactor core.

BPA purchases the plant's output and pays the costs to operate, maintain and finance the facility, making it an important energy resource for Northwest ratepayers along with the electricity produced by the federal dams in the Columbia River system.

SOUTHEAST IDAHO LOAD SERVICE

After several years of diligent work, BPA is well positioned to continue to meet its obligations to provide firm power and transmission service to six utility preference customers in Southeast Idaho that will be affected by the end of a transmission service agreement with PacifiCorp in June 2016. To assure reliable, cost-effective replacement service, BPA has acquired firm market power near the loads and firm rights on multiple transmission paths. For the longer term, BPA identified and is helping to advance the proposed 500-kilovolt Boardman-to-Hemingway transmission project, while continuing to examine other service options such as non-wires. Bonneville is working closely with investor-owned utilities on jointly funding and permitting the 300-mile line between Boardman, Ore., and Melba, Idaho.

COLUMBIA RIVER TREATY

For more than half a century, the Columbia River Treaty between the United States and Canada has served to share the value realized from the coordinated operation of the Canadian and U.S. hydropower facilities, while reducing the risk of flooding in the Pacific Northwest.

As originally crafted in 1964, the Treaty allows either Canada or the United States to end most of its power provisions in 2024 with at least 10 years' notice. Starting in 2011, the U.S. Entity, consisting of the BPA administrator and the Army Corps of Engineers' Northwestern Division engineer, led a three-year process of study, review and collaboration with a wide variety of interests in the Northwest.

The U.S. Entity delivered a final regional recommendation concerning the future of the Treaty to the U.S. Department of State in December 2013. The recommendation submits that the Pacific Northwest and the nation would benefit from modernization of the Treaty after 2024. BPA, the Corps and other participants in the regional review believe the recommendation provides a balanced approach for modernizing the Columbia River Treaty that is broadly supported by the people of the Pacific Northwest. Since receiving the region's final recommendation, the U.S. government has conducted a formal interagency review, and discussions of substantive issues and next steps are ongoing.

The Dalles Dam

New turbine runner at Chief Joseph Dam
(Photo courtesy of Alstom)

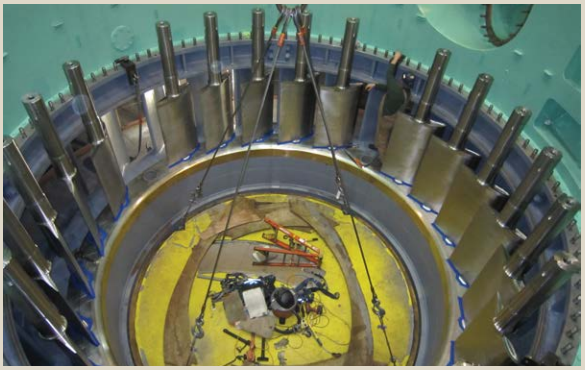
CHIEF JOSEPH DAM TURBINE RUNNERS

The Pacific Northwest is getting a boost to its supply of clean electricity thanks to a major upgrade at the second-largest hydropower dam in the country.

Chief Joseph Dam, in central Washington state, provides 2,458 megawatts of renewable energy, enough to single-handedly power the entire Seattle metro area.

BPA ratepayers are funding $164 million of work to replace 16 massive hydroelectric turbine runners in the 60-year-old plant, owned and operated by the Corps of Engineers. The runner is the part of the turbine that turns under the force of the water, the first step in transforming the mechanical energy of the river into electricity.

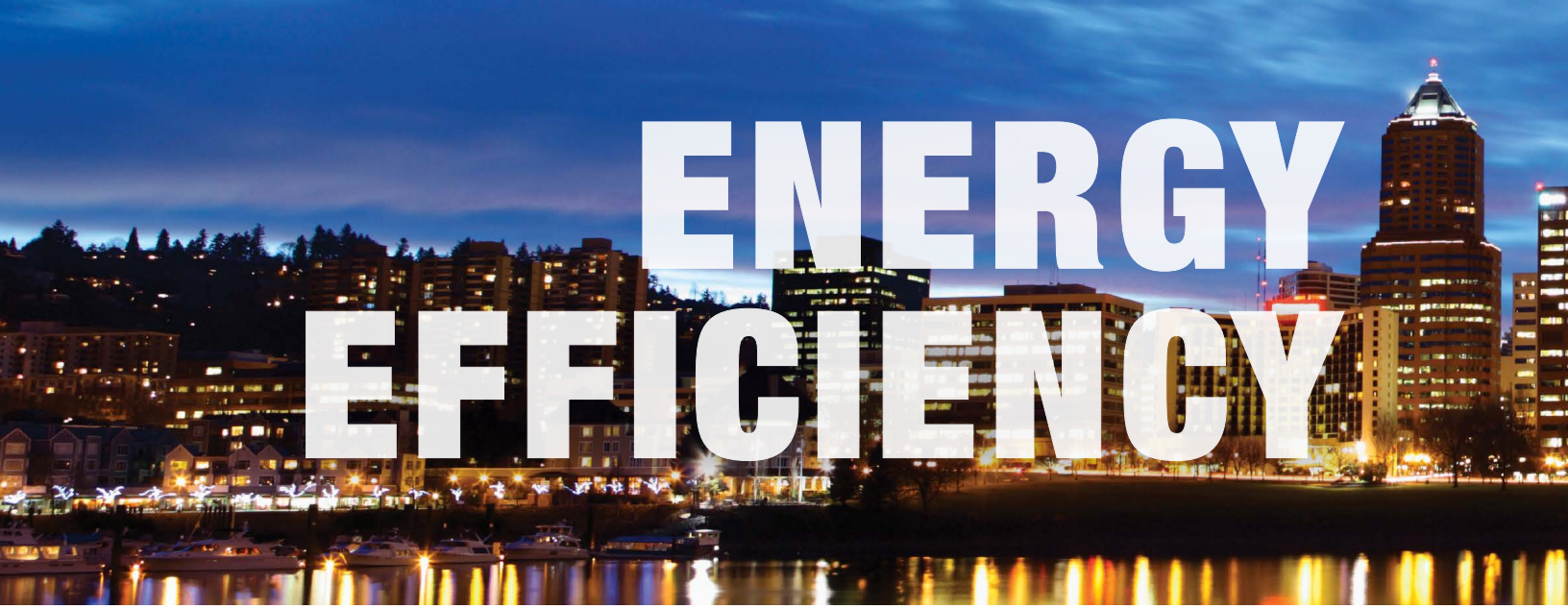
Although it has a lower profile than Grand Coulee Dam, its famous neighbor 50 miles upriver, Chief Joseph Dam plays a big role in supporting the integration of wind energy to the grid as well as regulating water flows to support endangered fish in the Columbia River. The upgrades, expected



to be complete in 2017, will increase the dam's reliability and help the agencies that operate the hydropower system to produce more clean energy while protecting natural resources such as salmon and steelhead.

The fleet of new stainless steel turbines — each 16½-feet across and weighing 90,000 to 112,000 pounds — will increase Chief Joseph's muscle by 6.5 percent. That's a large gain for any hydropower plant, but at the second-largest plant in the country, it amounts to 53 average megawatts, or enough to power 39,000 homes. More efficient turbines also experience less wear, reducing maintenance costs that otherwise add to power rates.

"We're starting to see an increase in reliability, and at the same time, we're making a wise investment in efficiency improvements," says Joseph Summers, Chief Joseph Dam's operations power manager. "So for the same amount of water, we're getting more power."



ENERGY EFFICIENCY

Over the past 35 years, the Bonneville Power Administration and its customer utilities have helped homeowners, farmers, businesses and industries collectively save about 1,500 average megawatts of electricity, making energy efficiency the region's second-largest power resource behind only hydropower.

The year 2014 marked the conclusion of the Northwest Power and Conservation Council's Sixth Power Plan, whose energy conservation targets once seemed so ambitious as to be unreachable. But BPA and its public power utility customers defied expectations and significantly exceeded their share of the Council's five-year goal. In fiscal year 2014, BPA and its customers acquired 53 average megawatts of energy savings and closed out the 2010-2014 period with 604 aMW of savings, well surpassing the Council's target of 504 aMW. Those five years of energy savings add up to enough electricity to meet the needs of nearly 450,000 Northwest homes. While exact figures for the current fiscal year are still being verified, the total savings surpass BPA's rate-period goal of 117 average megawatts.

The Council's Seventh Power Plan, which will be released in early 2016, will set the direction of energy efficiency for the next five years. It will formalize energy conservation targets and also determine the technologies BPA and other utilities will adopt to achieve them. BPA has been working with customers and regional stakeholders to support the Council with data and analysis to ensure the new plan builds on the region's strong track record of innovation and success.

BEHAVIOR-BASED PROGRAMS

A cutting-edge piece of BPA's energy efficiency portfolio, behavior-based efficiency occurs when people or organizations change the way they do things rather than installing new, more efficient technology. Last fall, Oregon's Springfield Utility Board and three Washington utilities, Snohomish County Public Utility District, Clark Public Utilities and Cowlitz Public Utility District, completed behavior-based energy efficiency pilots. These experiments brought the region

Measuring behavior-based energy efficiency in Stanwood, Wash.

closer to understanding what's necessary to reap the multitude of benefits of such energy-saving strategies. During the first 24 months, Clark's pilot program banked about 17,200 megawatt-hours of savings or roughly 2 percent for each participating household.

STRATEGIC ENERGY MANAGEMENT

Another new approach to energy efficiency is being taken in Corvallis, Ore. Unlike traditional commercial energy efficiency, which relies on large retrofits and upgrades to save energy, the Good Samaritan Regional Medical Center worked with BPA and its local utility, Consumers Power, to review its equipment and processes to seek diverse small improvements. This strategic energy management approach, which is commonly practiced by industrial facilities, yielded a list of system optimizations and repairs that could save significant amounts of electricity over time at little to no cost. This approach promises to open new efficiency opportunities in the commercial sector.

Good Samaritan Regional Medical Center, Corvallis, Ore.

TRANSMISSION

By any measure, BPA's Transmission Services had an exceptionally productive and high-profile year in 2015. Whether it was helicopters pulling new mile-long transmission cables across the Columbia River or mega-trucks trundling new 430-ton transformers to the head of the Pacific DC Intertie in Oregon, Transmission Services pushed an array of important work toward the finish line in 2015. These projects are all part of Bonneville's mission to provide reliable power at low cost to the Pacific Northwest.

CENTRAL FERRY-LOWER MONUMENTAL TRANSMISSION PROJECT

Building the right facilities in the right place at the right time is a guiding principle of BPA's Transmission Services organization, and never more so than in the era of wind energy development. The new Central Ferry-Lower Monumental line, expected to be energized before the end of 2015, is the latest example of this commitment. The 38-mile, 500-kilovolt line will help deliver renewable energy from the region's windy east to urban centers in the west.

Carrying 447 megawatts of renewable energy, the Central Ferry-Lower Monumental line serves the new Tucannon River Wind Farm near Dayton, Wash., a key addition to Portland General Electric's balanced energy portfolio, as well as serving existing needs in the lower Snake River area. By fast-tracking the Central Ferry-Lower Monumental project, BPA supported PGE in meeting a business target and delivering renewable power that satisfies Oregon's renewable portfolio standards.

BIG EDDY-KNIGHT TRANSMISSION PROJECT

BPA's core values of collaboration and environmental stewardship took center stage as the $232 million Big Eddy-Knight Transmission Project in the Columbia River Gorge neared completion this year. The 28-mile, 500-kV line to connect substations in Wasco County, Ore., and Klickitat County, Wash., adds another link in BPA's regional high-voltage transmission system to support renewable energy. Following extensive consultation with tribes and landowners, BPA demonstrated its commitment to its partners by taking exceptional steps to protect culturally sensitive sites. These efforts included innovative construction methods, such as using coring in lieu of controlled blasting to secure tower footings in basalt. BPA expects to energize the line before the end of 2015.

After analysis, evaluation and collaboration, BPA made decisions on several other transmission projects this year:

- Hooper Springs Transmission Project — The administrator signed a record of decision to build the line in Caribou County, Idaho. The line will improve reliability in the southern portion of Lower Valley Energy's transmission system and address ongoing load growth in southeastern Idaho and northwestern Wyoming. Land acquisition is underway with construction to begin next summer.
- I-5 Corridor Reinforcement Project — BPA is evaluating the latest studies and taking into account updated load forecasts, new technology and scheduled equipment upgrades at existing facilities. We are preparing to release the final Environmental Impact Statement at the end of 2015 followed by a record of decision in 2016.
- Montana-to-Washington Transmission Project — After evaluating the business case, Bonneville decided not to pursue this project due to a lack of commercial demand.

MUNRO SCHEDULING CENTER

BPA greatly improved its ability to maintain the crucial functions of the regional power and transmission system in an emergency with the opening of a $24 million alternate scheduling facility in Spokane, Wash. This new operations hub, located 350 miles from our headquarters on the other side of the Cascade Mountains, is not vulnerable to the same physical risks as the metro area of Portland, Ore., including a Cascadia Subduction Zone earthquake.

The addition of the new scheduling center fortifies the federal power system, strengthening BPA's capacity, flexibility and reliability. The 36,000-square-foot building has space for

Coring for Big Eddy-Knight Transmission Project

transmission and power schedulers, as well as a 150-person emergency operations team, enabling BPA to operate as long as necessary from the region's east side.

SUSTAINING TRANSMISSION ASSETS

Stewardship of existing assets is part of BPA's responsibility as the backbone of the Northwest electricity system. A better understanding of the economic value delivered by our assets, coupled with improved asset management techniques, has increased the focus on this vital work. In fiscal year 2015, BPA replaced more than 680 wood poles, 17 miles of insulators and 13 miles of ground wire, as well as completing several line-rebuild projects. In our substations, we replaced more than 75 high-voltage bushings on transformers and reactors, work that will accelerate in 2016. Each project preserves the safety and reliability of valuable equipment that serves millions of residents of the region.

ASHE SUBSTATION UPGRADES

Energy Northwest CEO Mark Reddemann honored BPA crews for their work on upgrades at Ashe Substation that protect the Columbia Generating Station. EN is a state joint operating agency that owns and operates the region's only commercial nuclear facility.

The work at Ashe Substation, near Richland, Wash., was significant to Energy Northwest because it improved the long-term reliability of the 1,153-megawatt nuclear plant's interconnection, protecting Columbia from an unplanned outage caused by events elsewhere on the transmission system.

The Dalles navigation locks and BPA transmission

CELILO CONVERTER STATION AND INTERTIE UPGRADE

BPA made considerable progress this year on upgrading the Pacific Direct Current Intertie, one of the world's longest and highest-capacity DC transmission systems. The intertie delivers renewable Northwest hydropower and wind energy to California, and carries electricity north to help meet peak demand in the Northwest.

The 500-kilovolt line runs 846 miles from BPA's Celilo Converter Station in The Dalles, Ore., to Sylmar, Calif., near Los Angeles. BPA owns the 265-mile segment from near the Columbia River to the Oregon-Nevada border.

During 2015, BPA completed a major portion of the transmission line upgrades and the Celilo Converter Station replacement work. A milestone came with the delivery of six transformers, which will play a significant role in converting the electricity between alternating and direct current. Each unit measures 36 feet long and weighs 1.3 million pounds when ready for operation, making them the largest transformers ever built by their Swedish manufacturer.

This modernization will raise the capacity of the four-decade-old electron superhighway from 3,100 megawatts to 3,220 megawatts — with a full potential of 3,800 — as well as strengthen the line against weather and other threats to reliability and performance.

Work on the $498 million project, which includes the largest turn-key construction contract in BPA history, is expected to wrap up in 2016.

NEW TOOLS FOR A MODERN GRID

BPA has built a long tradition of delivering reliable, affordable and clean power, bolstered by a culture of innovation and zeal for more efficient ways of doing business. With the momentum of our distinguished history, in 2015 we positioned ourselves for success in the rapidly changing energy industry.

SYNCHROPHASORS

Through BPA's Technology Innovation program, we collaborate with utilities, nonprofits, technology developers and universities around the world to deliver millions of dollars of savings through avoided costs, operational improvements and increased efficiencies. One product of our investment in research and development is the world's largest, most sophisticated synchrophasor program, which supports reliability by providing a super-high-resolution view of conditions on BPA's transmission grid.

High-performance servers in BPA's synchrophasor lab process 200,000 power system measurements per second. In 2015, the participants in this effort continued adding layers of functionality, including development of a wide-area response-based control scheme. When fully operational, this tool will assess the health of the system and take necessary actions at substations within a split second of a grid disturbance, ensuring safe power system operations. BPA is testing the system, the first of its kind in the nation.

BPA has also deployed an oscillation detection application in its control room. The application uses synchrophasor data to detect large, sustained variations in system frequency, which require the attention of dispatchers. Oscillations, which occur naturally in power systems, are a result of small imbalances in power generation and demand. They usually resolve on their own, just as a drop of water temporarily creates ripples on a pond's surface. But if they increase, they can lead to unsafe conditions on the grid. The new tool is also valuable to system engineers, who are interested in detecting small, intermittent oscillations that can be a sign of impending equipment failure or control issues.

DEMAND-SIDE TOOLS

Developing a modern grid requires an integrated strategy for managing demand-side resources that can address operational challenges for utilities. These include technologies on consumers' side of the electric meter, such as energy efficiency, demand response, and distributed generation and storage. Demand-side resources also offer the potential to defer or displace the need for new power plants and transmission lines, making the most efficient use of existing assets and resulting in overall cost savings for ratepayers.

This year, BPA partnered with Energy Northwest in a demonstration project to aggregate industrial demand-response resources — energy consumers that can be called on to reduce their consumption within 10 minutes of a signal from BPA. The project currently provides up to 35 megawatts of reliable, fast-reaction demand response. Energy Northwest's Demand Response Aggregation Control System is hosted within the DOE-funded Pacific Northwest National Laboratory in Richland, Wash.

Demand response could also be used to manage transmission congestion or even defer the need for new transmission projects. BPA is testing that potential in a pilot program it launched in April with demand-response aggregator EnerNoc. The test includes an initiative to manage summertime transmission congestion and flows along the

New transformers head up the Columbia River to the Celilo Converter Station

Interstate-5 corridor, where BPA is considering building a new transmission line, as well as a winter initiative to shave peak energy use during extreme cold snaps.

FIFTEEN-MINUTE SCHEDULING

BPA's 15-minute scheduling program took off in 2015, offering another improvement to grid flexibility and efficiency. Allowing producers of renewable energy to adjust their transmission schedules four times an hour, versus twice, produces more accurate schedules that better reflect the real-time output of variable energy resources.

Accurate transmission scheduling can reduce the amount of capacity BPA must hold in reserve to balance unexpected increases or decreases in generation. This reduces costs for customers who pay for this balancing service and frees up system flexibility for other uses. BPA offers a lower rate to customers who commit to submit their transmission schedules every 15 minutes and meet metrics for scheduling accuracy.

MARKET SOLUTIONS

Fifteen-minute scheduling also positions us to participate in a faster-paced market. Through the Market Assessment and Coordination Committee of the Northwest Power Pool, BPA is partnering with other utilities to design market solutions that could enhance the reliability, affordability and sustainability of the region's power and transmission system. In 2015, the participants implemented regional data-sharing consolidation and monitoring with Peak Reliability, the region's reliability coordinator. This provides a better understanding of regional resources being committed to serve forecasted load and the resulting transmission flows. It improves visibility into areas of the grid that are more likely to be congested, giving operators additional time to mitigate the congestion by sending electricity over another transmission path.

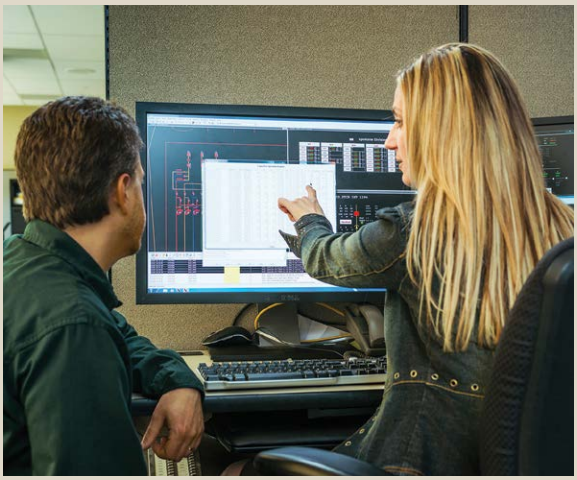
Committee participants are also considering other steps to strengthen regional reliability. These tools include regulation reserve sharing, which would allow balancing authorities to share a single area control error, collectively offsetting each other's error and reducing costs by lowering overall balancing reserve requirements. The members are also supportive of a common resource sufficiency standard, and are evaluating a centrally cleared energy dispatch market that would automate and enhance the existing 15-minute bilateral market.

THE CASE FOR SMART GRID

Washington State University, a centerpiece of Avista's smart city in Pullman, Wash. (Photo courtesy of Avista Corp.)

Energy consumers across the Northwest are benefiting from the recently completed Pacific Northwest Smart Grid Demonstration Project. This five-year effort — the largest of its kind in the nation — involved 11 utilities, two universities, six infrastructure partners and 60,000 metered customers across five states. The project deployed $80 million in new smart grid technologies throughout the region. BPA contributed $10 million to the project, matched by DOE.

Collectively, these investments have moved us closer to a more intelligent and dynamic grid. The project demonstrated two-way communications between the transmission grid and power-consuming equipment, an important step toward a future where end users are equipped and empowered to play an active role in their power consumption.



So, what's next? The answers lie in the unprecedented amount of data collected during the project, which is being analyzed in a first-of-its-kind economic assessment of smart grid technologies, funded by BPA. We expect the business-case results early in fiscal year 2016.

The data will help the region understand how smart grid technologies mitigate the costs associated with greater demands on the grid, such as integrating intermittent renewable energy and accommodating regional growth. The preliminary findings of the business case provide a high degree of confidence that the benefits of smart grid are likely to surpass the costs.

FISH AND WILDLIFE

A landmark conservation acquisition highlighted a year in which BPA continued to make significant progress to protect land and water for fish and wildlife. In July 2015, BPA helped purchase a conservation easement on the Tyler Ranch near Leadore, Idaho, that will permanently protect from development more than 10 miles of river and streamside habitat — over half the salmon and steelhead spawning habitat in the Lemhi Basin. The purchase, which represents years of work, is a huge step forward in consolidating habitat restoration and water transaction projects in this important fish and wildlife area.

For the third consecutive year, more than 1 million chinook salmon returned to Bonneville Dam. As the fiscal year drew to a close, 2015 was on track to be among the top five on record for combined returns of chinook, coho, sockeye salmon and steelhead since counts began in the Columbia River in 1938.

However, during a long, hot summer, sockeye salmon struggled as water temperatures reached 70 degrees Fahrenheit or more everywhere in the Columbia Basin, both in dammed and free-flowing rivers.

Federal dam operators worked hard to help stem the disheartening losses. Cool water releases from the reservoir behind Dworshak Dam in northern Idaho helped lower downstream temperatures in the Clearwater and Snake rivers. An emergency operation to truck adult sockeye to upstream hatcheries allowed Snake River sockeye that arrived at Lower Granite Dam to avoid 400 additional miles of abnormally high temperatures and low water. More than 7 million acre-feet of water releases from Canadian storage reservoirs, some of it specifically targeted to augment flows for juvenile fish, provided an invaluable backstop against what could have been far worse streamflow conditions.

HABITAT PROGRAMS

The hot summer temperatures also reinforced the importance of BPA's extensive habitat restoration program. Throughout the region, tribes, states, farmers, land trusts and others worked together to restore cool water to streams that could go dry in the summer, protect important fish and wildlife habitat, and restore the natural floodplains and vegetation that support life for salmon and steelhead.

In Idaho's Salmon River, the Shoshone-Bannock Tribes and the Natural Resources Conservation Service, with support from BPA, added flows of 17 cubic feet per second to Pole Creek, a major tributary of the Salmon, through irrigation pumping efficiencies and diversions.

In Oregon's Bridge Creek in the John Day Basin, a creative experiment to encourage beavers to build dams has helped restore the groundwater table. The beaver dams help the streams spread out from artificially constrained banks and help water in the new floodplain soak into the ground. Two wells that were dry before the beaver dams were built held water afterward. This change is expected to promote the growth of streamside vegetation, creating shade and helping to moderate warm water temperatures.

BIOLOGICAL OPINION

This year marked an important event in the long-running litigation on NOAA Fisheries' biological opinion for operation of the federal hydropower system to protect salmon and steelhead under the Endangered Species Act. The biological opinion is supported by six tribes and three states. A coalition of environmental interests challenged the 2014 BiOp last year, and the parties presented oral arguments at a hearing before the U.S. District Court for the District of Oregon in June of 2015. A ruling is expected later this calendar year.

Idaho's Pole Creek (Photo courtesy of Custer Soil and Water Conservation District)

ICE HARBOR FISH PASSAGE

This was also a year for anniversaries. At Ice Harbor Dam near Pasco, Wash., more than 100 representatives from BPA and its customer utilities, along with the U.S. Army Corps of Engineers, the Bureau of Reclamation, river users and media gathered to celebrate a decade of improved fish passage over the dam's spillway. Ice Harbor was the first federal dam on the lower Columbia and Snake rivers to be fitted with a full production surface-passage weir. These structures provide an effective and safe route at the surface of the water, where the young fish usually migrate. Spillway weirs and spill operations individually tailored to the unique configuration of each dam are providing safer passage, faster migration, higher in-river survival rates and better water quality around the hydroelectric projects of the Federal Columbia River Power System. By 2010, the Corps had installed surface passage structures at all of its dams on the lower Columbia and Snake rivers.

The new structures help the FCRPS dams toward meeting survival standards of 96 percent for fish migrating in the spring and 93 percent for those migrating in summer.

PIKEMINNOW PROGRAM

The BPA-funded Pikeminnow Sport Reward Program celebrated its 25th anniversary of successfully removing northern pikeminnow from the Columbia and Snake rivers, where they prey on juvenile salmon and steelhead. The program offers fishermen of all skill levels an opportunity to earn cash by catching pikeminnow. Since the program began in 1990, predation by the voracious non-native fish has been reduced by more than 40 percent.

Our years of work to improve conditions for Columbia Basin fish and wildlife showed results in 2015 — at the dams, in the tributaries, in the watersheds and in the estuary. BPA and its partners are committed to work to continue securing these benefits.

Ice Harbor Dam (Photo by David Riggs, courtesy of USACE)

SAFETY

After a concerted effort to reinvigorate BPA's culture of safety in 2014, the Safety Program remained in the spotlight in 2015. The executive team, managers and workforce focused on creating a safety culture that guides BPA's awareness and practices from headquarters to field locations, as well as helping keep employees safer outside the workplace.

Maintaining the momentum generated in 2014, Bonneville continued its effort to build a best-in-class safety program throughout 2015.

In early June, BPA held its first Stand Up for Safety event to foster engagement and conversation. The multi-day program included an organization-wide kickoff event, safety fairs at BPA's main offices in Portland, Ore., and Vancouver, Wash., as well as field safety days in district offices across the region. All of these events were grounded in the core principle that safety is everyone's responsibility. They also provided an opportunity for BPA's executive team to talk candidly with front-line employees about their safety issues and concerns.

BPA uses several metrics to assess its safety performance each month. These measures provide hard data to help evaluate whether the organization is on track to meet its goals, as well as to highlight opportunities to improve.

In fiscal year 2015:

- BPA had no federal or contractor fatalities.
- Environmental exposures including hearing, burn, heat and cold, accounted for 42 percent of BPA injuries, with hearing loss being the primary factor.
- Strains accounted for 21 percent of BPA's 66 total injuries, with back injuries being the most common category.
- Slips, trips and falls accounted for approximately 18 percent of injuries.
- After focusing on preventing vehicle-backing incidents for several years, BPA has seen an improvement in this area. We had only four backing incidents this year. While we strive for zero, this is a significant reduction from fiscal year 2014, which had nine.

Looking at all injuries from 2012 through 2015:

- Strains were our largest category, accounting for 45 percent of all BPA injuries, followed by slips, trips and falls, which accounted for 18 percent of injuries.
- Electricians were the most commonly injured, with cuts and lacerations accounting for over 41 percent of injuries.

While BPA will continue to develop the framework underpinning its safety culture, the organization had notable safety accomplishments over the year.

In 2015, BPA has:

- Adopted a new safety management system, incorporating a plan-do-check-act model.
- Delivered a new advanced first-aid training course for line maintenance workers, with all 17 crews completing the training.
- Launched a safety training program for front-line leaders in Transmission Services.
- Integrated its occupational safety and health teams, bringing hazard identification, assessment, mitigation and medical surveillance together for the first time.
- Added staff to enhance safety capabilities.

Each of these steps moves us closer to the goal of incorporating safety into everything we do, including how we define success.

BPA SAFETY LEGEND ENTERS HALL OF FAME

A revered figure at BPA, lineman and safety instructor Harvey Haven received international recognition in 2015 for his decades of dedication to helping linemen, electricians and substation staff work safely around electricity.

Wearing his trademark black cowboy boots, Haven strode across the Sacramento Convention Center stage and into the International Lineman Hall of Fame in front of 1,000 linemen and guests at an induction ceremony May 16.

Haven, 74, took a break from his full slate of teaching duties for BPA and companies across North America to become one of five legends in the ninth class of the decade-old Lineman Hall of Fame. His name joins those of Nikola Tesla, Thomas Edison, Michael Faraday and four dozen others on a black granite monument outside the International Lineman Museum in Shelby, N.C.

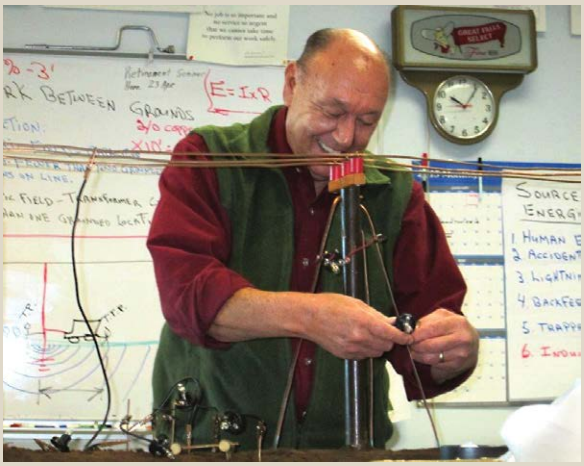
The Hall of Fame's mission is to "pay tribute to linemen and individuals who have contributed to the safety and existence of the electrical industry, and to those unique individuals who continually exceed in the call of duty."

Haven is admired at utilities and construction firms across the continent for his uniquely effective teaching style and inexhaustible commitment to electrical safety.

Hall of Fame co-founder Murray Walker, of the American Safety Utility Corp., told the Sacramento audience about Haven's half-century of service to BPA as a lineman, line superintendent, chief safety officer, mentor and teacher. He also highlighted Haven's invention of a widely copied teaching tool, the dirt box, a scale model that exposes the risks of improper grounding in unforgettable fashion.

Haven retired as BPA's chief safety officer in 1994, but still writes BPA's safety newsletter and teaches dozens of classes a year in safety, rigging, grounding and more at its Technical Training Center in Vancouver, Wash.

One member of the audience was trained as an apprentice by Haven and now holds his former position — BPA Chief Safety Officer Brad Bea. "Hearing Harvey's name called, listening to a few of his many accomplishments and seeing him standing on stage in front of over 1,000 line workers was one moment I'll always remember," Bea said. "I welled up with a feeling of pride and satisfaction that someone many of us consider a mentor was being recognized on an international scale."



PERFORMANCE TARGET RESULTS

BPA sets multi-year Key Strategic Initiatives and annual Key Performance Indicators that the organization as a whole is responsible for achieving in the specified year. Together, these targets and initiatives serve as indicators of BPA's annual performance.

FISCAL YEAR 2015 KEY STRATEGIC INITIATIVES

COMMERCIAL OPERATIONS

Target met. BPA's Commercial Operations Strategy is a long-term initiative to ensure that BPA is enabled with the core functionality to successfully participate in the regional management of a modernized grid. The FY15 portion of the strategy focused on the execution of agency efforts associated with the Northwest Power Pool's Market Assessment and Coordination initiative to develop a sub-hourly market and participate in commercial and operational initiatives. BPA met all three major FY15 milestones including initiatives related to agency decision-making, internal readiness and external stakeholder engagement.

BPA SAFETY AND OCCUPATIONAL HEALTH

Target met. BPA is working to integrate safety and occupational health into all aspects of work with a goal of zero injuries. FY15 achievements included making major improvements to BPA's safety culture, governance, design, and integrated safety and occupational health functions.

FISH AND WILDLIFE STRATEGY

Target met. BPA's Fish and Wildlife Strategy outlines initiatives and milestones to meet BPA's responsibilities under the Endangered Species Act, Northwest Power Act and with tribal governments using a performance-based approach, including setting and achieving performance metrics to fully address its obligations through a combination of hydro, habitat, hatchery, and predator management actions. In FY15, BPA met several major achievements to ensure that its fish and wildlife program, including hydro system operations and configuration, is scientifically credible, legally defensible, cost effective and has broad regional support.

INTEGRATED DEMAND-SIDE MANAGEMENT

Target met. BPA seeks to implement demand-side management (DSM) throughout all programs to meet BPA's power and transmission obligations. Long-term, BPA will change power and transmission planning to consider DSM options equivalent to traditional supply-side alternatives such as building new transmission and purchasing or generating additional power. In FY15, BPA completed the IDSM roadmap including approval of the FY16 priority action items.

WORKFORCE STRATEGY

Target met. BPA aspires to have a diverse workforce of the right size and composition, with the right skills and competencies, in a positive work environment to deliver on its public responsibilities and strategic priorities. In FY15, BPA met major milestones to improve position strength (time to hire and hires), succession program management and diverse and inclusive workforce.

LONG-TERM FINANCIAL AND RATES STRATEGY

Target met. BPA's Long-term Financial and Rates Strategy ensures that BPA delivers cost-based power and transmission services priced to fully subscribe the Federal Columbia River Power System power supply, balancing the goals of low rates, reliable operations, sustainable and affordable investment strategies, and long-term financial health, while meeting its public purpose objectives and statutory obligations as a federal power marketer and open-access transmission provider. BPA met FY15 milestones by developing a long-term financial and rates analysis and creating a new strategic analytical capability to enable and evaluate alternative financial objectives and strategies.

FISCAL YEAR 2015 KEY PERFORMANCE INDICATORS

Stakeholder Perspective

ENERGY EFFICIENCY

Target met. Over the two-year rate period for fiscal years 2014-2015, BPA and public utility energy efficiency programs are estimated to have achieved over 130 average megawatts of new conservation savings against a target of 117 average megawatts and did so at a cost of $165 million, below the target of $167 million.

TRANSMISSION SYSTEM OPERATIONS PERFORMANCE

Target met. BPA met transmission system performance targets for excursion minutes over the standard operating limits for six out of six specified flowgates and intertie paths. BPA met four out of six optimal path usage targets for specified flowgates and intertie paths. BPA did not have any involuntary curtailments of firm loads and met its reliability targets for outage duration and outage frequency. Flowgate performance was within established control limits.

FEDERAL HYDRO PERFORMANCE

Target met. BPA met the equivalent availability factor target of 77.4 percent with a result of 77.9 percent. BPA hit the forced outage factor target of 3.3 percent or less and met targets in generation reliability compliance, hydro generation safety and fleet cost performance.

COLUMBIA GENERATING STATION PERFORMANCE AND COST

Target met. The cost of power at Columbia Generating Station nuclear plant was $50.47 per megawatt-hour, below the targeted range of $50.49 to $56.30 or less per megawatt-hour. The Columbia Generating Station overall performance index indicator was 98 percent, above the target of 93 percent or greater.

Financial Perspective

BOND RATING

Target met. BPA-backed bonds maintained ratings as affirmed by Moody's (Aa1), Standard & Poor's (AA-) and Fitch (AA).

ADJUSTED NET REVENUES

Target met. BPA achieved adjusted net revenues of $143 million, exceeding the target of $72 million or greater.

COST MANAGEMENT

Target met. BPA's departmental expenses were $920 million, within the targeted range of $851 to $945 million.

TREASURY PAYMENT

Target Met. BPA's fiscal year 2015 payment to the U.S. Treasury of $891 million was made on time and in full for the 32nd consecutive year. The payment consisted of $449 million for principal (including advanced repayment of $229 million), $350 million for interest, $52 million in irrigation assistance payments and $40 million for other obligations.

Internal Operations Perspective

TRANSMISSION SYSTEM INFRASTRUCTURE

Target not met. BPA achieved transmission system direct capital expenditures of $559 million, which is 100 percent of the authorized adjusted spending level and within the target range of 80 to 100 percent. BPA met 92 percent of the cumulative in-service date milestones in the capital work plan, which met the minimum target of 90 percent. Of BPA's transmission projects, 70 of 94 major project milestones, or 74.5 percent, were on track to meet end-of-project completion targets for costs, schedule and scope, missing the 80 percent target.

HYDRO GENERATION SYSTEM INFRASTRUCTURE

Target not met. BPA's budget expenditure rate for the Federal Hydro capital program was 80.9 percent, below the target range of 85 to 100 percent and representing $159 million in investment. The fiscal year milestone completion rate for major projects was 72.2 percent, below the target of 80 percent or greater. The end-of-project completion target for cost, schedule and scope was met for 86.2 percent of projects against a target of 80 percent or greater.

RELIABILITY COMPLIANCE AND SELF-REPORTS

Target met. BPA did not have any current year violations of low to moderate North American Electric Reliability Corporation High Risk/Severity Violations and Non-Self-Reported Violations. BPA did not have any self-reported violations or notices of alleged violations.

RELIABILITY COMPLIANCE MITIGATION PLAN MILESTONES

Target met. BPA did not miss any quarterly North American Electric Reliability Corporation and Western Electric Coordinating Council mitigation plan milestones and quarterly reporting.

CYBER SECURITY

Target met. BPA met cyber security targets aimed at monitoring and improving BPA's overall cyber security posture. Achievements included assessing several organizations against specific vulnerabilities and risks, and establishing the Cyber Reporting and Remediation team.

People and Culture Perspective

EMPLOYEE ENGAGEMENT

Target met. BPA met its employee engagement target with a total of 90 percent of work groups participating in follow-up discussions and/or activities and updating action plans in response to the Gallup employee survey results, against a target of 90 percent.

SAFETY

Target not met. BPA achieved an incident frequency rate of 1.7 per 200,000 hours worked, which is above the target rate of 1.4 or less. No fatalities occurred to BPA employees or contract staff working on BPA facilities.

FINANCIAL SECTION

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MANAGEMENT'S DISCUSSION AND ANALYSIS

General

The Federal Columbia River Power System (FCRPS) financial statements combine the accounts of Bonneville Power Administration (BPA), the accounts of the Pacific Northwest generating facilities of the U.S. Army Corps of Engineers (Corps) and the Bureau of Reclamation (Reclamation), as well as the operations and maintenance costs of the U.S. Fish and Wildlife Service for the Lower Snake River Compensation Plan facilities. Consolidated with BPA are "Special Purpose Corporations" known as Northwest Infrastructure Financing Corporations (NIFCs), from which BPA leases certain transmission facilities.

FCRPS revenues are derived principally from the sale of power and transmission products and services. In 1937, the Bonneville Project Act created BPA and directed it to market federally produced hydroelectric power to customers, giving preference and priority in power sales to public bodies and cooperatives. The Act authorized BPA to provide, construct, operate, maintain and improve transmission facilities to deliver federal power at cost. BPA is obligated to meet its statutory and contractual load obligations to preference customers so they can meet their total retail loads and load growth, minus their own nonfederal power supply. As an open access transmission service provider, BPA has an obligation to provide ancillary and control area services to support basic transmission services, including providing balancing reserves for interconnected renewable generation. BPA remains committed to providing non-discriminatory open access transmission after meeting statutory responsibilities to preference customers and others.

BPA's hydroelectric power supply depends on the amount and timing of precipitation in the Columbia River Basin and the shape, or timing, of the resulting runoff. For ratemaking purposes, BPA assumes runoff consistent with "critical water conditions," which yield historically low power generation. Federal power is designated to first meet preference customer loads. Power produced in excess of BPA's firm load obligations, if available, is considered by BPA to be surplus power and is sold in the Western Interconnection wholesale power markets. When generation is not sufficient to meet loads, BPA purchases power on the wholesale markets or acquires resources.

Use of Estimates and Forward-Looking Information

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

This Management's Discussion and Analysis contains statements which, to the extent they are not recitations of historical facts, constitute "forward-looking statements." In this respect, the words "forecast," "project," "anticipate," "expect," "intend," "believe," and similar expressions are intended to identify forward-looking statements. A number of important factors affecting FCRPS business and financial results could cause actual results to differ materially from those stated in forward-looking statements due to factors such as changes in economic,

industry, political and business conditions; changes in environmental laws, regulations and policies; and changes in climate, weather, hydroelectric conditions and power services supply and demand. BPA does not plan to issue updates or revisions to the forward-looking statements.

Rates

For the 2014-2015 rate period, BPA adopted a 9 percent average wholesale power rate increase and an 11 percent average transmission rate increase. The rates took effect Oct. 1, 2013 and were effective through Sept. 30, 2015.

Power rates are constructed using BPA's Tiered Rate Methodology. Under this rate structure, BPA's preference utility customers may purchase a limited amount of power at Tier 1 rates. Tier 1 rates recover the costs of the majority of the FCRPS resources, fish and wildlife costs and energy efficiency. Tier 2 rates recover the costs of resources that BPA acquires specifically for preference utility customers that request BPA meet their net power requirements in excess of their purchases at Tier 1 rates.

Tiered rates provide BPA's customers with choices as to how they will serve their full power requirements. As designed, tiered rates also give BPA's customers even more reason to conserve energy. Energy conserved by a utility will reduce its need to add new resources or to purchase power from BPA at higher Tier 2 rates. BPA's rates also include incentives to reduce and control utilities' peak power use.

BPA also offers a unique and non-traditional power sales product called "Slice of the System," or "Slice." The Slice component accounts for 27% of the overall FCRPS generation output. This percentage has remained consistent for both the fiscal year 2014-2015 and 2016-2017 rate periods. For this product, Slice customers pay for a fixed percentage of BPA's power costs in exchange for the right to an indeterminate and variable amount of power. The amount of power Slice customers receive is indexed to their Slice Percentage and the decisions they make using a BPA-provided water routing simulator that reasonably represents the real-world constraints and capabilities of the FCRPS. BPA and its federal partners retain all operational control of resources that comprise the FCRPS at all times.

BPA conducted a consolidated power and transmission rate proceeding, BP-16, to establish rates for the fiscal year 2016 and 2017 rate period. BPA concluded the BP-16 rate proceeding in July 2015 with release of the Administrator's Final Record of Decision, with wholesale power rates increasing 7.1 percent on average and transmission rates increasing 4.4 percent on average. Power rates increased for several reasons, among them increased hydro system operations and maintenance costs and fish and wildlife expenses; the expiration of the effects of debt management actions that had reduced Power Service's revenue requirements; the automatic cost escalation under the 2012 Residential Exchange Program settlement; and higher transmission costs that are recovered in power rates. The transmission rates increased mainly due to needed capital investments in the aging transmission system. The new wholesale power and transmission rates were approved on an interim basis by the Federal Energy Regulatory Commission (FERC) on Sept. 17, 2015. The rates went into effect on a provisional basis on Oct. 1, 2015, and assuming final approval by FERC, will be effective through Sept. 30, 2017.

Results of Operations

Operating revenues

Fiscal year 2015 revenues compared to fiscal year 2014

A comparison of FCRPS operating revenues follows for the fiscal years ended Sept. 30, 2015, and 2014:

(Millions of dollars)	2015	2014	Change	Change %
Consolidated gross sales				
Power	$ 2,399	$ 2,572	$ (173)	(7)%
Transmission	903	892	11	1
Bookouts (Power)	(45)	(37)	(8)	22
Sales	3,257	3,427	(170)	(5)
U.S. Treasury credits	82	108	(26)	(24)
Miscellaneous revenues				
Power	31	26	5	19
Transmission	34	39	(5)	(13)
Total operating revenues	$ 3,404	$ 3,600	$ (196)	(5)

Total operating revenues were $3.4 billion for fiscal year 2015, a decrease of $196 million as compared to fiscal year 2014. For much of the Columbia River Basin, warmer weather in fall and winter months and drought conditions in spring and summer months led to low runoff for the last half of fiscal year 2015. Consequently, BPA implemented BiOp "dry-year operations." The Biological Opinion, or BiOp, is a regulatory document outlining federal actions to avoid jeopardizing species listed under the Endangered Species Act. In dry-year operations, federal agencies such as BPA and its partners, the Corps and Reclamation, have a specific set of reservoir operations that release additional water when doing so will provide the most benefit to migrating Columbia Basin salmon and steelhead. These drawdowns, or drafts, also modestly adjust the timing of power production across the season. In addition, under the Columbia River Treaty, the United States and the Province of British Columbia have a specific set of reservoir operations that release additional water to optimize flood management and power generation in the Columbia River Basin. This water, which would have otherwise been held back in Canadian storage reservoirs, contributed to higher-than-expected BPA secondary sales in fiscal year 2015. Replenishing these reservoirs could reduce future secondary sales, depending on other variables such as water supply and wholesale market prices.

Consolidated gross sales for Power Services and Transmission Services, excluding the effects of bookouts, decreased $162 million compared to fiscal year 2014. Power Services gross sales were lower by $173 million.

- January through July 2015 runoff volume at The Dalles Dam was 84 million acre feet (maf), a decrease of 24 maf from the 108 maf for the same period in 2014. This metric for measuring volume of runoff is one of several indicators of the amount of electricity the hydro system can produce. The full fiscal year 2015 volume finished at 113 maf, a decrease of 22 maf from the 135 maf in fiscal year 2014, and substantially below the historical average (1928-2008) of 132 maf.
- Gross power sales decreased to 80,051,593 megawatt-hours in fiscal year 2015 from 85,714,109 megawatt-hours in fiscal year 2014.
- Firm power sales decreased $48 million due to lower load shaping revenue from the unseasonably warm winter in the Pacific Northwest and lower Direct Service Industries revenue. In March 2015, BPA and Alcoa signed an amendment to the Alcoa long-term firm power sales agreement, which reduced Alcoa's power purchase amount from 300 megawatts to 75 megawatts. In fiscal year 2016, BPA expects Alcoa to further substantially reduce the amount of power it purchases from BPA.

- Secondary sales decreased $125 million, due to the low water year and lower production at Columbia Generating Station (CGS) due to the scheduled biennial refueling outage. Runoff volumes were the lowest in nine years as a result of the low snowpack and drought conditions across large parts of the Columbia Basin.

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 transmission 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. Therefore, the accounting treatment for bookouts has no effect on net revenues, cash flows, or margins.

Transmission Services gross sales increased $11 million. The increase was largely due to $18 million recorded in fiscal year 2015 for erroneous billing credits, including $14 million relating to prior fiscal years, that BPA had provided as short-distance discounts for point-to-point services. Management has determined the prior period amount to be immaterial to the financial statements for both the current and prior periods. Offsetting this increase, Transmission Services sales decreased $7 million due to reduced operating reserve revenues associated with the implementation of a new spinning and supplemental reserve standard issued by the Western Electric Coordinating Council.

U.S. Treasury credits decreased $26 million for fiscal year 2015 from fiscal year 2014. The Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act) allows BPA to recover from the U.S. Treasury nonpower expenditures made by BPA for fish and wildlife mitigation or other nonpower purposes. The $26 million decrease was due to lower power prices and lower replacement power purchases required for fish and wildlife mitigation purposes due to better water conditions from October 2014 through March 2015.

Fiscal year 2014 revenues compared to fiscal year 2013

A comparison of FCRPS operating revenues follows for the fiscal years ended Sept. 30, 2014, and 2013:

(Millions of dollars)	2014	2013	Change	Change %
Consolidated gross sales				
Power	$ 2,572	$ 2,438	$ 134	6%
Transmission	892	804	88	11
Bookouts (Power)	(37)	(66)	29	(44)
Sales	3,427	3,176	251	8
U.S. Treasury credits	108	89	19	21
Miscellaneous revenues				
Power	26	27	(1)	(4)
Transmission	39	54	(15)	(28)
Total operating revenues	$ 3,600	$ 3,346	$ 254	8

For the fiscal year ended Sept. 30, 2014, consolidated gross sales for Power Services and Transmission Services, excluding the effects of bookouts, increased $222 million compared to fiscal year 2013. Power Services gross sales increased $134 million.

- January through July 2014 runoff volume at The Dalles Dam was 108 million maf, an increase of 10 maf from the 98 maf for the same period in 2013. The full fiscal year 2014 volume finished at 135 maf, an increase of 5 maf from the 130 maf in fiscal year 2013, and close to the historical average (1928-2008) of 132 maf.
- Gross power sales decreased slightly to 85,714,109 megawatt-hours in fiscal year 2014 from 85,965,165 megawatt-hours in fiscal year 2013.

- Power firm sales increased $118 million in fiscal year 2014 compared to 2013 due to a 9 percent average wholesale power rate increase, which took effect beginning Oct. 1, 2013, and higher preference utility peak loads stemming from colder than average temperatures in October, December and February.
- Secondary sales increased $16 million due to increased streamflows and slightly higher market prices.

Transmission Services sales increased $88 million in fiscal year 2014 compared to 2013. The primary driver of increased transmission sales was an 11 percent average transmission rate increase which also took effect Oct. 1, 2013.

U.S. Treasury credits for certain fish costs borne by BPA increased $20 million in fiscal year 2014 compared to 2013. The increase was primarily driven by higher replacement power purchases for fish and wildlife mitigation purposes made necessary by the lower than average Columbia River Basin runoff from October through February and again in September.

Transmission miscellaneous revenues decreased by $15 million compared to fiscal year 2013. This decrease reflects the receipt in fiscal year 2013 of one-time revenues from Precedent Transmission Service Agreement terminations and fiscal year 2013 reimbursable work assisting in the recovery efforts for Hurricane Sandy.

Operating expenses

Fiscal year 2015 operating expenses compared to fiscal year 2014

A comparison of FCRPS operating expenses follows for the fiscal years ended Sept. 30, 2015, and Sept. 30, 2014:

(Millions of dollars)	2015	2014	Change	Change %
Operations and maintenance	$ 1,959	$ 1,901	$ 58	3%
Purchased power	76	199	(123)	(62)
Nonfederal projects	229	356	(127)	(36)
Depreciation and amortization	448	441	7	2
Total operating expenses	$ 2,712	$ 2,897	$ (185)	(6)

For fiscal year 2015 total operating expenses were $2.71 billion, a decrease of $185 million as compared to fiscal year 2014. Operations and maintenance expense increased $58 million largely due to:

- Fish and wildlife spending increased $26 million due to an increase in habitat restoration and mitigation projects, such as the upper Columbia River, Kootenai River and Idaho watershed habitat restoration; Albeni Falls wildlife mitigation projects; and upper and lower Lemhi River Basin land acquisitions.
- CGS plant costs increased $20 million due to higher maintenance and costs related to biennial refueling in fiscal year 2015.
- Transmission operations, maintenance and engineering costs increased $19 million largely due to additional substation and non-electric maintenance work, as well as increased work associated with control center and compliance-related activities.
- Transmission acquisition and ancillary purchases increased $13 million principally due to a $9 million expense write-off of a regulatory asset related to oversupply events. Oversupply events can occur when rising runoff and high wind cause the supply of electricity in BPA's system to exceed demand, potentially destabilizing the transmission system. In some cases, avoiding over-generation by spilling water, rather than generating electricity, can place fish and other aquatic species at risk.
- Hydro facilities operations and maintenance for the Corps increased $7 million largely due to the replacement of transformer bushings at Chief Joseph Dam, generator repair at Bonneville Dam and head-gates refurbishment at McNary Dam.
- Offsetting these increases was a $27 million expense reduction from the reversal of a contingent liability originally established for the breach of contract claims associated with the California Refund Proceedings.

In March 2015, the United States Court of Federal Claims denied the plaintiffs' motion to reinstate a May 2012 liability decision and issued a memorandum opinion and final order dismissing the claims against BPA. In light of the rulings, BPA's management concluded that a financial loss was no longer probable, and BPA reduced the deferred credits liability by $56 million and recorded corresponding reductions of $29 million to the related regulatory asset and $27 million to operations and maintenance expense. In May 2015, the plaintiffs filed a petition to appeal the decision to the U.S. Court of Appeals and on Sept. 8, 2015, the plaintiffs filed their initial brief.

Purchased power expense, net of bookouts, decreased $123 million for fiscal year 2015 as compared to the same period for fiscal year 2014. The decrease in purchased power was driven principally by warmer and wetter weather in BPA's service territory from October 2014 through March 2015, thereby decreasing the need for power purchases through the second quarter, as well as by the expiration in 2015 of long-term, higher-priced power purchase contracts for winter hedging purposes. Also, under agreements with BC Hydro, a Canadian electric utility owned by the Province of British Columbia, BPA recorded credits to purchased power expense of $16 million. BPA typically accrues a liability to BC Hydro for power purchases related to water stored and released from Arrow Dam in British Columbia. However, in 2015, due to low power prices and operational objectives, more water was stored than typical. Consequently, at year end, BC Hydro owed BPA for a reduction in BPA's hydroelectric power generation downstream of Arrow Dam.

Nonfederal projects debt service decreased $127 million largely as a result of annual changes in Energy Northwest funding needs for debt service provided by BPA. Since 1989, Energy Northwest debt service has been periodically restructured to achieve overall federal and nonfederal debt management objectives. Recent restructurings, known as Regional Cooperation Debt, have reduced nonfederal projects expense.

Fiscal year 2014 operating expenses compared to fiscal year 2013

A comparison of FCRPS operating expenses follows for the fiscal years ended Sept. 30, 2014, and Sept. 30, 2013:

(Millions of dollars)	2014	2013	Change	Change %
Operations and maintenance	$ 1,901	$ 1,844	$ 57	3%
Purchased power	199	154	45	29
Nonfederal projects	356	733	(377)	(51)
Depreciation and amortization	441	430	11	3
Total operating expenses	$ 2,897	$ 3,161	$ (264)	(8)

For the fiscal year ended Sept. 30, 2014, operating expenses decreased $264 million compared to fiscal year 2013. Operations and maintenance expense increased $57 million.

- Transmission operations, maintenance and engineering increased $30 million primarily due to increased spending on power system control maintenance and control center support, substation and line maintenance, information technology and vegetation management.
- Decommissioning expenses increased year-over-year by $27 million primarily as a result of a credit in fiscal year 2013 for a settlement of spent fuel storage costs at the terminated Trojan nuclear facility.
- Federal hydro maintenance increased $26 million due to higher labor, materials, equipment and contract costs related to reliability needs for operations and maintenance, engineering support and project planning and management.
- General and administrative costs increased $16 million due to increased spending to support information technology applications and infrastructure and various other activities to support Transmission and Power Services.
- Renewable generation increased $6 million primarily due to more abundant wind generation in fiscal year 2014.

The year-over-year increase in operations and maintenance was partially offset by the following factors:

- A $32 million reduction for CGS, because fiscal year 2014 was a non-outage year in the biennial refueling cycle, and higher maintenance was performed in fiscal year 2013.
- Reductions of $9 million for power marketing and operations and transmission reimbursable programs.
- A $7 million reduction in fish and wildlife program expenditures due to delays associated with permitting and environmental compliance for restoration actions and land acquisitions.

Purchased power expense increased $45 million for fiscal year 2014 compared to fiscal year 2013. The increase in purchased power was driven mainly by below-average streamflows from October through February and September and reduced turbine capacity at Grand Coulee Dam to meet peak loads.

Nonfederal projects debt service expense decreased $377 million compared to fiscal year 2013 due to Regional Cooperation Debt management actions. During fiscal year 2014 Energy Northwest undertook debt management actions for its terminated Projects 1 and 3, reducing debt service and amortization of the related regulatory assets in fiscal year 2014 by $378 million from rate case estimates.

Depreciation and amortization expense increased $11 million primarily due to greater transmission and generation completed plant.

Net interest expense

Fiscal year 2015 net interest expense compared to fiscal year 2014

A comparison of FCRPS net interest expense follows for the fiscal years ended Sept. 30, 2015, and Sept. 30, 2014:

(Millions of dollars)	2015	2014	Change	Change %
Interest expense	$ 355	$ 333	$ 22	7%
Allowance for funds used during construction	(53)	(50)	(3)	6
Interest income	(15)	(23)	8	(35)
Net interest expense	$ 287	$ 260	$ 27	10

Net interest expense was $287 million through the end of fiscal year 2015, an increase of $27 million as compared to net interest expense for fiscal year 2014.

- Interest expense increased $22 million primarily due to U.S. Treasury bond debt extinguishment actions that occurred in fiscal year 2014 resulting in a gain of $36 million, thereby decreasing fiscal year 2014 interest expense. These debt actions were not repeated in fiscal year 2015. Partially offsetting the increase was an $18 million decrease in interest expense associated with federal appropriations previously incurred to fund hydro generation assets owned by the Corps and Reclamation. This decrease was due in large measure to Regional Cooperation Debt management actions in fiscal year 2014 that enabled BPA to pay off higher interest-rate appropriations on Sept. 30, 2014.
- Interest income decreased $8 million primarily due to lower cash balances and lower interest rates with U.S. Treasury.

Fiscal year 2014 net interest expense compared to fiscal year 2013

A comparison of FCRPS net interest expense follows for the fiscal years ended Sept. 30, 2014, and Sept. 30, 2013:

(Millions of dollars)	2014	2013	Change	Change %
Interest expense	$ 333	$ 356	$ (23)	(6)%
Allowance for funds used during construction	(50)	(37)	(13)	35
Interest income	(23)	(29)	6	(21)
Net interest expense	$ 260	$ 290	$ (30)	(10)

Net interest expense decreased $30 million through the end of fiscal year 2014 as compared to fiscal year 2013.

- Interest expense decreased $23 million. During fiscal year 2014, BPA called $1.18 billion of previously issued U.S. Treasury borrowings prior to maturity and reissued $1.14 billion principal amount of shorter duration debt at lower interest rates, resulting in a non-cash gain of $36 million, which decreased interest expense.
- AFUDC increased $13 million due to higher construction work-in-progress balances.
- Interest income decreased $6 million due to a lower cash balance with U.S. Treasury and lower interest rates earned on the balance.

Liquidity and Capital Resources

Cash and cash equivalents and financial reserves

As of Sept. 30, 2015, the FCRPS cash and cash equivalents balance was $647 million. BPA's cash and cash equivalents balance was $339 million, and the combined balance held by Corps and Reclamation was $308 million.

To ensure BPA is able to meet its financial responsibilities to counterparties and to the U.S. Treasury, BPA relies on risk mitigation measures such as financial reserves, a line of credit with the U.S. Treasury and a cost recovery adjustment clause that can raise rates, if needed. BPA's total financial reserves were $1.19 billion at Sept. 30, 2015, as compared to $1.22 billion at Sept. 30, 2014. Financial reserves, a non-GAAP liquidity measure used by BPA management, consist of BPA cash and cash equivalents, 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 the end of the period. Deferred borrowing represents amounts that BPA is authorized to borrow from the U.S. Treasury for capital expenditures on utility plant and for expenditures on certain regulatory assets, primarily related to fish and wildlife and energy conservation, that BPA has incurred but has not borrowed for as of the end of the period.

A comparison of BPA total financial reserves, reported at fair value, follows for the fiscal years ended Sept. 30, 2015, and Sept. 30, 2014:

(Millions of dollars)	As of Sept. 30, 2015	As of Sept. 30, 2014	Change	Change %
Cash and cash equivalents	$ 647	$ 859	$ (212)	(25)%
Short-term investments in U.S. Treasury securities	694	466	228	49
Other investments in U.S. Treasury securities	-	95	(95)	(100)
	1,341	1,420	(79)	(6)
Less: Cash and cash equivalents held by Corps and Reclamation	308	313	(5)	(2)
Add: Deferred borrowing	154	117	37	32
BPA financial reserves balance at end of period	$ 1,187	$ 1,224	$ (37)	(3)

Access to capital

BPA has an obligation to make sound capital investments to support its multifaceted responsibilities to the region into the future. Historically BPA relied on its ability to borrow from the U.S. Treasury. However, BPA's Treasury borrowing authority is limited by law and absent other actions could be fully utilized within a few years. To assure funding necessary for critical infrastructure improvements, BPA has expanded its portfolio of financing options to include nonfederal debt refinancings, lease-purchases, a power prepay program, reserve and revenue financing, and rigorous prioritization of proposed capital investments.

BPA borrowing authority from the U.S. Treasury

The aggregate principal amount of debt BPA is authorized by Congress 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 FCRPS's capital programs. In addition, BPA and the U.S. Treasury have agreed to a liquidity facility for Northwest Power Act expenses in the amount of $750 million. Use of the facility is counted within the $7.70 billion overall limit. 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 environment and fish and wildlife projects, 12 years for conservation projects and six years for corporate capital assets.

As of Sept. 30, 2015, BPA had $4.65 billion of bonds outstanding to the U.S. Treasury and $3.05 billion in remaining U.S. Treasury borrowing authority.

Regional Cooperation Debt Program

Starting in fiscal year 2014, BPA and Energy Northwest worked closely to establish a new phase of integrated debt management for their combined total debt portfolios, the debt service of which is borne by BPA ratepayers through BPA's rates. Energy Northwest-related debt refinanced under this effort for both fiscal years 2015 and 2014 is called Regional Cooperation Debt.

An important component of Regional Cooperation Debt is the issuance of new bonds by Energy Northwest to refund outstanding bonds shortly before their maturities when substantial principal repayments are due. Funds made available from these refinancings enable BPA to prepay higher interest-rate federal appropriations. The net effect of refinancing this Regional Cooperation Debt is that both the weighted-average interest rate and the maturity of BPA's overall debt portfolio will be reduced over the life of the proposal. The refinancings also preserve and restore U.S. Treasury borrowing capacity, enabling BPA to make much-needed investments in critical infrastructure.

In fiscal year 2015 the objective of the Regional Cooperation Debt management actions was expanded to enable rate mitigation actions that allow for items such as the expensing of conservation costs beginning in fiscal year 2016 that BPA would otherwise defer and record as a regulatory asset.

Future Regional Cooperation Debt transactions, if implemented, would make funds available in the Bonneville Fund with the U.S. Treasury to enable BPA to prepay a portion of its repayment obligation for federal appropriations, to make payments to reduce the outstanding principal amount of bonds issued by BPA to the U.S. Treasury, or for other debt management purposes likely to be determined through a public process. BPA estimates that the aggregate potential principal amount of future Regional Cooperation Debt refunding bonds in fiscal year 2016 through fiscal year 2024 could approximate $3.38 billion.

Lease-Purchase Program

The Lease-Purchase Program enables BPA to provide for continued investment in infrastructure to support a safe and reliable system for the transmission of power without using limited U.S. Treasury borrowing authority. Under this program, BPA acts as the construction provider and has entered into lease-purchase arrangements with third parties that issue bonds and other debt instruments to fund construction of specific transmission assets. These third parties include the NIFCs, the Port of Morrow, Oregon, and the Idaho Energy Resources Authority.

Customer prepaid power purchases

During fiscal year 2013, BPA entered into agreements with four regional consumer-owned utilities for the advance payment of customer power purchases. Under this program, customers purchased prepaid power in blocks through fiscal year 2028. For each block purchased, BPA repays the prepayment with interest as monthly fixed credits on the customer's power bills. In March 2013, BPA received $340 million representing $474 million in scheduled credits for blocks purchased by customers.

Treasury payment

BPA made its U.S. Treasury payment of $891 million for fiscal year 2015. Fiscal year 2015 is the 32nd consecutive year in which BPA made its scheduled payment on time and in full.

(Millions of dollars)	2015	2014	2013
Scheduled payment			
Principal	$ 219	$ 204	$ 168
Interest	350	333	367
Irrigation assistance	52	53	59
Other FCRPS costs	41	38	41
Scheduled payment	662	628	635
Advanced payment			
Principal	229	363	57
Total Treasury payment	$ 891	$ 991	$ 692

Credit ratings

Credit ratings on nonfederal debt backed by BPA as of Sept. 30, 2015, remain unchanged from 2014 ratings. The ratings were as follows:

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

Cash flows

Fiscal year 2015 cash flows compared to fiscal year 2014

A comparison of FCRPS cash flows follows for the 12 months ended Sept. 30, 2015, and Sept. 30, 2014:

(Millions of dollars)	2015	2014	Change	Change %
Cash and cash equivalents at beginning of year	$ 859	$ 1,010	$ (151)	(15)%
Cash flows from				
Operating activities	676	698	(22)	(3)
Investing activities	(1,106)	(1,250)	144	(12)
Financing activities	218	401	(183)	(46)
Net increase (decrease) in cash and cash equivalents	(212)	(151)	(61)	40
Cash and cash equivalents at end of the year	$ 647	$ 859	$ (212)	(25)

Operating activities

Net cash provided by operating activities of the FCRPS during fiscal year 2015 decreased $22 million to $676 million when compared to fiscal year 2014. As a result of the factors previously discussed, the FCRPS had net revenues in fiscal year 2015 of $405 million as compared to net revenues of $444 million in fiscal year 2014, a decrease of $39 million. The decrease in operating cash flows reflects reduced sales and higher operations and maintenance expense, partially offset by reduced purchased power expense. Also, in fiscal year 2014 BPA paid the remaining balance of $89 million to certain investor-owned utilities related to the 2008 Residential Exchange Program Interim Agreement true-up payments. These fiscal year 2014 true-up payments relieved BPA from future such payments.

Investing activities

Net cash used for investing activities of the FCRPS decreased $144 million to $1.11 billion for the 12 months ended Sept. 30, 2015, when compared to the 12 months ended Sept. 30, 2014. BPA continues to make significant investments in utility plant with $965 million invested in fiscal year 2015, an increase of $122 million from the comparable period in fiscal year 2014. Transmission capital expenditures through the end of fiscal year 2015 were higher due to work on key projects such as the Central Ferry-Lower Monumental line, the Big Eddy-Knight line and the Celilo Converter Station.

The net incremental investment for U.S. Treasury market-based special securities classified as investments on the Combined Balance Sheets, purchases less maturities, as of Sept. 30, 2015, was $138 million, a decrease of $4 million from the comparable period in the prior year. Under a banking arrangement with the U.S. Treasury, BPA agreed to invest an additional $100 million annually in lower yield market-based special securities through fiscal year 2018 or until the Bonneville Fund with the U.S. Treasury is fully invested. Therefore, the balances for which BPA receives comparatively high interest repayment credits decline annually.

Fiscal year 2015 deposits of nonfederal debt proceeds to the Lease-Purchase Program restricted trust funds decreased by $313 million as a result of entering into reduced principal amounts of lease-purchases in fiscal year 2015 as compared to fiscal year 2014. The receipts reflect continuing capital expenditures at numerous projects including the Celilo-Sylmar line and the previously mentioned Central Ferry-Lower Monumental line. The amounts received by BPA in fiscal year 2015 from these trust funds decreased by $52 million from fiscal year 2014 as a result of reduced lease-purchase project construction. These receipts were used to fund ongoing construction under the Lease-Purchase Program.

Financing activities

Net cash provided by financing activities was $218 million through the end of fiscal year 2015, a decrease of $183 million as compared to net cash provided by financing activities through the end of fiscal year 2014.

BPA borrowings from the U.S. Treasury for fiscal year 2015 totaled $619 million, an increase of $16 million over fiscal year 2014. Of the $619 million borrowed, $580 million was at fixed interest rates and $39 million was at variable interest rates. Borrowings were used to fund investments of $445 million for transmission, $66 million for generation, $77 million for energy conservation measures and $31 million for fish and wildlife measures. BPA's U.S. Treasury borrowing strategy and its connection to expenditures for both utility plant and certain regulatory assets have not changed from the prior year. However, beginning with fiscal year 2016, BPA will no longer borrow from the U.S. Treasury to fund energy conservation (i.e., energy efficiency) measures. Instead, BPA will expense these costs and recover them in rates as incurred.

Nonfederal debt proceeds decreased $314 million through the end of fiscal year 2015. This decrease was primarily due to reduced Lease-Purchase Program activity in fiscal year 2015 as previously discussed. Nonfederal debt repayments decreased $105 million through the end of fiscal year 2015. This decrease was primarily due to lower repayments of Energy Northwest debt in fiscal year 2015 when compared with fiscal year 2014.

Fiscal year 2014 cash flows compared to fiscal year 2013

A comparison of FCRPS cash flows follows for the 12 months ended Sept. 30, 2014, and Sept. 30, 2013:

(Millions of dollars)	2014	2013	Change	Change %
Cash and cash equivalents at beginning of year	$ 1,010	$ 949	61	6%
Cash flows from				
Operating activities	698	569	129	23
Investing activities	(1,250)	(898)	(352)	39
Financing activities	401	390	11	3
Net increase (decrease) in cash and cash equivalents	(151)	61	(212)	(348)
Cash and cash equivalents at end of the year	$ 859	$ 1,010	$ (151)	(15)

Operating activities

As a result of the factors previously discussed, particularly the non-cash effects of the fiscal year 2014 Energy Northwest Projects 1 and 3 Regional Cooperation Debt management actions, the FCRPS had net revenues of $444 million for fiscal year 2014. By comparison, net expenses were $105 million for fiscal year 2013. Net cash provided by operating activities increased $129 million to $698 million for fiscal year 2014 when compared to the prior year, primarily as a result of higher net revenues associated with favorable water conditions and greater sales. During fiscal year 2014, BPA paid the remaining balance of $89 million to certain investor-owned utilities related to the 2008 Residential Exchange Program Interim Agreement true-up payments.

Investing activities

Net cash used for investing activities increased $352 million to $1.25 billion for fiscal year 2014, when compared to fiscal year 2013. BPA invested $843 million in utility plant in 2014, an increase of $64 million from 2013.

The net incremental investment for market-based specials classified as investments on the Combined Balance Sheets was $142 million, an increase of $11 million over 2013.

Fiscal year 2014 deposits to the Lease-Purchase Program restricted trust funds increased by $375 million as a result of entering into larger individual lease-purchases than in fiscal year 2013. These deposits were made for construction costs of numerous projects including the Central Ferry-Lower Monumental line and the Celilo-Sylmar line. Receipts by BPA from the restricted trust funds also increased by $97 million over fiscal year 2013 reflecting an increase in lease-purchase construction.

Financing activities

Net cash provided by financing activities of the FCRPS was $401 million for the fiscal year ended Sept. 30, 2014, compared to $390 million for fiscal year 2013.

As previously described, in fiscal year 2014 Energy Northwest undertook certain Regional Cooperation Debt management actions. These actions enabled the prepayment of $321 million of federal appropriations repayment obligations.

BPA borrowings from the U.S. Treasury for fiscal year 2014 totaled $603 million, which was $29 million lower than in fiscal year 2013. Of the $603 million borrowed, $268 million bears interest at fixed rates and $335 million bears interest at variable rates. The proceeds funded investments of $371 million for transmission, $92 million for generation, $99 million for energy conservation and $41 million for fish and wildlife programs.

Nonfederal debt proceeds increased to $520 million in fiscal year 2014 from $489 million in fiscal year 2013, or an increase of $31 million. This increase was primarily due to greater proceeds in fiscal year 2014 for the Lease-Purchase Program offset by the one-time receipt of $340 million in proceeds under the Customer Prepayment

Purchase Power Program received in fiscal year 2013. Nonfederal debt repayments decreased to $227 million in fiscal year 2014 from $499 million in 2013, primarily as a result of debt management actions previously discussed.

Contractual Obligations and Federal Payments

Amounts shown in the following table include interest expense or represent undiscounted cash flows and may be higher than amounts for these line items reflected in the Combined Balance Sheets and described in the Notes to Financial Statements — Note 5, Asset Retirement Obligations; Note 7, Debt and Appropriations; and Note 9, Residential Exchange Program. Purchase power commitments are a period expense. Irrigation assistance and purchase power commitments are described in Note 13, Commitments and Contingencies.

CONTRACTUAL OBLIGATIONS AND FEDERAL PAYMENTS

As of September 30:
(Millions of dollars)

	2016	2017	2018	2019	2020	2021+	Total
Nonfederal financing	$ 1,058	$ 871	$ 1,180	$ 857	$ 888	$ 4,913	$ 9,767
Federal appropriations	203	203	203	204	286	7,538	8,637
Borrowings from U.S. Treasury	419	212	145	705	505	4,377	6,363
IOU exchange benefits	214	214	232	232	245	2,169	3,306
Irrigation assistance	61	51	28	57	25	280	502
Purchase power commitments	32	70	75	78	44	34	333
REP Refund Amounts	77	77	77	75	-	-	306
Asset retirement obligations	5	5	5	5	5	205	230
Total	$ 2,069	$ 1,703	$ 1,945	$ 2,213	$ 1,998	$ 19,516	$ 29,444

Critical Accounting Policies

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 during the periods they are scheduled in rates.

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 recognized in the Combined Statement of Revenues and Expenses in that period. Since BPA's rates are not structured to provide a rate of return, 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.

Revenues

Revenues on sales of power and transmission are recognized either when the service is provided or the product is delivered. Operating revenues include estimates for unbilled power and transmission services that were delivered but not billed by the end of the fiscal year. Accrued unbilled revenues are estimated from forecasts based on multiple factors including streamflows, seasonality, weather, changes in electricity prices, and customer load and usage patterns. Consequently, the amount of accrued unbilled revenues can vary significantly from period to period.

Off-balance sheet arrangements

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

Adjusted Net Revenues

In fiscal year 2013, BPA developed a new Key Agency Target called Adjusted Net Revenues (ANR), a non-GAAP metric designed to report net revenues after removing the current year effects of certain debt management actions. The effects of these debt management actions are not considered to be related to ongoing FCRPS operations, and BPA management has therefore determined that ANR is a better representation of FCRPS financial performance for the periods presented.

Beginning in fiscal year 2013, ANR removed the current year effects of Debt Service Reassignment (DSR) actions that were implemented in prior years to increase available U.S. Treasury borrowing authority by extending Energy Northwest's debt repayments and using the resultant cash made available to repay U.S. Treasury debt. With the applicable Energy Northwest DSR-related debt maturing and becoming due, nonfederal projects expense would have been higher, resulting in lower reported FCRPS net revenues.[1]

As previously mentioned, in fiscal year 2014, BPA and Energy Northwest embarked upon a new phase of debt management under Regional Cooperation Debt. In this phase, amounts collected in BPA's Power rates were used to repay, before their maturity dates, higher interest-rate federal appropriations rather than the Energy Northwest-related principal as expected in the Power rate case. The Energy Northwest-related principal was extended as part of the refinancing action. This effect resulted in higher reported FCRPS net revenues; however, ANR removes the effects of these debt management actions.[2]

A comparison of ANR follows for the fiscal years ended September 30:

(*Millions of dollars*)	2015	2014	2013
Net revenues (expenses)	$ 405	$ 444	$ (105)
Adjustments			
[1] Debt Service Reassignment	7	170	161
[2] Regional Cooperation Debt management actions	(269)	(378)	-
Adjusted Net Revenues	$ 143	$ 236	$ 56

Independent Auditor's Report

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

We have audited the accompanying combined financial statements of the Federal Columbia River Power System which comprise the combined balance sheets as of September 30, 2015 and 2014 and the related combined statements of revenues and expenses and cash flows for each of the three years in the period ended September 30, 2015.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Federal Columbia River Power System as of September 30, 2015 and September 30, 2014, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

October 30, 2015

PricewaterhouseCoopers LLP, 805 SW Broadway, Suite 800, Portland, OR 97205-3344
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Federal Columbia River Power System
Combined Balance Sheets

As of September 30

(Thousands of Dollars)

	2015	2014
Assets		
Utility plant		
Completed plant	**$ 17,235,713**	$ 16,618,215
Accumulated depreciation	**(6,192,725)**	(5,941,078)
	11,042,988	10,677,137
Construction work in progress	**1,815,735**	1,603,811
Net utility plant	**12,858,723**	12,280,948
Nonfederal generation	**3,534,241**	3,361,386
Current assets		
Cash and cash equivalents	**646,670**	859,242
Short-term investments in U.S. Treasury securities	**694,274**	465,756
Accounts receivable, net of allowance	**35,732**	24,321
Accrued unbilled revenues	**298,906**	283,377
Materials and supplies, at average cost	**116,830**	112,445
Prepaid expenses	**27,447**	32,443
Total current assets	**1,819,859**	1,777,584
Other assets		
Regulatory assets	**6,603,165**	6,741,604
Investments in U.S. Treasury securities	**-**	94,542
Nonfederal nuclear decommissioning trusts	**282,655**	279,210
Deferred charges and other	**449,918**	396,876
Total other assets	**7,335,738**	7,512,232
Total assets	**$ 25,548,561**	$ 24,932,150

The accompanying notes are an integral part of these statements.

Federal Columbia River Power System
Combined Balance Sheets

As of September 30

(Thousands of Dollars)

	2015	2014
Capitalization and Liabilities		
Capitalization and long-term liabilities		
Accumulated net revenues	**$ 3,175,668**	$ 2,823,085
Debt		
Federal appropriations	**3,901,740**	4,090,050
Borrowings from U.S. Treasury	**4,366,740**	3,944,040
Nonfederal debt	**6,786,856**	6,439,711
Total capitalization and long-term liabilities	**18,231,004**	17,296,886
Commitments and contingencies (Note 13)		
Current liabilities		
Debt		
Borrowings from U.S. Treasury	**282,000**	298,000
Nonfederal debt	**752,515**	799,829
Accounts payable and other	**539,747**	555,165
Total current liabilities	**1,574,262**	1,652,994
Other liabilities		
Regulatory liabilities	**2,259,843**	2,322,386
IOU exchange benefits	**2,683,866**	2,795,470
Asset retirement obligations	**184,784**	176,127
Deferred credits and other	**614,802**	688,287
Total other liabilities	**5,743,295**	5,982,270
Total capitalization and liabilities	**$ 25,548,561**	$ 24,932,150

The accompanying notes are an integral part of these statements.

Federal Columbia River Power System
Combined Statements of Revenues and Expenses

For the Years Ended September 30

(Thousands of Dollars)

	2015	2014	2013
Operating revenues			
Sales	**$ 3,257,461**	$ 3,426,514	$ 3,175,570
U.S. Treasury credits	**82,316**	108,453	88,692
Miscellaneous revenues	**64,655**	65,379	82,019
Total operating revenues	**3,404,432**	3,600,346	3,346,281
Operating expenses			
Operations and maintenance	**1,959,272**	1,901,288	1,843,972
Purchased power	**76,265**	199,056	154,173
Nonfederal projects	**228,965**	355,828	733,313
Depreciation and amortization	**447,984**	440,524	429,717
Total operating expenses	**2,712,486**	2,896,696	3,161,175
Net operating revenues	**691,946**	703,650	185,106
Interest expense and (income)			
Interest expense	**355,854**	333,820	356,337
Allowance for funds used during construction	**(53,217)**	(50,236)	(37,529)
Interest income	**(15,345)**	(23,446)	(28,937)
Net interest expense	**287,292**	260,138	289,871
Net revenues (expenses)	**404,654**	443,512	(104,765)
Accumulated net revenues, beginning of year	**2,823,085**	2,432,217	2,595,940
Irrigation assistance	**(52,071)**	(52,644)	(58,958)
Accumulated net revenues, end of year	**$ 3,175,668**	$ 2,823,085	$ 2,432,217

The accompanying notes are an integral part of these statements.

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

	2015	2014	2013
Cash flows from operating activities			
Net revenues (expenses)	**$ 404,654**	$ 443,512	$ (104,765)
Non-cash items:			
Depreciation and amortization	**447,984**	440,524	429,717
Amortization of nonfederal projects	**23,065**	119,168	512,363
Gain on extinguishment of U.S. Treasury bonds	**-**	(36,122)	-
Changes in:			
Receivables and unbilled revenues	**(22,566)**	(14,833)	45,261
Materials and supplies	**(4,385)**	(426)	(12,583)
Prepaid expenses	**4,996**	8,015	(14,398)
Accounts payable and other	**(1,069)**	35,636	(53,511)
Regulatory assets and liabilities	**16,587**	(95,454)	(141,867)
IOU exchange benefits	**(111,604)**	(197,270)	(88,313)
Other assets and liabilities	**(81,978)**	(5,148)	(3,259)
Net cash provided by operating activities	**675,684**	697,602	568,645
Cash flows from investing activities			
Investment in utility plant, including AFUDC	**(964,509)**	(842,983)	(778,785)
U.S. Treasury securities:			
Purchases	**(1,322,999)**	(950,001)	(940,000)
Maturities	**1,185,200**	808,429	808,783
Deposits to nonfederal nuclear decommissioning trusts	**(3,363)**	(3,234)	(3,598)
Lease-purchase trust funds:			
Deposits to	**(205,789)**	(519,039)	(144,208)
Receipts from	**205,174**	256,784	160,095
Net cash used for investing activities	**(1,106,286)**	(1,250,044)	(897,713)
Cash flows from financing activities			
Federal appropriations:			
Proceeds	**47,970**	119,654	99,175
Repayment	**(236,280)**	(321,061)	(56,740)
Borrowings from U.S. Treasury:			
Proceeds	**619,000**	603,000	632,000
Repayment	**(212,300)**	(206,898)	(167,800)
Nonfederal debt:			
Proceeds	**206,167**	520,118	488,965
Repayment	**(121,702)**	(227,043)	(498,748)
Customers:			
Net advances (refunds) for construction	**4,034**	3,664	(6,425)
Repayment of funds used for construction	**(36,788)**	(37,234)	(41,132)
Irrigation assistance	**(52,071)**	(52,644)	(58,958)
Net cash provided by financing activities	**218,030**	401,556	390,337
Net (decrease) increase in cash and cash equivalents	**(212,572)**	(150,886)	61,269
Cash and cash equivalents at beginning of year	**859,242**	1,010,128	948,859
Cash and cash equivalents at end of year	**$ 646,670**	$ 859,242	$ 1,010,128
Supplemental disclosures:			
Cash paid for interest, net of amount capitalized	**$ 365,785**	$ 350,743	$ 377,167
Significant noncash investing and financing activities:			
U.S Treasury bonds repaid with non-cash gains	**$ -**	$ (39,102)	$ -
Nonfederal debt increase for Energy Northwest	**$ 572,779**	$ 221,550	$ 12,639
Nonfederal debt extinguished through refinancing for Energy Northwest	**$ (359,715)**	$ (111,954)	$ (20,235)
Other nonfederal	**$ 2,302**	$ -	$ (10,135)

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

ACCOUNTING PRINCIPLES

Combination and consolidation of entities

The Federal Columbia River Power System (FCRPS) financial statements combine the accounts of the Bonneville Power Administration (BPA), the accounts of the Pacific Northwest generating facilities of the U.S. Army Corps of Engineers (Corps) and the Bureau of Reclamation (Reclamation) as well as the operations and maintenance costs of the U.S. Fish and Wildlife Service for the Lower Snake River Compensation Plan facilities. Consolidated with BPA are "Special Purpose Corporations" known as Northwest Infrastructure Financing Corporations (NIFCs), from which BPA leases certain transmission facilities. (See Note 7, Debt and Appropriations, and Note 8, Variable Interest Entities.)

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

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

Use of estimates

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

Reclassifications

A $5 million reclassification from Miscellaneous revenues to U.S. Treasury credits was made in the Combined Statements of Revenues and Expenses for fiscal years 2015, 2014 and 2013. This reclassification had no effect on previously reported results of operations or cash flows.

Rates and regulatory authority

BPA establishes separate power and transmission rates in accordance with several statutory directives. Rates proposed by BPA are subject to an extensive formal hearing process, after which they are proposed by BPA and reviewed by FERC. FERC's review is based on BPA statutes that include a requirement that rates must be sufficient to ensure repayment of the federal investment in the FCRPS over a reasonable number of years after first meeting BPA's other costs. After the final FERC approval, BPA's rates may be reviewed by the United States Court of Appeals for the Ninth Circuit (Ninth Circuit Court) if challenged by parties involved in the rate proceedings. Petitions seeking such review must be filed within 90 days of the final FERC approval. The Ninth Circuit Court may either confirm or reject a rate proposed by BPA. BPA's rates are not structured to provide a rate of return on its assets.

In accordance with authoritative guidance for regulated operations, certain costs or credits may be included in rates for recovery or refund over a future period and are recorded as regulatory assets or liabilities. (See Note 4, Effects of Regulation.)

Utility plant

Utility plant is stated at original cost and includes generation, transmission and other assets. The costs of substantial additions, major replacements and substantial betterments are capitalized. Costs include direct labor and materials; payments to contractors; indirect charges for engineering, supervision and certain overhead items; and an allowance for funds used during construction (AFUDC). Maintenance, repairs and replacements of items determined to be less than major units of property are charged as incurred to Operations and maintenance in the Combined Statements of Revenues and Expenses. When utility plant is retired, the original cost and any net proceeds from the disposition are charged to accumulated depreciation. (See Note 2, Utility Plant.)

Depreciation and amortization

Depreciation of the original cost of generation plant is computed using straight-line methods based on estimated average service lives of the various classes of property. For transmission plant, depreciation of original cost and estimated net cost of removal is computed primarily on the straight-line group life method based on estimated average service lives of the various classes of property. The estimated net cost of removal is included in depreciation expense. (See Note 2, Utility Plant.)

In the event removal costs are expected to exceed salvage proceeds, a reclassification of this negative salvage is made from accumulated depreciation to a regulatory liability. As actual removal costs are incurred, the associated regulatory liability is reduced.

Amortization expense relates primarily to certain regulatory assets. (See Note 4, Effects of Regulation.)

Allowance for funds used during construction

AFUDC represents the estimated cost of interest on financing the construction of new assets. AFUDC is based on the construction work in progress balance and is charged to the capitalized cost of the utility plant asset. AFUDC is a reduction of interest expense.

AFUDC is capitalized at one rate for construction funded substantially by BPA and at another rate for Corps and Reclamation construction funded by congressional appropriations. The BPA rate is determined based on the weighted-average cost of borrowing for BPA and for the Lease-Purchase Program. (See discussion of the Lease-Purchase Program in Note 7, Debt and Appropriations.) The rate for appropriated funds is provided each year to BPA by the U.S. Treasury. (See Note 2, Utility Plant.)

Nonfederal generation

BPA is party to long-term contracts for BPA to acquire all of the generating capability of Energy Northwest's Columbia Generating Station (CGS) nuclear power plant and Lewis County PUD's Cowlitz Falls Hydroelectric Project. These contracts require BPA to meet all of the facilities' operating, maintenance and debt service costs. Operations and maintenance and debt service expenses for these projects are recognized based upon total project cash funding requirements. The Nonfederal generation assets in the Combined Balance Sheets are amortized over the term of the outstanding debt, with the amortization expense included in Nonfederal projects on the Combined Statements of Revenues and Expenses. (See Note 7, Debt and Appropriations.)

Cash and cash equivalents

Cash amounts include cash in the Bonneville Power Administration Fund (Bonneville Fund) with the U.S. Treasury and unexpended appropriations of the Corps and Reclamation. Cash equivalents consist of investments in non-marketable market-based special securities issued by the U.S. Treasury (market-based specials) with maturities of 90 days or less at the date of investment. The carrying value of cash and cash equivalents approximates fair value.

Concentrations of credit risks

General credit risk

Financial instruments that potentially subject the FCRPS to concentrations of credit risk consist primarily of BPA accounts receivable. Credit risk represents the loss that would be recognized if counterparties fail to perform as contracted.

BPA's accounts receivable are spread across a diverse group of customers throughout the western United States and Canada, and include consumer-owned utilities (COUs), investor-owned utilities (IOUs), power marketers, wind generators and others. BPA's accounts receivable exposure is generally from large and stable counterparties and does not represent a significant concentration of credit risk. During fiscal years 2015, 2014 and 2013, BPA experienced no material losses as a result of any customer defaults or bankruptcy filings.

BPA mitigates credit risk by reviewing counterparties for creditworthiness, establishing credit limits and monitoring credit exposure. In order to further manage credit risk, BPA obtains credit support, such as letters of credit, parental guarantees, and cash in the form of prepayments, deposits or escrow funds from some counterparties. BPA closely monitors counterparties for changes in financial condition and regularly updates credit reviews.

Allowance for doubtful accounts

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

Derivative instruments

Derivative instruments are measured at fair value and recognized on the Combined Balance Sheets as either Deferred charges and other or as Deferred credits and other unless the contract is eligible for the normal purchases and normal sales exception under derivatives and hedging accounting guidance. Forward electricity contracts are generally considered normal purchases and normal sales if they require physical delivery, are expected to be used or sold in the normal course of business and meet the derivative accounting definition of capacity. Recognition of these contracts in Sales or Purchased power in the Combined Statements of Revenues and Expenses occurs when the contracts settle.

Changes in fair value are deferred as either Regulatory assets or Regulatory liabilities on the Combined Balance Sheets in accordance with regulated operations accounting guidance. The FCRPS does not apply hedge accounting.

Fair value

Carrying amounts of current assets and current liabilities approximate fair value based on the short-term nature of these instruments. Fair value measurements are applied to certain financial assets and liabilities and to determine fair value disclosures in accordance with accounting guidance for fair value measurements and disclosures. When developing fair value measurements, it is FCRPS policy to use quoted market prices whenever available or to maximize the use of observable inputs and minimize the use of unobservable inputs when quoted market prices are not available. Fair values are primarily developed using industry standard models that consider various inputs including: (a) quoted forward prices for commodities; (b) time value; (c) volatility factors; (d) current market and contractual prices for underlying instruments; (e) market interest rates and yield curves; and (f) credit spreads, as well as other relevant economic measures. (See Note 11, Risk Management and Derivative Instruments and Note 12, Fair Value Measurements.)

Revenues and net revenues

Operating revenues are recorded when power, transmission and related services are delivered and include estimated unbilled revenues. Net revenues over time are committed to payment of operational obligations, including debt for both operating and non-operating nonfederal projects, debt service on bonds BPA issues to

the U.S. Treasury, the repayment of federal appropriations in the FCRPS, and the payment of certain irrigation costs.

U.S. Treasury credits

U.S. Treasury credits represent nonpower-related costs that BPA recovers from the U.S. Treasury in accordance with certain laws. The primary U.S. Treasury credit is the 4(h)(10)(C) credit provided for in the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act). This credit allows BPA to recover the nonpower portion of expenditures BPA makes for fish and wildlife protection, mitigation and enhancement. Through Section 4(h)(10)(C), the Northwest Power Act ensures that the costs of mitigating these impacts are properly accounted for among the power-related and other purposes of the federal hydroelectric projects of the FCRPS. Power-related costs are recovered in BPA's rates. U.S. Treasury credits are reported as a component of Operating revenues in the Combined Statements of Revenues and Expenses.

Purchased power

Purchased power expense represents wholesale power purchases that are meant to augment the FCRPS resource pool to meet loads and obligations. Purchased power excludes operations and maintenance expenses associated with CGS and the Cowlitz Falls Hydroelectric Project, and with certain contracts for renewable resources that BPA management considers part of the FCRPS resource pool.

Nonfederal projects

Nonfederal projects expense represents the amortization of nonfederal generation assets and regulatory assets for terminated nonfederal nuclear and hydro facilities, as well as the interest expense on the debt related to those assets. This expense is recognized over the terms of the related outstanding debt.

Interest expense

Interest expense includes interest associated with the unpaid balance of federal appropriations scheduled for repayment, interest on bonds issued by BPA to the U.S. Treasury and interest on certain nonfederal debt. Reductions to interest expense include the amortization of a capitalization adjustment regulatory liability and also gains related to the repayment of certain U.S. Treasury bonds considered extinguished or modified after being called and reissued. Interest expense excludes interest on nonfederal debt related to operating or terminated generation assets that is instead reported as a component of nonfederal projects expense. (See Note 7, Debt and Appropriations.)

Interest income

Interest income includes interest earnings on balances in the Bonneville Fund including market-based special securities and interest earnings from other sources. BPA continues to earn interest offset credits on certain cash balances in the Bonneville Fund that are not invested in market-based specials. These credits reduce some interest payments, associated with federally appropriated investments in the FCRPS, in the amount of the interest earned. The interest offset credits are earned at the weighted-average interest rate of BPA's outstanding U.S. Treasury borrowings. Interest earnings on U.S. Treasury market-based special investments are based on the stated rates of the individual securities. (See Note 3, Investments in U.S. Treasury Securities.)

Residential Exchange Program

In order to provide qualifying regional utilities, primarily IOUs, access to power benefits from the FCRPS, Congress established the Residential Exchange Program (REP) in Section 5(c) of the Northwest Power Act. Whenever a Pacific Northwest electric utility offers to sell power to BPA at the utility's average system cost of resources, BPA purchases such power and offers, in exchange, to sell an equivalent amount of power at BPA's priority firm exchange rate to the utility for resale to that utility's residential and small farm consumers. REP costs are forecast for each year of the rate period and included in the revenue requirement for establishing rates. The cost of this program is collected through rates. REP costs are recognized when incurred and included in Operations and maintenance in the Combined Statements of Revenues and Expenses.

In fiscal year 2011, BPA signed the 2012 Residential Exchange Program Settlement Agreement (2012 REP Settlement Agreement), resolving disputes related to the REP. The 2012 REP Settlement Agreement provides for fixed "Scheduled Amounts" payable to the IOUs, as well as fixed "Refund Amounts" payable to the COUs. The Refund Amounts do not reduce rates but are bill credits to qualifying COUs as designated in the 2012 REP Settlement Agreement. (See Note 9, Residential Exchange Program.)

Pension and other postretirement benefits

Federal employees associated with the operation of the FCRPS participate in either the Civil Service Retirement System or the Federal Employees Retirement System. Employees may also participate after retirement in the Federal Employees Health and Benefit Program and the Federal Employee Group Life Insurance Program. All such postretirement systems and programs are sponsored by the Office of Personnel Management; therefore, the FCRPS financial statements do not include accumulated plan assets or liabilities related to the administration of such programs. Contribution amounts are paid to the U.S. Treasury and are recorded as Operations and maintenance in the Combined Statements of Revenues and Expenses during the year to which the payment relates.

RECENT ACCOUNTING PRONOUNCEMENTS

Revenue recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) on revenue from contracts with customers that supersedes the existing revenue recognition guidance, including most industry-specific guidance. On April 1, 2015, the FASB proposed to defer the effective date of the new revenue standard by one year and to permit one year early adoption. Management is evaluating the impact of adopting this guidance, which will be effective for fiscal year 2019.

Fees paid in cloud computing arrangements

In April 2015, the FASB issued an ASU addressing customer's accounting for fees paid in a cloud computing arrangement. Existing GAAP does not include explicit guidance about these types of fees. Examples of cloud computing arrangements include software as a service, platform as a service, infrastructure as a service, and other similar hosting arrangements. Management is evaluating the impact of adopting this guidance, which will be effective for fiscal year 2017.

Presentation of debt issuance costs

In April 2015, the FASB issued an ASU to align the balance sheet presentation of debt issuance costs with that of debt premiums and discounts. Management is evaluating the impact of adopting this guidance, which will be effective for fiscal year 2017.

SUBSEQUENT EVENTS

Management has performed an evaluation of events and transactions for potential FCRPS recognition or disclosure through Oct. 30, 2015, which is the date the financial statements were issued. On Oct. 21, 2015, Energy Northwest issued $109 million of par value bonds at a premium, which resulted in the receipt of $130 million in proceeds. These bonds were issued for Washington Nuclear Project No. 1 (Project 1), Washington Nuclear Project No. 3 (Project 3) and for CGS, and Energy Northwest used the proceeds to repay a $130 million line of credit. On the Combined Balance Sheets, the $130 million line of credit is included in long-term Nonfederal debt as the newly issued bonds have maturities between 2025 and 2031. (See Note 7, Debt and Appropriations.)

2. Utility Plant

As of Sept. 30 — millions of dollars	2015	2014	Estimated average service lives
Generation assets	$ 8,839	$ 8,624	75 years
Transmission and other assets	7,849	7,843	48 years
Transmission capital leased assets	548	151	48 years
Completed plant	$ 17,236	$ 16,618	

Allowance for funds used during construction

Fiscal year	2015	2014	2013
BPA rate	3.1%	3.7%	3.6%
Appropriated rate	0.1%	0.1%	0.1%

3. Investments in U.S. Treasury Securities

As of Sept. 30 — millions of dollars	2015		2014	
	Amortized cost	Fair value	Amortized cost	Fair value
Short-term	$ 694	$ 695	$ 466	$ 466
Long-term	-	-	94	95
Total	$ 694	$ 695	$ 560	$ 561

BPA participates in the U.S. Treasury's Federal Investment Program, which provides investment services to federal government entities that have funds on deposit with the U.S. Treasury and statutory authority to invest those funds. Investments of the funds are generally restricted to market-based special securities. Under its banking arrangement with the U.S. Treasury, BPA has agreed to increase the amounts in the Bonneville Fund that are invested in market-based specials by at least $100 million annually. This has had and is expected to have the effect of increasing the amounts of market-based specials in the Bonneville Fund. At the earlier of the date that the Bonneville Fund is fully invested in market-based specials or Sept. 30, 2018, all balances in the Bonneville Fund will thereafter be invested through the Federal Investment Program and BPA will no longer earn interest offset credits. Instead, BPA will continue to earn interest on its investments in market-based specials.

Market-based specials held during fiscal years 2015 and 2014 had a weighted-average yield of 0.1 percent and 0.2 percent, respectively, with maturities of up to two years. The amounts shown in the preceding table exclude U.S. Treasury securities with maturities of 90 days or less at the date of investment, which are considered cash equivalents and are included in the Combined Balance Sheets as part of Cash and cash equivalents. For all other securities, FCRPS follows the authoritative guidance for investments, debt and equity securities. These investments are classified as held-to-maturity and reported at amortized cost. They are not actively traded and their valuations are based on a market input evaluation pricing methodology using a combination of observable market data such as current market trade data, reported bid/ask spreads, and institutional bid information. These fair value measurements are considered Level 2 in the fair value hierarchy as defined by the accounting guidance for fair value measurements and disclosures. (See Note 12, Fair Value Measurements.) Investments

with maturities that will be realized in cash between 91 days and one year are classified as short-term investments.

4. Effects of Regulation

REGULATORY ASSETS

As of Sept. 30 — millions of dollars	2015	2014
REP Scheduled Amounts	$ 2,684	$ 2,795
Terminated nuclear facilities	2,031	2,031
Columbia River Fish Mitigation	696	657
Conservation measures	380	341
Fish and wildlife measures	299	310
REP Refund Amounts	294	364
Legal claims and settlements	56	92
Spacer damper replacement program	48	50
Derivative instruments	34	16
Federal Employees' Compensation Act	32	33
Trojan decommissioning and site restoration	26	24
Terminated hydro facilities	14	16
Other	9	13
Total	$ 6,603	$ 6,742

Regulatory assets include the following items:

"REP Scheduled Amounts" reflect the costs of REP Scheduled Amounts representing REP benefits payable under the 2012 REP Settlement Agreement that will be recovered in rates through 2028. These amounts amortize to operations and maintenance expense. (See Note 9, Residential Exchange Program.)

"Terminated nuclear facilities" consist of the nonfederal debt for Energy Northwest Projects 1 and 3. These assets are amortized to nonfederal projects expense over the term of the related outstanding debt. (See Note 7, Debt and Appropriations.)

"Columbia River Fish Mitigation" is the cost of research and development for fish bypass facilities funded through appropriations since 1989 in accordance with the Energy and Water Development Appropriations Act of 1989, Public Law 100-371. These costs are recovered in rates over 75 years and amortized to depreciation and amortization expense.

"Conservation measures" consist of the costs of deferred conservation measures and are amortized to depreciation and amortization expense over periods from 12 to 20 years. "Fish and wildlife measures" consist of deferred fish and wildlife project expenses and are amortized to depreciation and amortization expense over a period of 15 years.

"REP Refund Amounts" are amounts that reduce the REP benefit payments through fiscal year 2019 and were established in the 2012 REP Settlement Agreement. (See Note 9, Residential Exchange Program.) These amounts are recoverable in future rates and are equal to the regulatory liability for REP Refund Amounts to COUs.

"Legal claims and settlements" reflect accrued liabilities related to outstanding legal claims and settlement agreements. These costs will be recovered and amortized to operations and maintenance expense through future rates over a period established by BPA.

"Spacer damper replacement program" consists of costs to replace deteriorated spacer dampers and are recovered in rates under the Spacer Damper Replacement Program. These costs are amortized to depreciation and amortization expense over a period of 25 or 30 years.

"Derivative instruments" reflect the unrealized losses from BPA's derivative portfolio. These amounts are deferred over the corresponding underlying contract delivery months. (See Note 11, Risk Management and Derivative Instruments.)

"Federal Employees' Compensation Act" reflects the actuarial estimated amount of future payments for current recipients of BPA's worker compensation benefits. This amount equals the associated liability.

"Trojan decommissioning and site restoration" reflects the amount to be recovered in future rates for funding the asset retirement obligation (ARO) liability related to the former Trojan nuclear facility. This amount equals the associated liability. (See Note 5, Asset Retirement Obligations.)

"Terminated hydro facilities" consist of the nonfederal debt for the Northern Wasco hydro project, for which BPA terminated its participation. These assets are amortized to nonfederal projects expense over the term of the related outstanding debt. (See Note 7, Debt and Appropriations.)

REGULATORY LIABILITIES

As of Sept. 30 — millions of dollars	2015	2014
Capitalization adjustment	$ 1,342	$ 1,407
Accumulated plant removal costs	423	411
REP Refund Amounts to COUs	294	364
Decommissioning and site restoration	126	129
Derivative instruments	68	5
Other	7	6
Total	$ 2,260	$ 2,322

Regulatory liabilities include the following items:

"Capitalization adjustment" is the difference between the outstanding balance of federal appropriations, plus $100 million, before and after refinancing under the BPA Refinancing Section of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Refinancing Act), 16 U.S.C. 838(l). Consistent with treatment in BPA's power and transmission rate cases, this adjustment is being amortized over a 40-year period through fiscal year 2036. Amortization of the capitalization adjustment as a reduction to interest expense was $65 million for fiscal years 2015, 2014 and 2013, respectively.

"Accumulated plant removal costs" are the amounts previously collected through rates as part of depreciation. The liability will be reduced as actual removal costs are incurred. (See Note 1, Summary of Significant Accounting Policies.)

"REP Refund Amounts to COUs" are the amounts previously collected through rates that are owed to qualifying consumer-owned utilities and will be provided as future bill credits through fiscal year 2019 as established in the 2012 REP Settlement Agreement. These amounts are equal to regulatory assets for REP Refund Amounts. (See Note 9, Residential Exchange Program.)

"Decommissioning and site restoration" is the amount previously collected through rates and invested in the related nonfederal nuclear decommissioning trusts in excess of the ARO balances for CGS decommissioning and site restoration as well as Energy Northwest Projects 1 and 4 sites. (See Note 5, Asset Retirement Obligations.)

"Derivative instruments" reflect the unrealized gains from BPA's derivative portfolio. These amounts are deferred over the corresponding underlying contract delivery months. (See Note 11, Risk Management and Derivative Instruments.)

5. Asset Retirement Obligations

As of Sept. 30 — millions of dollars	2015	2014
Beginning Balance	$ 176	$ 172
Activities:		
Accretion	9	8
Expenditures	(2)	(2)
Revisions	2	(2)
Ending Balance	$ 185	$ 176

AROs are recognized based on the estimated fair value of the dismantlement and restoration costs associated with the retirement of certain tangible long-lived assets. The liability is adjusted for any revisions, expenditures and the passage of time. The FCRPS also has tangible long-lived assets such as federal hydro projects and transmission assets without an associated ARO because no obligation exists to remove these assets.

AROs include the following items as of Sept. 30, 2015:

- CGS decommissioning and site restoration of $142 million;
- Trojan decommissioning of $26 million;
- Energy Northwest Projects 1 and 4 site restoration of $17 million.

NONFEDERAL NUCLEAR DECOMMISSIONING TRUSTS

As of Sept. 30 — millions of dollars	2015		2014	
	Amortized cost	Fair value	Amortized cost	Fair value
Equity index funds	$ 131	$ 135	$ 86	$ 121
Bond index funds	130	130	62	65
U.S. government obligation mutual funds	19	18	93	93
Total	$ 280	$ 283	$ 241	$ 279

These assets represent trust fund balances for decommissioning and site restoration costs. External trust funds for decommissioning and site restoration costs are funded monthly for CGS and are charged to operations and maintenance expense. The trust funds are expected to provide for decommissioning at the end of the project's safe storage period in accordance with Nuclear Regulatory Commission (NRC) requirements. The NRC requires that this period be no longer than 60 years from the time the plant ceases operations. Trust fund requirements for CGS are based on an NRC decommissioning cost estimate and the license termination date, which is in 2043. The CGS trusts are funded and managed by BPA in accordance with the NRC requirements and site certification agreements.

The investment securities in the decommissioning and site restoration trust accounts are classified as available-for-sale and recorded at fair value in accordance with accounting guidance for investments, debt and equity securities. Net unrealized gains and losses on these investment securities are recognized as adjustments to the related regulatory liability, which represents the excess of the amount previously collected through rates over the current ARO balance. (See Note 4, Effects of Regulation.)

Contribution payments to the CGS trusts for fiscal years 2015, 2014 and 2013 were approximately $3 million, $3 million and $4 million, respectively. BPA and Energy Northwest have no obligation to make further payments into the site restoration fund for Energy Northwest Projects 1 and 4.

Based on an agreement in place, BPA directly funds Eugene Water and Electric Board's 30 percent share of Trojan's decommissioning costs through current rates. Decommissioning costs are included in Operations and maintenance in the Combined Statements of Revenues and Expenses.

6. Deferred Charges and Other

As of Sept. 30 — millions of dollars	2015	2014
Lease-Purchase trust funds	$ 336	$ 355
Derivative instruments	68	5
Settlements receivable	16	16
Spectrum Relocation Fund	13	8
Funding agreements	12	7
Other	5	6
Total	$ 450	$ 397

Deferred Charges and Other include the following items:

"Lease-Purchase trust funds" are amounts held in separate trust accounts outside the Bonneville Fund for the construction of leased transmission assets, the use of which BPA has received under lease-purchase agreements. The amounts held in trust are also used in part for debt service payments during the construction period and include an investment fund mainly for future principal and interest debt service payments. (See Note 7, Debt and Appropriations.) These trust balances consist of cash and cash equivalents and investments classified as either trading or held to maturity. Trading securities, which comprise the majority of trust balances, are held for construction purposes and are stated at fair value based on quoted market prices. Interest income and realized and unrealized gains or losses on amounts held in trust for construction are recorded as AFUDC. Interest income and gains and losses on other trust balances are recorded as either income or expense in the period when earned.

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

"Settlements receivable" represents interest earned by BPA on certain settlements, the principal of which has been collected. The timing of cash receipt of the interest is unknown.

"Spectrum Relocation Fund" was created to reimburse certain federal agencies such as BPA for the costs of replacing radio communication equipment displaced as a result of radio band frequencies no longer available to the affected federal agencies. Amounts received for Spectrum Relocation Fund from the U.S. Treasury are held in the Bonneville Fund for the sole purpose of constructing replacement assets.

"Funding agreements" represent deferred costs associated with BPA's contractual obligations to determine the feasibility of certain joint transmission projects.

7. Debt and Appropriations

As of Sept. 30 — millions of dollars		2015		2014	
	Terms	Carrying Value	Weighted-Average Interest Rate	Carrying Value	Weighted-Average Interest Rate
Nonfederal debt					
Nonfederal generation:					
Columbia Generating Station	0.5 – 6.8% through 2044	$ 3,453	4.0%	$ 3,305	4.2 %
Cowlitz Falls Project	4.0 – 5.3% through 2032	82	5.1	85	5.1
Terminated nonfederal generation:					
Nuclear Project 1	0.6 – 7.1% through 2028	903	4.7	913	5.0
Nuclear Project 3	0.6 – 7.1% through 2028	1,133	4.7	1,144	4.9
Northern Wasco Hydro Project	1.2 – 5.0% through 2024	16	3.5	17	3.3
Lease-Purchase Program:					
Capital leases	1.9 – 6.1% through 2042	1,181	2.9	687	2.9
Consolidated NIFC debt	1.8 – 5.4% through 2034	437	3.1	735	3.4
Other capital leases	4.7 – 7.4% through 2044	32	6.4	33	6.8
Customer prepaid power purchases	4.3 – 4.6% through 2028	302	4.5	319	4.5
Other		-		2	4.6
Total Nonfederal debt		7,539	4.0	7,240	4.2
Federal debt and appropriations					
Borrowings from U.S Treasury	0.2 – 5.9% through 2043	4,649	3.0	4,242	3.1
Federal appropriations	2.9 – 7.3% through 2064	3,514	5.8	3,650	5.9
Federal appropriations (not yet scheduled for repayment)		388	n/a	440	n/a
Total Federal debt and appropriations		8,551	4.2	8,332	4.4
Total debt and appropriations		$ 16,090	4.1%	$ 15,572	4.3%

Nonfederal generation and Terminated nonfederal generation

BPA is party to long-term contracts for BPA to acquire all of the generating capability of Energy Northwest's Columbia Generating Station and Lewis County PUD's Cowlitz Falls Hydroelectric Project. These contracts require that BPA meet all of the operating, maintenance and debt service costs for these projects. Under certain agreements, BPA also assumed financial responsibility for meeting all costs of Energy Northwest's Projects 1 and 3, including debt service costs of bonds and other financial instruments issued for the projects, even though these projects were terminated. BPA is also required by a "Settlement and Termination Agreement" between BPA and Northern Wasco PUD to pay amounts equal to annual debt service on the Northern Wasco Hydro Project for which BPA ceased its participation.

BPA recognizes expenses for these nonfederal generation and terminated nonfederal generation projects based on total project cash funding requirements, which include debt service and operating and maintenance expenses. BPA recognized operating and maintenance expense for these projects of $323 million, $301 million and $307 million in fiscal years 2015, 2014 and 2013, respectively, which is included in Operations and maintenance in the Combined Statements of Revenues and Expenses. Debt service expense for all projects of $229 million, $356 million and $733 million for fiscal years 2015, 2014 and 2013, respectively, is reported as Nonfederal projects in the Combined Statements of Revenues and Expenses. On the Combined Balance

Sheets, related assets for operating projects are included in Nonfederal generation. Related assets for terminated generation are included in Regulatory assets. (See Note 4, Effects of Regulation.)

As a result of debt management actions taken by Energy Northwest under a Regional Cooperation Debt effort with BPA, amounts otherwise collected in BPA's Power rates during fiscal years 2015 and 2014 were not used to fund the Energy Northwest-related principal payments as originally intended, and as included in rates. Instead, amounts were used to repay, before their maturity date, $229 million and $321 million of higher interest rate federal appropriations during fiscal years 2015 and 2014, respectively.

Energy Northwest debt of $1.37 billion is callable, in whole or in part, at Energy Northwest's option, on call dates between July 2017 and July 2025 at 100 percent of the principal amount.

The fair value of Energy Northwest debt exceeded recorded value by $561 million and $591 million as of Sept. 30, 2015, and 2014, respectively. The valuations are based on a market input evaluation pricing methodology using a combination of market observable data such as current market trade data, reported bid/ask spreads and institutional bid information. These fair value measurements are considered Level 2 in the fair value hierarchy. (See Note 12, Fair Value Measurements.)

Lease-Purchase Program and Capital leases

Under the Lease-Purchase Program, BPA consolidates special purpose corporations, collectively referred to as Northwest Infrastructure Financing Corporations (NIFCs). These entities issued debt to and received advances from nonfederal sources, which were used to finance construction of transmission facilities leased to BPA. The combined NIFCs have issued $120 million in bonds and borrowed $317 million on lines of credit with various banks as of Sept. 30, 2015. The collateral for this debt is the future lease payment stream from BPA. The bonds bear interest at 5.4 percent and mature in 2034. All NIFC bonds outstanding are subject to redemption by the issuing NIFC, in whole or in part, at any date, at the higher of the principal amount of the bonds or the present value of the bonds discounted using the U.S. Treasury rate plus a premium of 12.5 basis points. The lines of credit become due in full at various dates ranging between July 1, 2016, and Jan. 1, 2019. The lease-purchase agreements contain provisions that allow BPA to purchase the related assets at any time during each lease term for a bargain purchase price plus the value of the related outstanding debt instrument. (See Note 8, Variable Interest Entities.)

The fair value of the consolidated NIFC debt exceeded the recorded value by $21 million and $24 million as of Sept. 30, 2015, and 2014, respectively. The valuations are based on the discounted future cash flows using interest rates for similar debt that could have been issued at Sept. 30, 2015, and 2014, respectively. These fair value measurements are considered Level 2 in the fair value hierarchy. (See Note 12, Fair Value Measurements.)

Lease-purchase transactions with entities that are not consolidated in the combined FCRPS financial statements are reported as transmission capital leased assets. These include BPA's lease-purchase transactions with the Port of Morrow, a port district located in Morrow County, Oregon, and the Idaho Energy Resources Authority (IERA), an independent public instrumentality of the State of Idaho, for transmission facilities, including lines, substations and general plant assets.

On the Combined Balance Sheets, the consolidated NIFC debt and capital lease liabilities are included in Nonfederal debt. The related assets are included in Utility plant and Deferred charges and other for unspent funds held in trust accounts outside the Bonneville Fund. The capital leases expire on various dates through 2044. Additionally one capital lease agreement includes a minimum lease payment escalation clause based on transmission usage, which was triggered during fiscal year 2015. The contract change became effective Oct. 1, 2015, but will not have a material impact to the financial statements.

Completed plant assets reported as transmission capital leased assets were $548 million and $151 million, with accumulated depreciation of $54 million and $23 million, at Sept. 30, 2015, and 2014, respectively. During fiscal year 2015, two of the NIFC entities sold their lease receivables, rights to future lease revenues, and title to their leased assets to the Port of Morrow, resulting in the associated liabilities being reported as capital

leases instead of as consolidated NIFC debt. These transactions resulted in a $303 million increase to transmission capital leased assets with an immaterial net change to Completed plant on the Combined Balance Sheets. (See Note 2, Utility Plant.)

Customer prepaid power purchases

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

In March 2013, BPA received $340 million representing $474 million in scheduled credits for blocks purchased by customers. BPA accounts for the prepayment proceeds as a financing transaction and reports the value of the obligations associated with the fixed credits as a prepayment liability. Interest expense is recognized using a weighted-average effective interest rate of 4.5 percent. The prepaid liability is reduced as power is delivered and the credits are applied through fiscal year 2028.

Borrowings from U.S. Treasury

BPA is authorized by Congress to issue and sell to the U.S. Treasury, and have outstanding at any one time, up to $7.70 billion aggregate principal amount of bonds. Of the $7.70 billion in U.S. Treasury borrowing authority, $1.25 billion is available for electric power conservation and renewable resources, including capital investment at the FCRPS hydroelectric facilities owned by the Corps and Reclamation, and $6.45 billion is available for BPA's transmission capital program and to implement BPA's authorities under the Northwest Power Act. Of the $7.70 billion, $750 million can be issued to finance Northwest Power Act related expenses. The interest on BPA's outstanding bonds is set at rates comparable to rates on debt issued by other comparable federal government institutions at the time of issuance. Bonds can be issued with call options.

As of Sept. 30, 2015, of the total $4.65 billion outstanding balance, none related to Northwest Power Act expenses. Outstanding bonds carrying a variable rate of interest were $700 million and $661 million at Sept. 30, 2015, and 2014, respectively. The weighted-average interest rate of BPA's borrowings from the U.S. Treasury exceeds current rates. As a result, the fair value of BPA's U.S. Treasury borrowings exceeded the carrying value by approximately $474 million and $417 million, based on discounted future cash flows using agency rates offered by the U.S. Treasury as of Sept. 30, 2015, and 2014, respectively, for similar maturities. These fair value measurements are considered Level 2 in the fair value hierarchy. (See discussion in Note 12, Fair Value Measurements.)

Of the outstanding U.S. Treasury borrowings, $219 million is not subject to redemption prior to their stated maturities. As of Sept. 30, 2015, $700 million of borrowings are callable by BPA at par value and the remaining $3.73 billion of borrowings are callable by BPA at a premium or discount, which is calculated based on the current government agency rates for the remaining term to maturity at the time the borrowings are called.

During fiscal year 2014, BPA called $1.18 billion principal amount of previously issued U.S. Treasury borrowings prior to maturity and reissued $1.14 billion principal amount of shorter-duration debt at lower interest rates. The result of these noncash transactions was a gain of $36 million for extinguished debt, which decreased interest expense immediately, as well as a gain of $3 million for modified debt, which was amortized to interest expense over the term of the new debt. During fiscal year 2015, BPA did not call any bonds it had issued to the U.S. Treasury.

Federal appropriations

Federal appropriations reflect the responsibility that BPA has to repay congressionally appropriated amounts in the FCRPS. Federal appropriations consist primarily of the remaining unpaid power portion of Corps and Reclamation capital investments funded through congressional appropriations and include appropriations for Columbia River Fish Mitigation as allocated to the power purpose of the Corps' FCRPS hydroelectric projects.

BPA is obligated to establish rates to repay to the U.S. Treasury appropriations for federal generation and transmission plant investments within a specified repayment period, which is the reasonable expected service life of the facilities, not to exceed 50 years. Federal appropriations may be paid early without penalty, and BPA repaid appropriations early in fiscal years 2015 and 2014. All outstanding federal appropriations are scheduled for repayment in fiscal year 2019 and thereafter. BPA schedules the repayment of federal appropriations, which begin accruing interest once the related assets are placed into service.

As of Sept. 30 — millions of dollars	Maturing Nonfederal debt excluding capital leases	Future minimum lease payments under capital leases	Borrowings from U.S. Treasury	Federal appropriations	Total
2016	$ 751	$ 38	$ 282	$ -	$ 1,071
2017	597	38	76	-	711
2018	933	38	9	-	980
2019	642	49	575	-	1,266
2020	383	357	389	83	1,212
2021 and thereafter	3,020	1,044	3,318	3,819	11,201
Total	$ 6,326	$ 1,564	$ 4,649	$ 3,902	$ 16,441
Less: Executory costs	-	29	-	-	29
Less: Amount representing interest	-	322	-	-	322
Present value of debt	6,326	1,213	4,649	3,902	16,090
Less: Current portion	751	1	282	-	1,034
Long-term debt	$ 5,575	$ 1,212	$ 4,367	$ 3,902	$ 15,056

8. Variable Interest Entities

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

BPA management reviews executed power purchase agreements with counterparties that may be considered VIEs. These VIEs are typically legal entities structured to own and operate specific generating facilities, primarily wind farms. Because of their pricing arrangements, these agreements may provide that BPA absorb commodity price risk of the counterparty entities. BPA does not provide, and does not plan to provide, any additional financial support to these entities beyond what BPA is contractually obligated to pay. Management has concluded that it does not control the operating and maintenance activities that most significantly impact these entities. Therefore, BPA is not considered the primary beneficiary of these VIEs and does not consolidate any entities because of power purchase agreements, and none of the entities with which BPA has power purchase agreements are consolidated.

Management also reviews executed lease-purchase agreements with nonfederal entities. Certain of these entities, including the Port of Morrow and IERA, are governmental and, in accordance with VIE accounting guidance, are therefore scoped out of consolidation into the FCRPS financial statements.

BPA is the primary beneficiary of the NIFCs, which are considered VIEs, and BPA therefore consolidates these entities into the FCRPS financial statements. The key factors in this determination are BPA's ability to take

contractual actions that significantly impact the economic, commercial and operating activities of the NIFCs and that BPA may be obligated to absorb losses that could be significant to the NIFCs. Additionally, BPA's lease-purchase agreements with the NIFC entities obligate BPA to absorb the operational and commercial risks, and thus potentially significant benefits or losses associated with the underlying transmission facilities. BPA also has exclusive use and control of the facilities during the lease periods and has indemnified the NIFC entities for all construction and operating risks associated with their respective transmission facilities.

Amounts related to the NIFC entities include Lease-Purchase trust funds and other assets of $22 million and $25 million and Nonfederal debt of $437 million and $735 million as of Sept. 30, 2015, and 2014, respectively.

9. Residential Exchange Program

BACKGROUND

As provided in the Northwest Power Act, in 1981 BPA began to implement the REP through various contracts with eligible regional utility customers. BPA's implementation of the REP has been the subject of various litigations and settlement agreements. (See Note 13, Commitments and Contingencies.)

2008 IOU EXCHANGE BENEFITS

In fiscal year 2008, certain Interim Agreements were executed to provide certain IOUs with temporary REP benefits for their residential and small farm consumers. These agreements included a provision to true up the amounts advanced with the actual REP benefits for fiscal year 2008. The true up amount for the IOUs accumulated to $89 million by the end of December 2013; however, provisions in the agreement provided that true up payments could not be paid until any subsequent legal challenges to BPA's final Record of Decision (ROD), if any, were resolved. In fiscal year 2014, the conditions allowing for payment were met, and BPA paid all remaining Interim Agreement true up payments.

2012 RESIDENTIAL EXCHANGE PROGRAM SETTLEMENT AGREEMENT

Beginning in April 2010, over 50 litigants and other regional parties entered into mediation to resolve their numerous disputes over the REP. Participants reached an agreement in principle in early September 2010 and in February 2011 reached a final settlement agreement – the 2012 Residential Exchange Program Settlement Agreement (2012 REP Settlement Agreement).

In July 2011, BPA signed the REP-12 Final ROD and the 2012 REP Settlement Agreement, and BPA recorded an associated long-term IOU exchange benefits liability and corresponding regulatory asset of $3.07 billion. Beginning in fiscal year 2012, under the provisions of the 2012 REP Settlement Agreement the IOUs began to receive Scheduled Amounts annually starting at $182 million with increases over time to $286 million as the final payment in fiscal year 2028. The distribution of these payments is established in the 2012 REP Settlement Agreement and is based on each IOU's average system cost, BPA's Priority Firm Exchange rates and exchange load. The settled Scheduled Amounts to be paid to the IOUs total $4.07 billion over the 17-year period through 2028, with remaining payments as of Sept. 30, 2015, totaling $3.31 billion. Amounts recorded of $2.68 billion at Sept. 30, 2015, represent the present value of future cash outflows for these exchange benefits.

REP SCHEDULED AMOUNTS

As of Sept. 30 — millions of dollars		
2016	$	214
2017		214
2018		232
2019		232
2020		245
2021 through 2028		2,169
Total	$	3,306

In addition to Scheduled Amounts, the 2012 REP Settlement Agreement calls for Refund Amounts to be paid to COUs in the amount of $77 million each year from fiscal year 2012 through fiscal year 2019. The Refund Amounts were established as a regulatory asset and regulatory liability for the refunds that will be provided to BPA customers as bill credits. The 2012 REP Settlement Agreement established Refund Amounts totaling $612 million, with remaining refunds as of Sept. 30, 2015, totaling $306 million. Amounts recorded as a regulatory liability of $294 million at Sept. 30, 2015, represent the present value of future cash flows for the amounts to be refunded to COUs.

10. Deferred Credits and Other

As of Sept. 30 — millions of dollars	2015		2014	
Customer reimbursable projects	$	216	$	220
Generation interconnection agreements		169		196
Third AC Intertie capacity agreements		100		101
Legal claims and settlements		34		89
Derivative instruments		34		16
Federal Employees' Compensation Act		32		33
Fiber optic leasing fees		22		25
Other		8		8
Total	$	615	$	688

Deferred Credits and Other include the following items:

"Customer reimbursable projects" consist of advances received from customers where either the customer or BPA will own the resulting asset. If the customer will own the asset under construction, the revenue is recognized as the expenditures are incurred. If BPA will own the resulting asset, the revenue is recognized over the life of the asset once the corresponding asset is placed in service.

"Generation interconnection agreements" are generators' advances held as security for requested new network upgrades and interconnection. These advances accrue interest and will be returned as cash or credits against future transmission service on the new or upgraded lines.

"Third AC Intertie capacity agreements" reflect unearned revenue from customers related to the Third AC Intertie transmission line capacity project. Revenue is recognized over an estimated 49-year life of the related assets.

"Legal claims and settlements" reflect amounts accrued for outstanding legal claims and settlements. (See Note 13, Commitments and Contingencies.)

"Derivative instruments" reflect the unrealized loss of the derivative portfolio, which includes physical power purchase and sale transactions.

"Federal Employees' Compensation Act" reflects the actuarial estimated amount of future payments for current recipients of BPA's worker compensation benefits.

"Fiber optic leasing fees" reflect unearned revenue related to the leasing of fiber optic cables. Revenue is recognized over the lease terms extending through 2024.

11. Risk Management and Derivative Instruments

BPA is exposed to various forms of market risks related to commodity prices and volumes, counterparty credit, and interest rates. Non-performance risk, which includes credit risk, is described in Note 12, Fair Value Measurements. BPA has formalized risk management processes in place to manage agency risks, including the use of derivative instruments. The following sections describe BPA's exposure to and management of certain risks.

RISK MANAGEMENT

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

COMMODITY PRICE RISK AND VOLUMETRIC RISK

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

CREDIT RISK

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

During fiscal year 2015, BPA experienced no material losses as a result of any customer defaults or bankruptcy filings. As of Sept. 30, 2015, BPA had $118 million in credit exposure related to purchase and sale contracts after taking into account netting rights. BPA's credit exposure, net of cash collateral, to sub-investment grade counterparties was less than one percent of total outstanding credit exposures.

INTEREST RATE RISK

BPA has the ability to issue variable rate bonds or related instruments to the U.S. Treasury. BPA manages the interest rate risk presented by variable rate U.S. Treasury debt by holding a like amount of variable rate U.S.

Treasury security investments with a similar maturity profile. These U.S. Treasury investments earn interest at a variable rate that is correlated, but not identical, to the interest rate paid on U.S. Treasury variable rate debt. (See Note 3, Investments in U.S. Treasury Securities and Note 7, Debt and Appropriations.)

DERIVATIVE INSTRUMENTS

Commodity Contracts

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

For derivative instruments not eligible for the normal purchases and normal sales exception, BPA records unrealized gains and losses in Regulatory assets and Regulatory liabilities in the Combined Balance Sheets. Realized gains and losses are included in Sales and Purchased power in the Combined Statements of Revenues and Expenses as the contracts are delivered and settled.

When available, quoted market prices or prices obtained through external sources are used to measure a contract's fair value. For contracts without available quoted market prices, fair value is determined based on internally developed modeled prices. (See Note 12, Fair Value Measurements.)

As of Sept. 30, 2015, the derivative commodity contracts recorded at fair value totaled 8 million megawatt hours (MWh), gross basis, with delivery months extending to September 2022.

In the Combined Balance Sheets, BPA reports gross fair value amounts of derivative instruments subject to a master netting arrangement, excluding contracts designated as normal purchases or normal sales. (See Note 6, Deferred Charges and Other and Note 10, Deferred Credits and Other.) In the event of default or termination, contracts with the same counterparty are offset and net settle through a single payment. BPA does not offset cash collateral against recognized derivative instruments with the same counterparty under the master netting arrangements.

If netted by counterparty, BPA's derivative position would result in a liability of $34 million and $16 million as of Sept. 30, 2015, and 2014, respectively.

12. Fair Value Measurements

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

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

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

Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets,

quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived from observable market data by correlation or other means. Instruments categorized in Level 2 include certain non-exchange traded commodity derivatives and certain agency, corporate and municipal securities as part of the Lease-Purchase trust funds investments. Fair value for certain non-exchange traded derivatives is based on forward exchange market prices and broker quotes adjusted and discounted. Lease-Purchase trust funds investments are based on a market input evaluation pricing methodology using a combination of observable market data such as current market trade data, reported bid/ask spreads, and institutional bid information.

Level 3 – Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability. Instruments categorized in Level 3 include long-dated and modeled commodity contracts where inputs into the valuation are adjusted market prices plus an adder.

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

BPA includes non-performance risk when calculating fair value measurements. This includes a credit risk adjustment based on the credit spreads of BPA's counterparties when in an unrealized gain position, or on BPA's own credit spread when in an unrealized loss position. BPA's assessment of non-performance risk is generally derived from the credit default swap market and from bond market credit spreads. The impact of the credit risk adjustments for all outstanding derivatives was immaterial to the fair value calculation at Sept. 30, 2015, and 2014. There were no transfers between Level 1 or Level 2 during the fiscal years ended Sept. 30, 2015, and 2014.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

As of Sept. 30, 2015 — millions of dollars

	Level 1	Level 2	Level 3	Total
Assets				
Nonfederal nuclear decommissioning trusts				
Equity index funds	$ 135	$ —	$ —	$ 135
Bond index funds	130	—	—	130
U.S. government obligation mutual funds	18	—	—	18
Derivative instruments [1]				
Commodity contracts	—	—	70	70
Lease-Purchase trust funds				
U.S. government sponsored enterprise obligations	—	199	—	199
U.S. government obligations	—	48	—	48
Corporate obligations	—	36	—	36
Municipal obligations	—	22	—	22
Total	$ 283	$ 305	$ 70	$ 658
Liabilities				
Derivative instruments [1]				
Commodity contracts	$ —	$ (34)	$ —	$ (34)
Total	$ —	$ (34)	$ —	$ (34)

As of Sept. 30, 2014 — millions of dollars

Assets				
Nonfederal nuclear decommissioning trusts				
Equity index funds	$ 121	$ —	$ —	$ 121
U.S. government obligation mutual funds	93	—	—	93
Corporate bond index funds	65	—	—	65
Derivative instruments [1]				
Commodity contracts	—	—	5	5
Lease-Purchase trust funds				
U.S. government sponsored enterprise obligations	—	168	—	168
U.S. government obligations	—	93	—	93
Corporate obligations	—	27	—	27
Municipal obligations	—	31	—	31
Total	$ 279	$ 319	$ 5	$ 603
Liabilities				
Derivative instruments [1]				
Commodity contracts	$ —	$ (16)	$ —	$ (16)
Total	$ —	$ (16)	$ —	$ (16)

[1] Derivative instruments assets and liabilities are included in Deferred charges and other and Deferred credits and other in the Combined Balance Sheets, respectively. (See Note 6, Deferred Charges and Other and Note 10, Deferred Credits and Other.) See Note 11, Risk Management and Derivative Instruments for more information related to BPA's risk management strategy and use of derivative instruments.

Level 3 derivative commodity contracts are long-dated power contracts measured at fair value on a recurring basis using the California-Oregon Border (COB) and Mid-Columbia (Mid-C) forward price curves. They include power contracts delivering to illiquid trading points or contracts without available market transactions for the entire delivery period; therefore, they are considered unobservable. Forward prices are considered a key

component to contract valuations. All valuation pricing data is generated internally by BPA's risk management organization.

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

The fair value of Level 3 derivative commodity contracts was $70 million at Sept. 30, 2015. The volumes under these contracts will be physically delivered through September 2022.

As of Sept. 30, 2015, forward prices for power to be delivered through September 2022 varied as shown in the following table. All prices are presented in dollars per megawatt-hour.

	Low	High	Weighted Average
COB On-Peak	$24.95	$33.65	$28.23
COB Off-Peak	$19.80	$28.20	$24.89
Mid-C Flat	$16.30	$40.36	$27.68

Forward power prices are influenced by, among other factors, seasonality, hydro forecasts, expectations of demand growth, planned changes in the regional generating plants, and the emergence of new marginal fuels for generation.

COMMODITY CONTRACTS

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

As of Sept. 30 — millions of dollars	2015	2014
Beginning Balance	$ 5	$ 5
Changes in unrealized gains (losses)[1]	65	—
Ending Balance	$ 70	$ 5

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

13. Commitments and Contingencies

INTEGRATED FISH AND WILDLIFE PROGRAM

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 projects that are consistent with the Northwest Power Act and that are consistent with the Pacific Northwest Power and Conservation Council's Columbia River Basin Fish and Wildlife Program. In addition, certain fish species are listed under the Endangered Species Act (ESA) as threatened or endangered. BPA is financially responsible for expenditures and other costs arising from conformance with the ESA and certain biological opinions (BiOp) prepared by the National Oceanic and Atmospheric Administration Fisheries Service and the U.S. Fish and Wildlife Service in furtherance of the ESA. BPA's total commitment including timing of payments under the Northwest Power Act, ESA and BiOp is not

fixed or determinable. As of Sept. 30, 2015, BPA has entered into long-term fish and wildlife agreements with estimated contractual commitments of $595 million. These agreements will expire at various dates between fiscal years 2018 and 2025.

IRRIGATION ASSISTANCE

Scheduled distributions

As of Sept. 30 — millions of dollars		
2016	$	61
2017		51
2018		28
2019		57
2020		25
2021 through 2045		280
Total	$	502

As directed by law, BPA is required to establish rates sufficient to make distributions to the U.S. Treasury for original construction costs of certain Pacific Northwest irrigation projects that have been determined to be beyond the irrigators' ability to pay. These irrigation distributions do not specifically relate to power generation. In establishing power rates, particular statutory provisions guide the assumptions that BPA makes as to the amount and timing of such distributions. Accordingly, these distributions are not considered to be regular operating costs of the power program and are treated as distributions from accumulated net revenues when paid. Future irrigation assistance payments are scheduled to total $502 million over a maximum of 66 years since the time the irrigation facilities were completed and placed in service. BPA is required by the Grand Coulee Dam - Third Powerplant Act to demonstrate that reimbursable costs of the FCRPS will be returned to the U.S. Treasury from BPA within the period prescribed by law. BPA is required to make a similar demonstration for the costs of irrigation projects to the extent the costs have been determined to be beyond the irrigators' ability to repay. These requirements are met by conducting power repayment studies including schedules of distributions at the proposed rates to demonstrate repayment of principal within the allowable repayment period. Irrigation assistance excludes $40 million for Teton Dam, which failed prior to completion and for which BPA has no obligation to repay.

FIRM PURCHASE POWER COMMITMENTS

As of Sept. 30 — millions of dollars		
2016	$	32
2017		70
2018		75
2019		78
2020		44
2021		34
Total	$	333

BPA periodically enters into long-term commitments to purchase power for future delivery. When BPA forecasts a resource shortage, based on its planned contractual obligations for a period and the historical water record for the Columbia River basin, BPA takes a variety of operational and business steps to cover a potential

shortage including entering into power purchase commitments. Additionally, under BPA's current Tiered Rates Methodology and its current Regional Dialogue power sales contracts, BPA's customers may request that BPA meet their power requirements in excess of the Rate Period High Water Mark load under their contract. For these Above High Water Mark load requests, BPA may meet such requests by entering into power purchase commitments. The preceding table includes firm purchase power agreements of known costs that are currently in place to assist in meeting expected future obligations under BPA's current long-term power sales contracts. The expenses associated with Tier 2 purchases to meet prior commitments were $25 million, $5 million and $23 million for fiscal years 2015, 2014 and 2013, respectively. BPA has several other purchase agreements with wind-powered and other generating facilities that are not included in the preceding table as payments are based on the variable amount of future energy generated and as there are no minimum payments required.

ENERGY EFFICIENCY PROGRAM

BPA is required by the Northwest Power Act to meet the net firm power load requirements of its customers in the Pacific Northwest. BPA is authorized to help meet its net firm power load through the acquisition of electric conservation. BPA makes available a portfolio of initiatives and infrastructure support activities to its customers to ensure the conservation targets established in the Northwest Power and Conservation Council's Sixth Power Plan are achieved. These initiatives and activities are often executed via conservation commitments made by BPA to its customers. These commitments are captured through $148 million of agreements with utility customers and contractors that provide support in the way of energy efficiency program research, development and implementation. The timing of the payments under these commitments is not fixed or determinable and these agreements will expire at various dates through fiscal year 2017.

1989 ENERGY NORTHWEST LETTER AGREEMENT

In 1989, BPA agreed with Energy Northwest that, in the event any participant shall be unable for any reason, or shall fail or refuse, to pay to Energy Northwest any amount due from such participant under its net billing agreement for which a net billing credit or cash payment to such participant has been provided by BPA, BPA will be obligated to pay the unpaid amount in cash directly to Energy Northwest.

NUCLEAR INSURANCE

BPA is a member of the Nuclear Electric Insurance Limited (NEIL), a mutual insurance company established to provide insurance coverage for nuclear power plants. The insurance policies purchased from NEIL by BPA include: 1) Primary Property and Decontamination Liability Insurance; 2) Decontamination Liability, Decommissioning Liability and Excess Property Insurance; and 3) NEIL I Accidental Outage Insurance.

Under each insurance policy, BPA could be subject to a retrospective premium assessment in the event that a member-insured loss exceeds reinsurance and reserves held by NEIL. The maximum assessment for the Primary Property and Decontamination Liability Insurance policy is $19 million. For the Decontamination Liability, Decommissioning Liability and Excess Property Insurance policy, the maximum assessment is $7 million. For the NEIL I Accidental Outage Insurance policy, the maximum assessment is $5 million.

As a separate requirement, BPA is liable under the Nuclear Regulatory Commission's indemnity for public liability coverage under the Price-Anderson Act. In the event of a nuclear accident resulting in public liability losses exceeding $375 million, BPA could be subject to a retrospective assessment of up to $121 million limited to an annual maximum of $19 million. Assessments would be included in BPA's costs and recovered through rates. As of Sept. 30, 2015, there have been no assessments to BPA under either of these programs.

ENVIRONMENTAL MATTERS

From time to time there are sites for which BPA, the Corps or Reclamation may be identified as potential responsible parties. Costs associated with cleanup of sites are not expected to be material to the FCRPS financial statements. As such, no material liability has been recorded.

INDEMNIFICATION AGREEMENTS

BPA, the Corps and Reclamation have provided indemnifications of varying scope and terms in contracts with customers, vendors, lessors, trustees, and other parties with respect to certain matters, including, but not limited to, losses arising out of particular actions taken on behalf of the FCRPS, electrical disturbances on specific projects, certain circumstances related to Energy Northwest Projects, and in connection with lease-purchases. Because of the absence of a maximum obligation in the provisions, management is not able to reasonably estimate the overall maximum potential future payments. Based on historical experience and current evaluation of circumstances, management believes that, as of Sept. 30, 2015, the likelihood is remote that the FCRPS would incur any significant costs with respect to such indemnities. No liability has been recorded in the financial statements with respect to these indemnification provisions.

LITIGATION

Southern California Edison

Southern California Edison (SCE) filed two separate actions pending in the U.S. Court of Federal Claims against BPA related to a power sales and exchange agreement (Sale and Exchange Agreement) between BPA and SCE. The actions challenged: 1) BPA's decision to convert the contract from a sale of power to an exchange of power as provided for under the terms of the contract (Conversion Claim); and 2) BPA's termination of the Sales and Exchange Agreement due to SCE's nonperformance (Termination Claim).

In 2006, BPA and SCE executed an agreement to settle the claims wherein BPA would make a payment of $29 million plus applicable interest to SCE if certain identified conditions were met, including a final resolution of BPA's claims pending in the California refund proceedings and related litigation as discussed below. BPA has recorded a liability of $34 million, including interest, on the basis that all conditions have been met except the final resolution in the California refund proceedings and related litigation, which management considers probable. BPA established an offsetting regulatory asset, as the costs will be collected in future rates.

California parties' refund claims

BPA was a party to proceedings at FERC that sought refunds for sales into markets operated by the California Independent System Operator and the California Power Exchange during the California energy crisis of 2000-2001. In BPA v. FERC, 422 F.3d 908 (9th Cir. 2005) the Ninth Circuit Court found that governmental utilities, like BPA, were not subject to FERC's statutory authority to order market participants to pay refunds. As a consequence of the Ninth Circuit Court's decision, three California investor-owned utilities along with the State of California filed breach of contract claims in the United States Court of Federal Claims against BPA. The complaints, filed in 2007, alleged that BPA was contractually obligated to pay refunds on transactions where BPA received amounts in excess of mitigated market clearing prices retroactively established by FERC.

In May 2012, the Court of Federal Claims issued an opinion that held that BPA breached its contracts with the California parties. Assuming the amounts owed included interest, such refunds could have amounted up to $52 million. While the ruling did not establish a specific liability in this matter, BPA recorded a liability in this amount in fiscal year 2012.

On April 2, 2013, the Court of Federal Claims issued a Declaratory Judgment in favor of the California parties in response to motions by these parties requesting declaratory relief for certain transactions.

Thereafter, a new judge for the Court of Federal Claims was assigned to the claims, and on Dec. 20, 2013, she vacated the May 2012 opinion. After hearings conducted in June 2014 and January 2015, at the judge's request, BPA filed a motion to dismiss the claims. On March 12, 2015, the judge issued a decision granting BPA's motion to dismiss and holding that the California parties lacked standing to sue because they had no contractual privity with BPA. The judge also found that even if the California parties had standing, the breach of contract claims should nevertheless be dismissed because the factual predicate for a breach of contract claim against Bonneville did not exist because FERC had not retroactively revised the rates applicable to the BPA transactions, as alleged by the California parties. Thereafter the California parties filed appeals of the order in the United States Court of Appeals for the Federal Circuit where the matter is pending.

In a separate proceeding as part of FERC's California refund docket, an administrative law judge appointed by the FERC Commissioners conducted a hearing in 2012 to make certain findings related to certain classes of transactions at issue in the California parties' breach of contract litigation in the Court of Federal Claims. The FERC proceeding had potential impacts on the scope of potential damages in the breach of contract case. On Feb. 15, 2013, the FERC administrative law judge issued findings to the effect that the prices involved in certain transactions were unjust and unreasonable and subject to refund and recommended that BPA pay $60 million, plus interest. On Nov. 10, 2014, FERC dismissed BPA from the FERC California refund proceeding and did not affirm the administrative law judge's findings and recommendations. The California parties did not appeal the dismissal of BPA from the proceeding.

In fiscal year 2015, BPA removed its liability for the California parties' refund claims as a result of the judge's dismissal in 2015 of all the claims in the Court of Federal Claims on the basis that BPA's management has determined that the probability of financial loss is remote.

Rates

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

In 2011 representatives from most of the region's consumer- and investor-owned utilities reached an agreement on how BPA should establish REP benefits and recover the costs of those benefits through rates for the fiscal year periods 2002 through 2028. BPA signed the settlement agreement (the 2012 REP Settlement Agreement) in July 2011. In 2011, BPA and many COUs filed respective motions in the Ninth Circuit Court to dismiss certain pending, stayed challenges to certain BPA decisions affecting the REP prior to the 2012 REP Settlement. The stayed challenges sought review of a number of matters including BPA's calculation of certain refunds (referred to as "Lookback Amounts") by BPA to COUs to redress the adverse effects on COU rates from fiscal years 2002 through 2008 arising from a prior REP settlement that the Ninth Circuit Court overturned. On Oct. 28, 2013, the Ninth Circuit Court affirmed the 2012 REP Settlement Agreement and on May 20, 2015, issued an order dismissing the prior stayed challenges as moot. A petitioner filed a request for rehearing of the order of dismissal and in an order dated July 10, 2015, the court denied the request, and the pending challenges were dismissed on July 20, 2015, and on Aug. 3 and 4, 2015, thereby ending the litigation. This matter is now resolved. (See Note 9, Residential Exchange Program.)

The cost of providing REP benefits will be recovered through future rates. BPA has recorded regulatory assets, a liability and a regulatory liability for the effects of the 2012 REP Settlement Agreement. (See Note 9, Residential Exchange Program.)

OTHER

The FCRPS may be affected by various other legal claims, actions and complaints, including litigation under the Endangered Species Act, which may include BPA as a named party. Certain of these cases may involve material amounts. Management is unable to predict whether the FCRPS will avoid adverse outcomes in these legal matters; however, management believes that disposition of pending matters will not have a materially adverse effect on the FCRPS financial position or results of operations for fiscal year 2015.

Judgments and settlements are included in FCRPS costs and recovered through rates. Except with respect to the SCE and REP matters described above, no liability has been recorded for the above legal matters. (See Note 10, Deferred Credits and Other, for discussion of amounts accrued for outstanding legal claims and settlements.)

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 2014 Final Wholesale Power and Transmission Rate Proposals of July 24, 2013, for fiscal years 2014 and 2015. (See BP-14-FS-BPA-02 for Power and BP-14-FS-BPA-08 for Transmission.) The final proposals filed with FERC contain the official amortization schedule for the rate periods. FERC granted final approval to the Power Rates Schedules and the Transmission, Ancillary and Control Area Service Rate Schedules on April 16, 2014.

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.

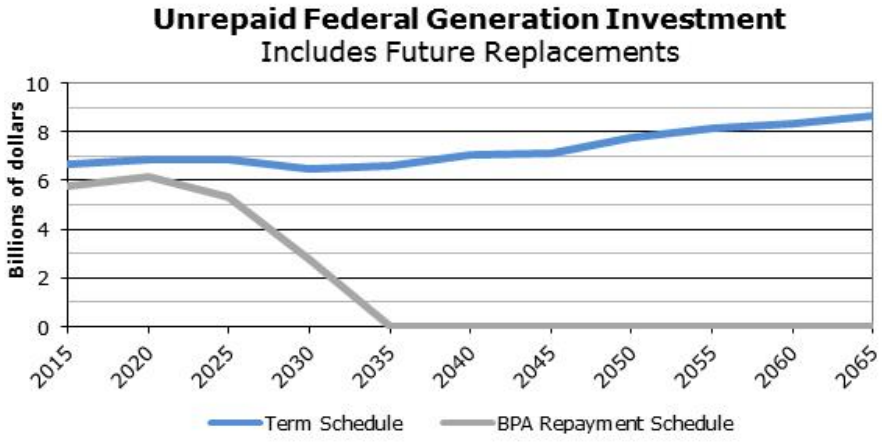
If existing rates are not likely to meet this requirement BPA must reduce costs, adjust its rates, or both. However, irrigation assistance payments from projects authorized subsequent to Public Law 89-448 are to be scheduled to not require an increase in the BPA power rate level. Comparing BPA's repayment 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.

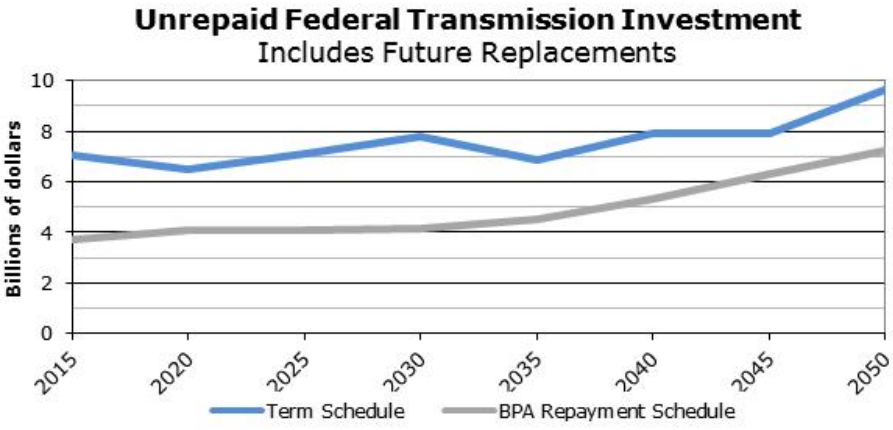
Reporting requirements of Public Law 89-448 are met so long as the unrepaid FCRPS investment and irrigation assistance resulting from BPA's repayment schedule are less than or equal to the allowable unrepaid investment in each year. While the comparison is illustrated by the following graphs representing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

REPAYMENT OF FCRPS INVESTMENT

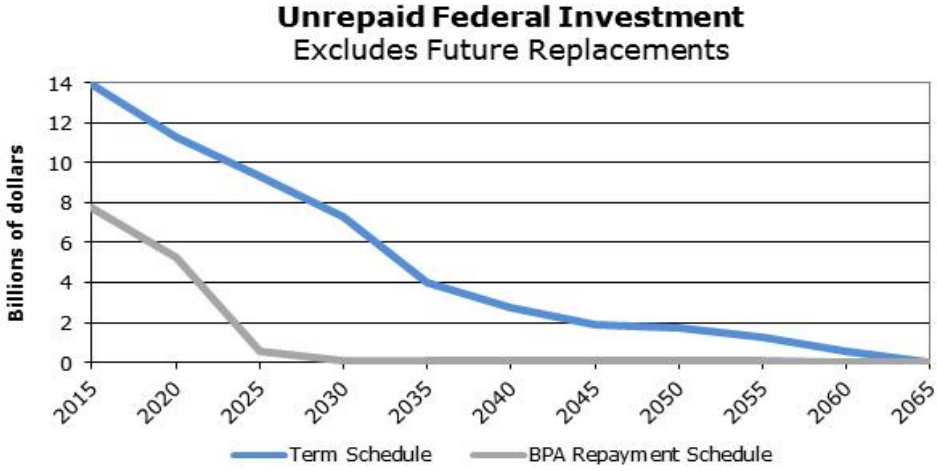
The graphs for Unrepaid Federal Generation and Transmission Investment illustrate that unrepaid investment resulting from BPA's generation and transmission repayment schedules is less than the allowable unrepaid investment. This demonstrates that BPA's rates are sufficient to recover all FCRPS investment 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 2015 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.

FOERRER
CAPACITY
275 TON
ANDRITZ
Hydro
Westinghouse

From left, BPA executives John Hairston, Claudia Andrews, Elliot Mainzer and Greg Delwiche

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Administrator and Chief Executive Officer

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Western Area Customer Service Center
905 NE 11th Ave.
P.O. Box 3621
Portland, OR 97208
503-230-5856

TRANSMISSION SERVICES

Transmission Services Headquarters
P.O. Box 491
Vancouver, WA 98666
503-230-3000

EAST REGION

Idaho Falls District Office
1350 Lindsay Blvd.
Idaho Falls, ID 83402
208-612-3100

Kalispell District
2520 U.S. Highway 2 East
Kalispell, MT 59901
406-751-7800

Spokane District
2410 E. Hawthorne Road
Mead, WA 99201
509-468-3002

Tri-Cities District
3404 Swallow Ave.
Pasco, WA 99301
509-544-4781

SOUTH REGION

Eugene District
86000 Hwy. 99 S
Eugene, OR 97405
541-988-7400

Longview District
3750 Memorial Park Drive
Longview, WA 98632
360-414-5600

Redmond District
3655 SW Highland Ave.
Redmond, OR 97756
541-516-3200

Salem District
2715 Tepper Lane NE
Keizer, OR 97303
503-304-5900

The Dalles District
3920 Columbia View Drive East
The Dalles, OR 97058
541-296-4694

NORTH REGION

Covington District
28401 Covington Way SE
Kent, WA 98042
253-638-3704

Olympia Regional Office
5240 Trosper Road SW
Olympia, WA 98512
360-570-4351

Snohomish District
914 Avenue D
Snohomish, WA 98290
360-563-3600

Wenatchee District
13294 Lincoln Park Road
East Wenatchee, WA 98802
509-886-6000

www.bpa.gov

BONNEVILLE POWER ADMINISTRATION
P.O. Box 3621
Portland, Oregon 97208-3621

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