

## **FITCH: BONNEVILLE POWER REMOVALS HOLD LIMITED CREDIT CONCERNS**

Fitch Ratings-New York-19 July 2013: The Energy Department's decision to put two top officials of the Bonneville Power Administration (BPA) on administrative leave is expected to be a distraction for BPA's senior management but is unlikely to become a credit concern. The officials are alleged to have retaliated against employees who assisted an inspector general's inquiry into BPA's hiring practices.

Fitch Ratings' concerns regarding the impact of these actions on credit quality are limited at this point. However, the Energy Department's actions and continuing investigation could detract from time otherwise spent by interim and new managers on strategic and financial planning. Broader management concerns could develop if the issues take too long to resolve or the resolution involves significant future oversight by the Energy Department. We will continue to monitor these possibilities as events unfold.

BPA's current credit strengths are rooted in its sizable competitive resource portfolio and its take-or-pay power sales contracts with 135 preference customers, which are not expected to be affected. BPA signed the contracts, which cover the years 2012 through 2028, with all of its customers in 2008. Challenges at BPA include reserves that have declined in recent years due to soft wholesale market prices and capital needs that present a funding challenge given BPA's limited borrowing authority.

BPA is one of the largest regional providers of transmission and wholesale electricity, serving more than 12 million people in the Pacific Northwest.

### Contact:

Dennis Pidherny  
Managing Director  
U.S. Public Finance  
+1 212 908-0738  
33 Whitehall Street  
New York, NY

Rob Rowan  
Senior Director  
Fitch Wire  
+1 212 908-9159  
1 State Street Plaza  
New York, NY

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email: [elizabeth.fogerty@fitchratings.com](mailto:elizabeth.fogerty@fitchratings.com).

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com).

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