MOODY'S
INVESTORS SERVICE

New Issue: Moody's assigns Aa1 to Energy Northwest's (WA) Columbia Generating Station, Project 1 and Project 3 revenue bonds. Rating outlooks are stable.

Global Credit Research - 09 Apr 2015

Approximately $8.1 billion of debt securities affected

BONNEVILLE POWER ADMINISTRATION, OR
Electric Generation
OR

Moody's Rating

ISSUE		RATING
Project 1 Electric Revenue Refunding Bonds, Series 2015-A		Aa1
Sale Amount	$101,300,000	
Expected Sale Date	04/23/15	
Rating Description	Revenue: Government Enterprise	
Columbia Generating Station Electric Revenue and Refunding Bonds, Series 2015-A		Aa1
Sale Amount	$314,600,000	
Expected Sale Date	04/23/15	
Rating Description	Revenue: Government Enterprise	
Project 1 Electric Revenue Refunding Bonds, Series 2015-B (Taxable)		Aa1
Sale Amount	$25,400,000	
Expected Sale Date	04/23/15	
Rating Description	Revenue: Government Enterprise	
Project 3 Electric Revenue Refunding Bonds, Series 2015-A		Aa1
Sale Amount	$74,300,000	
Expected Sale Date	04/23/15	
Rating Description	Revenue: Government Enterprise	
Project 3 Electric Revenue Refunding Bonds, Series 2015-B (Taxable)		Aa1
Sale Amount	$39,300,000	
Expected Sale Date	04/23/15	
Rating Description	Revenue: Government Enterprise	
Columbia Generating Station Electric Revenue and Refunding Bonds, Series 2015-B (Taxable)		Aa1
Sale Amount	$333,000,000	
Expected Sale Date	04/23/15	
Rating Description	Revenue: Government Enterprise	

Moody's Outlook STA

NEW YORK, April 09, 2015 --Moody's Investors Service has assigned Aa1 ratings to Energy Northwest's (ENW) $101.3 million of Project 1 Electric Revenue Refunding Bonds, Series 2015-A; $314.6 million of Columbia Generating Station (CGS) Electric Revenue and Refunding Bonds, Series 2015-A; $74.3 million of Project 3 Electric Revenue Refunding Bonds, Series 2015-A; $25.4 million of Project 1 Electric Revenue Refunding Bonds, Series 2015-B (Taxable); $333.0 million of Columbia Generating Station Electric Revenue and Refunding Bonds, Series 2015-B (Taxable); and $39.3 million of Project 3 Electric Revenue Refunding Bonds, Series 2015-B (Taxable). These bonds are supported by net billing agreements with Bonneville Power Administration (BPA, Aa1/stable) and thus are rated the same as BPA's other supported obligations. Moody's also affirmed BPA's Aa1 issuer rating and BPA supported ratings comprising of Project 1, CGS, Project 3, Cowlitz Falls Hydroelectric Project, Northwest Infrastructure Financing Corp Transmission Facilities Lease, and Port of Morrow Transmission Facilities Revenue Bonds. The rating outlooks are stable.

SUMMARY RATING RATIONALE

The Aa1 rating on Energy Northwest's (ENW) CGS, Project 1, and Project 3's revenue bonds reflect BPA's contractual obligation to pay including debt service under each project's net billing agreement, BPA's long history of meeting its contractual obligations, and BPA's Aa1 issuer rating.

BPA's Aa1 issuer rating reflects its fundamental credit strengths including US Government (Aaa stable) support features, strong underlying hydro and transmission assets, competitive power costs, and long-term power supply contracts with customers through 2028. Explicit US Government support features include a $7.7 billion borrowing authority ($3.46 billion available as of September 30, 2014) with the US Treasury and the legal ability to defer its annual US Treasury debt repayment if necessary. BPA's importance to the US Northwest region and its role as a US government agency represent drivers of implicit support.

BPA's rating also considers long-term credit challenges such as hydrology and wholesale market price risk, environmental burdens, high debt load, lengthy ratemaking process, declining availability under the US Treasury line, and forward-looking consolidated financial metrics that range in the 'Ba' to 'A' category per Moody's U.S. Public Power Electric Utilities with Generation Ownership Exposure rating methodology. Hydrology and wholesale market prices are the greatest volatility drivers of BPA's financial performance.

OUTLOOK

The stable outlook on the CGS, Project 1, and Project 3 revenue bonds reflect BPA's stable outlook. BPA's stable outlook considers BPA's FY 2016-17 proposed rates, BPA's near-term ability to withstand difficult market price and hydrology conditions, and BPA's plan to maintain sufficient availability under the US Treasury line through FY 2017.

WHAT COULD MAKE THE RATING GO UP

-Ratings on the CGS, Project 1 and Project 3 revenue bonds could be upgraded if BPA is upgraded.

-BPA's rating could improve over the long term if BPA is able to substantially mitigate hydrology and wholesale price risk and if BPA implements policies to ensure strong internal reserves for risk resulting in at least 250 days cash on hand on a sustainable basis.

WHAT COULD MAKE THE RATING GO DOWN

- Ratings on the CGS, Project 1 and Project 3 revenue bonds could be downgraded if BPA is downgraded or if the underlying net billing agreement is violated.

-BPA's rating could be negatively pressured if BPA's internal liquidity drops below 30 days cash on hand on a sustained basis, if US Government support diminishes, federal constraints are placed on BPA or if the US Government's rating is lowered below Aa1.

STRENGTHS

- U.S. government support through US Treasury borrowing line and federal debt service deferral ability

-Regional importance as indirect power provider for 12 million people

-Access to 22 GW of low cost, federally owned hydro system

-Dominant electric transmission provider in the Pacific Northwest

-Highly competitive rates

-Long-term power sales contracts with creditworthy public power entities

CHALLENGES

- Long and complex ratemaking process

- Significant exposure to hydrology risk and wholesale power markets

- 'Ba' to 'A' category forecasted financial metrics

- Large debt funded capital program

- Declining availability under US Treasury Line

- Significant fish and wildlife environmental costs

RECENT DEVELOPMENTS

For FY 2014, BPA's financial performance benefited from power and transmission rate increases, above average regional hydrology, and modestly higher wholesale power prices that contributed to stronger liquidity and debt service coverage ratios (DSCR). BPA's liquidity increased for the first time since 2008 to 136 days cash on hand in FY 2014 compared to 117 days cash on hand in FY 2013. Total DSCR (Moody's calculation) also improved to 1.2 times for FY 2014 compared to 1.06 times in FY 2013. We view the stronger than expected performance as credit positive albeit not sustainable since hydrology and wholesale power prices are volatile. For FY 2015, recent water flow forecasts show below average water that will weigh down BPA's stronger than expected Q1 FY 2015 financial performance. While the impact on BPA of forecasted low water flow and volatile market based power prices remain uncertain, we incorporate the assumption that BPA will maintain internal liquidity in the 90 to 149 days range, which is commensurate with an 'A' category for liquidity under our relevant rating methodology.

Separately, the debt extension at Energy Northwest's nuclear projects was the most significant contributor to BPA's non-federal DSCR increasing to 3.7 times for FY 2014 compared to 1.7 times in FY 2013. The higher DSCR now reflects mostly interest expense coverage and we continue to view the debt extension as a credit negative since it extends non-federal debt while accelerating the repayment of de-facto junior debt owed to the US Treasury. However, BPA's rating remains unaffected at this time given the financial performance and the uncertainties of BPA's long-term capital structure.

In December 2014, BPA filed its proposed rate increase that incorporates an average 6.7% increase in power rates and a 5.6% increase in transmission rates for the two-year period covering FY2016-2017. In February 2015, the power rate increase was revised up to 7.2%. We expect the BPA administrator's final rate decision in July 2015 followed by a submission to Federal Energy Regulatory Commission (FERC) for their approval. The new rates will take effect October 1, 2015. Based on BPA's proposed rates, we expected consolidated metrics will be in the 'Ba' category for DSCR and 'A' category for internal liquidity.

In March 2015, Alcoa provided a termination notice to BPA under its power sales contract and the final termination date is March 31, 2016. While this news is credit negative, we do not see this event impacting BPA's rating or outlook at this time. Sales to Alcoa represent about 4% of BPA's total power sales and we expect BPA will sell this portion into the wholesale market if alternate arrangements, such as replacement contracts, are not found. Based on forward power prices, we estimate BPA would incur lower power revenues of about 1% if BPA sold the Alcoa-related power into the market. BPA also has indicated it will take the Alcoa termination notice into consideration when finalizing its FY16-17 rates. We understand a power rate impact would not be more than 2%.

DETAILED RATING RATIONALE

REVENUE GENERATING BASE

Major Power and Transmission Provider to the Pacific Northwest BPA's derives its revenues from the sale of power and transmission services from its dominant hydroelectric generation and transmission assets in the Pacific Northwest. BPA has roughly 75% of the Pacific Northwest's bulk transmission consisting of 15,000 miles of high voltage transmission lines and approximately 300 substations and other facilities located in BPA's service area. Additionally, BPA's power supply represents roughly one third of total regional power supply and consists of 22

GW of mostly federally owned hydro plants, the 1.1 GW CGS nuclear plant, and market and contract purchases.

Power sales represent the largest portion of operating revenues at typically 75% of total revenue and the majority of these sales are made under long-term power sales contracts (Preference Contracts) maturing in 2028 with 133 municipally owned utilities, cooperatively owned utilities, and federal agencies. Sales to these customers totaled approximately $1.95 billion in FY 2014 and represent BPA's largest revenue segment at nearly 54% of total revenues. Snohomish County P.U.D. 1, WA Electric Enterprise (Aa3/stable) is BPA's largest preference customer at 8% of power sales in FY 2014 and the top ten customers, including wholesale and industrial customers, represent approximately 46% of power sales. Power rates charged by BPA are highly competitive and BPA's average tier 1 rate for FY 2015 is $31.5/MWh. BPA also sells power directly to certain industrial customers and on a wholesale basis.

After power sales, electric transmission sales are BPA's largest revenue source and in FY 2014, BPA's transmission business provided $932 million in revenues. BPA's top transmission customer is Puget Sound Energy Inc (Baa1 stable) at 12% of transmission revenue in FY 2014 and the top ten transmission customers provided 58% of transmission revenues.

Long and Complex Rate Making Process Could Delay Timely Recovery

Unlike a traditional public power utility, BPA's ratemaking procedure for power and transmission rates charged to its customers involves an extensive process that shares similarities with a rate regulated utility and could create complications and delays in timely recovery of BPA's costs. Northwest Power Act contains specific ratemaking procedures for BPA, mandates justification and reasons in support of such rates, and requires a hearing. The BPA Administrator ultimately decides the power and transmission rates based on the hearing record including all information submitted. Rates established by BPA may become effective only upon confirmation and approval by FERC. Currently, BPA has rate cases every two years. In a stress situation, BPA could file an expedited rate with FERC and the whole process could take several months for an interim rate approval. We see BPA's rate setting process as materially weaker than peers such as Tennessee Valley Authority (Aaa stable) that have unfettered, self-regulated rate setting

Notwithstanding BPA's lengthy ratemaking process, we recognize that BPA has historically demonstrated a willingness to raise rates in difficult situations such as the power crisis of 2000-2001 when BPA raised rates by 46%. Additionally, within a rate period, BPA is able to charge up to an additional $300 million per year starting at the beginning of the fiscal year under the Cost Recovery Adjustment Clause (CRAC) if Power Service's accumulated net revenue is below a set level that is equivalent to reserves for risk at zero balance. A separate NFB Adjustment for certain environmental costs can raise the $300 million CRAC limit. BPA has proposed a separate CRAC mechanism for the transmission business. While the CRAC mechanism adds some flexibility to BPA's two-year rate periods, the annual basis of the test and low trigger point limit the benefit of the CRAC mechanism.

A credit supportive rate setting tool is BPA's use of its treasury payment model whereby BPA proposes rates at levels whereby it can meet its US Treasury payments at a 95% confidence level based on its cash flows and reserves. BPA's approach should ensure a high probability of near-term payments to the US Treasury and an extremely high probability of near-term timely payments on non-federal debt service.

Regional Hydrology and Wholesale Price Risk Are BPA's Biggest Volatility Drivers

BPA's financial results can be materially impacted by hydrology in the Columbia River Basin and wholesale power prices since market based power sales represent roughly 10-20% of total revenues. Since 2001, hydrology has been very volatile with high and low around 130% and 60%, respectively, of the long-term average. Similarly, power prices have also been volatile with a recent peak nearing $60/MWh in 2008 and a low below $20/MWh in 2012. These factors, which are outside of BPA's control, have contributed heavily to nearly a $1 billion swing in reported net revenues between the best and most challenging years and represent BPA's biggest driver of cash flow volatility since power sales under long-term contracts and transmission sales are relatively stable and predictable. The volatility of wholesale revenues emphasizes the importance of maintaining significant internal liquidity especially at BPA's rating level.

FINANCIAL OPERATIONS AND POSITION

Environmental Costs Are Material

BPA faces conflicting uses of the Columbia River and environmental regulations, such as the Endangered

Species Act (ESA), that contribute significantly to BPA's costs and weighs heavily on BPA's cash flows. Biological opinions prepared by National Oceanic and Atmospheric Administration Fisheries Service and the US Fish and Wildlife Service mandate actions to protect fish species resulting in direct costs such as hatcheries and indirect loss of revenue from hydro dam operational changes. For FY2014, BPA estimates total fish and wildlife costs at approximately $783 million consisting of $464 million in direct costs and $319 million of indirect costs. BPA was able to recover the non-power related environmental costs totaling $104 million from the US Treasury in FY 2014.

While BPA's fish and wildlife mitigation costs are considerable, BPA's federally and non-federally owned generation are emissions free since they consist of hydro and nuclear generation. As such, BPA remains insulated against new federal emissions regulations including those for greenhouse gases and BPA could benefit if new emissions regulations increase the market price of power.

Financial Metrics Are Low for the Rating

On a fully consolidated basis including federal debt, BPA's financial metrics are commensurate with Baa to A category scoring on a historic basis. Total DSCR has averaged around 1.13x over the last three years while BPA's debt ratio is high at an average of 96%. Both of these factors are commensurate with a 'Baa' scoring. Looking forward for FY 2016 and 2017, we expect consolidated DSCR around 1.0x, which is commensurate with a 'Ba' category. However, volatility in regional hydrology and wholesale prices will primarily drive financial performance that is either better or worse than current expectations for FY16 -FY17. Separately, we expect non-federal DSCR above 3.0x since principal payments for CGS, Project 1, and Project 3 will be pushed out to the future resulting in mostly interest only coverage ratio for non-federal DSCR. See below for liquidity discussion.

Liquidity

For FY 2014, BPA had reserves for risk, a measure of internal liquidity, totaling $784 million (136 days cash on hand) from $641 million (117 days cash on hand), which is commensurate with an 'A' scoring. The increase in reserves for risk was BPA's first improvement in internal liquidity since 2008 albeit still substantially lower than $1.3 billion (276 days cash on hand) at FY 2008. For FY 2015 through FY2017, BPA forecasts internal liquidity declining to the lower end of the 'A' range, which is 90 to 149 days cash on hand.

Supplementing BPA's internal liquidity is a $750 million borrowing sublimit under the US Treasury line that can be used to fund operating expenses. This line of credit expires in October 30, 2015 and any draw needs to be repaid within one year. Our rating incorporates the assumption that the line will continue to be extended prior to maturity. We understand BPA is considering a reserve policy and we would view a robust policy that emphasized robust internal reserves to be credit positive.

DEBT AND OTHER LIABILITIES

Debt Structure

BPA's $15.6 billion in total debt consists of $7.24 billion of non-federal debt and $8.33 billion of federal debt, which is debt owed by BPA to the federal government. BPA's non-federal debt are debt like contractual obligations such as BPA's obligation to CGS, Project 1, and Project 3 under net billing agreements. In addition to the net billing agreements, BPA has non-federal debt through leases, power prepay, and other take-or-pay contractual obligations. Since these obligations are treated as an operating expense of BPA, they have priority over BPA's direct debt obligation to the US Treasury and BPA can defer payments to US Treasury, if necessary. This deferral ability provides BPA a major source of financial flexibility under extreme situations though BPA has not deferred such payments since 1983 and any deferral is likely to have significant negative political ramifications. The significantly higher non-federal DSCR previously described above also highlight the substantial benefits of the federal debt's effective subordination to non-federal debt and these benefits are supportive of the Aa1 rating on the CGS, Project 1, and Project 3 debt.

BPA federal obligations to the US government comprise of $4.24 billion of borrowings under its $7.7 billion US Treasury line ($3.46 billion available) and $4.1 billion of federal appropriations debt. BPA borrowings under the US Treasury line are primarily used to fund capital programs including $1.25 billion allocated for conservation and renewable investments. As a subset of the $7.7 billion, BPA has a $750 million line of credit, which can be used to fund BPA's operating expenses. In FY 2014, BPA made debt service payments to the US Treasury amounting to $991 million.

Looking forward, we expect BPA will seek to maximize non-federal debt financing through leases and other arrangements to partly fund its large capital program averaging about $1 billion per year in FY 2016 to FY 2017. The use of alternative financing methods will reduce BPA's reliance on the US Treasury line to fund capital expenditures. That said, BPA forecasts the US Treasury line availability shrinking to $2 billion by 2017, which we see as a credit negative since availability of the US Treasury line represents a source of explicit US government support and an important source of external liquidity.

Debt-Related Derivatives

BPA's non-federal debt has approximately $1.12 billion of notional interest rate swaps and a mark to market value of negative $21.7 million as of February 2015. We understand there are no collateral posting requirements under any conditions for these derivatives.

Pensions and OPEB

BPA employees are part of the US government's post-retirement benefit programs for all federal civil employees. The post-retirement benefits are overseen by the United States Office of Personnel Management (OPM), an independent agency that manages the civil service of the federal government. As such, BPA does not record any accumulated plan assets or liabilities related to the administration of a retirement plan.

MANAGEMENT AND GOVERNANCE

US Government Support is a Major Strength

While BPA's obligations do not benefit from the full faith and credit of the United States Government, BPA benefits from significant explicit and implicit support elements from the US Government. In addition to the previously described $7.7 billion borrowing line ($3.46 billion available) and ability to defer payments to the US Treasury, qualitative considerations include BPA's role as a line agency of the US Department of Energy and its broader importance to the US Northwest.

Strong qualitative considerations for implicit support include BPA's role as a line agency of the US Department of Energy As a line agency of the US DOE, the BPA Administrator reports to the US Secretary of Energy and BPA has numerous linkages with other federal agencies. For example, the US Army Corp of Engineers and the US Bureau of Reclamation own and operate the federal dams while BPA markets the power output and pays for all of the associated operating and capital costs.

Importance to the US Northwest region is another key qualitative factor. BPA is responsible for certain treaty responsibilities with Canada regarding the federally owned dams, significant regional environmental protection programs, and coordination of river operations. Northwest US representation on key US House and Senate committees that deal with energy legislation is a credit strength.

Overall, we see these explicit and implicit US support as providing at least a 3-notch lift to BPA's standalone credit quality and represent key considerations for BPA's Aa1 rating. In a major stress scenario, Moody's expects any US Government support to BPA is likely to be provided through the established US Treasury credit line or deferral of payments to the US Treasury.

OTHER CONSIDERATIONS: MAPPING TO THE GRID

Moody's evaluates BPA's issuer rating under the US Public Power Electric Utilities with Generation Ownership Exposure methodology, and, as depicted below, the scorecard indicated rating is Aa2, which is lower than its Aa1 assigned rating. The implicit and explicit US Government support features represent the key drivers between BPA's Aa1 assigned rating and the Aa2 indicated rating under the US Public Power with Generation Ownership methodology.

Moody's also evaluates CGS, Project 1, and Project 3 ratings under the US Municipal Joint Action Agencies methodology, and, as depicted below, the grid indicated rating is Aa1 for CGS and A3 for Project 1 and Project 3. The Aa1 rating assigned to all three projects reflects BPA's contractual obligation to pay including debt service under each project's net billing agreement, BPA's long history of meeting its contractual obligations, and BPA's Aa1 issuer rating.

The grid is a reference tool that can be used to approximate credit profiles in the US public power industry in most cases. However, the grid is a summary that does not include every rating consideration. Please see U.S. Public Power Electric Utilities with Generation Ownership Exposure and US Municipal Joint Action Agencies for more information about the limitations inherent to grids.

METHODOLOGY SCORECARD FACTORS

BPA Methodology Factors

1. Cost Recovery Framework (25% weight): (Aa)

2. Willingness to Recover Costs and Maintain Sound Financial Metrics (25% weight): (A)

3. Management of Generation Risk (10% weight): (Aa)

4. Rate Competitiveness (10% weight): (Aa)

5. Financial Strength:

Sub factor a) Adjusted Days Liquidity on Hand (10% weight): (129 3-year average) (A)

Sub factor b) Debt Ratio (10% weight): (96% 3-year average) (Baa)

Sub factor c) Adjusted Debt Service Coverage (10% weight): (1.13x 3-year average) (Baa)

Grid Indicated Rating: A1

Notching:

Lack of debt service reserve: -0.5

Other: +3 (regional importance, US Treasury borrowing line, payment deferral ability)

Scorecard Indicated Rating: Aa2

ENW CGS JAA TAKE OR PAY METHODOLOGY FACTORS:

1 Participant Credit Quality and Cost Recovery Mechanism (45%): Aa1

2. Asset Quality (15% weight) Baa (baseline factor)

3. Competitiveness (15% weight): Baa (baseline factor)

4. Financial Strength:

Sub factor a) Adjusted Days Liquidity on Hand: (10%weight): Baa (baseline factor)

Sub factor b) Debt Ratio: (10% weight): Baa (baseline factor)

Sub factor c) Debt Service Coverage Ratio: (10% weight): Baa (baseline factor)

Grid Indicated Rating: Aa1

Notching: None

Scorecard Indicated Rating: Aa1

ENW PROJECT 1 & 3 JAA TAKE OR PAY METHODOLOGY FACTORS:

1 Participant Credit Quality and Cost Recovery Mechanism (45%): Aa1

2. Asset Quality (15% weight) B (baseline factor)

3. Competitiveness (15% weight): B (baseline factor)

4. Financial Strength:

Sub factor a) Adjusted Days Liquidity on Hand: (10%weight): Baa (baseline factor)

Sub factor b) Debt Ratio: (10% weight): B (baseline factor)

Sub factor c) Debt Service Coverage Ratio: (10% weight): Baa (baseline factor)

Grid Indicated Rating: A3

Notching:

Scorecard Indicated Rating: A3

KEY STATISTICS

-BPA's Federally and Non-Federally Owned Generation, 2016 Operating Year: 10,123 average megawatts (median water conditions)

-Non-Federal Debt Service Coverage Ratio, 2014 (reported): 4.4 times

-Non-Federal Debt Service Coverage Ratio, 2014 (Moody's): 3.7 times

-Total Debt Service Coverage Ratio, 2014 (Moody's): 1.2 times

-Days cash on hand, 2014 (Moody's): 136

-Available BPA Reserves, 2014 (encumbered and unencumbered): $ 1.22 billion

-Total Reserves Available for Risk, 2014 (unencumbered): $784 million

-BPA Payment to U.S. Treasury, 2014: $991 million

-Authorized Line of Credit With U.S. Treasury, 2014: $7.7 billion ($3.46 billion available)

-BPA Average Tier 1 Power Rate, 2015: $31.50/MWh

-Non-federal debt, FY 2014: $7.24 billion

-Federal debt, FY 2014: $8.33 billion

OBLIGOR PROFILE

BPA was created in 1937 by an act of the US Congress and is one of four regional power marketing agencies within the US Department of Energy. BPA is primarily responsible for federally owned generation and electric transmission assets in the Pacific Northwest spanning all or parts of eight states. The federal hydro projects serve numerous purposes, including irrigation, navigation, recreation, municipal and industrial water supply, fish and wildlife protection, and power generation. The Army Corps of Engineers and the Bureau of Reclamation own and operate the hydro projects. Many of the statutory authorities of BPA are vested with the Secretary of Energy, who appoints and acts through the BPA administrator.

BPA operations are divided between Power Services and Transmission Services though all cash flows ultimately flow into one account (BPA Fund) at the US Treasury. The Power Services business is responsible for the revenue and costs of BPA's generation resources and represents the largest segment at around 75% of BPA's revenues in a typical year. Transmission Services is responsible for the revenue and costs of BPA's electric transmission system and generates the remainder of BPA's revenues. BPA's power rates are reviewed and approved by the FERC according to the Northwest Power Act.

LEGAL SECURITY

CGS, Project 1, and Project 3's bonds are secured by a pledge of specific project revenues primarily sourced under substantially similar tri-party net billing agreements with BPA and project participants for each project. The Project 1's pledge is subordinate to $41.1 million of prior lien bonds. The Project 3's pledge is subordinate to $136.9 million of prior lien bonds. The revenues for each project are not cross collateralized. There are no debt service reserves.

The net billing agreements obligate the project participants, consisting of numerous municipal and cooperative electric utilities, to pay ENW their proportionate share of the project's annual costs, including debt service, irrespective of whether the project is operable or terminated. BPA, in turn, is obligated to pay (or credit) the participants identical amounts by reducing the amounts the participants owe for power and service purchased from BPA under their power-sales agreements. BPA has also agreed, in the event of any insufficient payment by a participant, to pay the amount due in cash directly to the project. In 2007, Energy Northwest and BPA adopted a new direct pay agreement whereby Energy Northwest participants directly pay all costs to BPA rather than through Energy Northwest. BPA has made a clear and tested commitment to support the payment under the net billing through more than more than 30 years of stressful circumstances including legal challenges in the early 1980s. The obligation of BPA and the participants remain in force.

USE OF PROCEEDS

Approximately $268 million of CGS's bond proceeds will be used to fund capital spending for FY 16-17. Remaining funds for CGS, Project 1, and Project 3 will be used pay transaction costs, refunding for interest savings, or extend bond maturities per its Regional Cooperation Debt program. As part of the Regional Cooperation Debt program, BPA expects to accelerate repayment of defacto subordinated federal appropriations debt in conjunction with the CGS, Project 1, and Project 3 debt maturity extensions.

ISSUER CONTACT

Jon Dull, Manager, Debt Management, 503-230-7544

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was U.S. Public Power Electric Utilities with Generation Ownership Exposure published in November 2011. An additional methodology used in rating the Northwest Project 1, Project 3 and Columbia Generating Station debt was US Municipal Joint Action Agencies published in October 2012. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Analysts

Clifford J Kim
Lead Analyst
Public Finance Group
Moody's Investors Service

Chee Mee Hu
MANAGING_DIRECTOR
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA