Quarterly Financial Report
2018 Third Quarter

Management's Discussion and Analysis

Profile

The Bonneville Power Administration (BPA) is a nonprofit federal 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 (USACE) and the Bureau of Reclamation (Reclamation). The nonfederal nuclear plant, Columbia Generating Station, is owned and operated by Energy Northwest, a joint operating agency of the state of Washington. BPA provides about 28 percent of the electric power used in the Northwest, and its resources – primarily hydroelectric – make its power nearly carbon free.

BPA also operates and maintains about three-fourths of the high-voltage transmission in its service territory. BPA's service 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 enhance 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 stakeholders. In its vision statement, BPA dedicates itself to providing high system reliability, low rates consistent with sound business principles, environmental stewardship and accountability.

General

The Federal Columbia River Power System (FCRPS) financial statements combine the accounts of BPA with the accounts of the Pacific Northwest generating facilities of the USACE and Reclamation. The FCRPS combined financial statements also include the operations and maintenance costs of the U.S. Fish and Wildlife Service for the Lower Snake River Compensation Plan facilities. Consolidated with BPA is a variable interest entity (VIE) of which BPA is the primary beneficiary, and 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. Preference customers are the largest customer group to which BPA sells power. BPA's current power sales agreements with preference customers are in effect through fiscal year 2028. As an open access transmission service provider, BPA provides ancillary and control area services to support basic transmission services, including providing balancing reserves for interconnected renewable generation. BPA remains committed to providing nondiscriminatory open access transmission after meeting statutory responsibilities to preference customers and others.

This BPA-approved financial information was made publicly available on 7-27-2018.

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 balances its firm load obligations with the runoff consistent with "critical water conditions." This assumption yields estimated power generation under historically low water conditions, which provides BPA with a reliable estimate of the firm power available to meet firm load obligations. Federal firm power is provided to meet regional preference customer loads first. BPA may also sell firm power to other entities, including regional investor-owned utilities and direct-service industrial customers. 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 the output of resources.

Use of Estimates and Forward-Looking Information

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (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 is unaudited and may contain statements which, to the extent they are not recitations of historical facts, constitute "forward-looking statements." In this respect, the words "planned," "predict," "could," "estimate," "expect" 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 laws, regulations and policies and the application of the laws; 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

Background

BPA is committed to cost-based rates and public and regional preference in its marketing of power. BPA sets its rates as low as possible consistent with sound business principles and the full recovery of all of its costs, including timely repayment of the federal investment in the FCRPS.

Under BPA's U.S. Treasury payment probability standard, BPA establishes rates sufficient to maintain a prudent level of financial reserves and achieve a 95 percent probability of making all of BPA's scheduled U.S. Treasury payments during the two-year rate period. (For the definition of financial reserves, see the Liquidity and Capital Resources section in this Management's Discussion and Analysis.)

Fiscal Years 2018–2019

To establish rates for fiscal years 2018 and 2019, BPA concluded the BP-18 rate proceeding in July 2017 by releasing the Administrator's Final Record of Decision and Final Proposal. Rates for the two-year period began on Oct. 1, 2017, and will conclude on Sept. 30, 2019. The Federal Energy Regulatory Commission (FERC) granted final approval of the fiscal year 2018-19 rates in March 2018. When compared to the prior rate period, the average power rate increase was 5.4 percent, and the average transmission rate decrease was 0.7 percent.

Power rates include a spill surcharge, which addresses financial effects arising from certain court-ordered changes to the operation of the federal hydroelectric system. The spill surcharge, if any, would be implemented annually in each of fiscal years 2018 and 2019 based on the estimated financial impact of the change in spill operations in the related fiscal year.

In January 2018, following motions for injunction filed in January 2017 and a court-mandated regional process, the United States District Court for the District of Oregon ordered increased spill levels for the 2018 spring fish passage season at eight FCRPS dams on the lower Columbia and lower Snake Rivers. On April 2, 2018, the Ninth Circuit Court of Appeals upheld the order. Spring fish passage spill operations pursuant to that order began on April 3, 2018. BPA adopted a spill surcharge as a way to recover estimated foregone revenue and costs to Power Services that result from increases in planned spill levels. On June 21, 2018, the BPA administrator issued the final spill surcharge amount of $10.2 million for fiscal year 2018. The spill surcharge is calculated separately for fiscal years 2018 and 2019. The amount of potential surcharge for fiscal year 2019 is currently unknown and, if implemented, will depend on the planned spill operation for fiscal year 2019.

BPA's power and transmission rates also include a Cost Recovery Adjustment Clause (CRAC) that would enable BPA to increase certain power and transmission rate levels to collect up to $300 million of additional Power Services revenue and up to $100 million of additional Transmission Services revenue, for each year of the rate period. Conversely, BPA's power and transmission rates include a Reserves Distribution Clause (RDC) that would enable BPA to use financial reserves for purposes such as additional debt repayment, additional capital investment, decreasing certain power or transmission rate levels, or any other uses. The conditions for triggering the CRAC and the RDC are based on certain financial metrics reflecting the level of financial reserves BPA has derived from operations from Power Services and Transmission Services. Neither a Power nor a Transmission CRAC or RDC triggered for application to fiscal year 2018 rate levels. BPA will make a CRAC or RDC determination for application to fiscal year 2019 rate levels shortly before the end of fiscal year 2018.

Slice

BPA provides a power sales product called "Slice of the System," or "Slice." 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 respective Slice percentages 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. The aggregate amount of Slice that BPA will sell will decline to 22.4 percent of the system by fiscal year 2020. In fiscal year 2018 the amount is 22.7 percent.

Results of Operations

Operating revenues

A comparison of FCRPS operating revenues follows for the nine months ended June 30, 2018, and June 30, 2017:

(Millions of dollars)	Fiscal Year 2018	Fiscal Year 2017	Revenue Increase (Decrease)	% Change
Consolidated gross sales				
Power	$ 2,006.9	$ 1,941.2	$ 65.7	3 %
Transmission	698.3	694.6	3.7	1
Bookouts (Power)	(11.7)	(13.4)	1.7	(13)
Sales	2,693.5	2,622.4	71.1	3
U.S. Treasury credits	67.7	50.6	17.1	34
Miscellaneous revenues				
Power	23.2	22.7	0.5	2
Transmission	29.9	31.9	(2.0)	(6)
Total operating revenues	$ 2,814.3	$ 2,727.6	$ 86.7	3

Total operating revenues increased $86.7 million when compared to the same period of fiscal year 2017. Consolidated gross sales for Power and Transmission Services, including the effect of bookouts, increased $71.1 million.

Power Services gross sales increased $65.7 million.

- Firm power sales increased $18.4 million largely due to an average power rate increase of 5.4 percent that went into effect Oct. 1, 2017. Partially offsetting this increase were reduced firm power sales due to the comparatively mild winter experienced during fiscal year 2018. The $18.4 million includes $2.7 million related to the fiscal year 2018 spill surcharge as previously described.
- Surplus power sales increased $47.2 million. This volume-driven increase was mainly due to higher January through May 2018 natural streamflows, which increased hydroelectric generation. Electricity prices for surplus sales have remained relatively flat when compared to the same period last year.

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 reduce both sales and purchased power expense and are recorded as bookouts. Therefore, the accounting treatment for bookouts has no effect on net revenues, cash flows or margins.

U.S. Treasury credits increased $17.1 million for fish and wildlife mitigation due to decreased streamflows in the first quarter of fiscal year 2018. This led to an increase in the amount of purchased power needed to replace lost hydroelectric generation due to fish mitigation measures. Under the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act), BPA reduces its payment to the U.S. Treasury for the nonpower expenditures made by BPA for fish and wildlife mitigation.

Operating expenses

A comparison of FCRPS operating expenses follows for the nine months ended June 30, 2018, and June 30, 2017:

(Millions of dollars)	Fiscal Year 2018	Fiscal Year 2017	Expense Increase (Decrease)	% Change
Operations and maintenance	$ 1,509.7	$ 1,572.8	$ (63.1)	(4) %
Purchased power	84.0	80.1	3.9	5
Nonfederal projects	214.8	167.5	47.3	28
Depreciation and amortization	376.5	364.1	12.4	3
Total operating expenses	$ 2,185.0	$ 2,184.5	$ 0.5	-

Total operating expenses were flat when compared to the same period of fiscal year 2017.

Operations and maintenance expense decreased $63.1 million primarily because of two factors:

- Energy Northwest's Columbia Generating Station nuclear power plant costs decreased $76.8 million. Refueling occurs biennially, most recently in fiscal year 2017, and refueling and maintenance expenses are typically higher in refueling years.
- Scheduled Amounts due under the 2012 Residential Exchange Program (REP) Settlement Agreement increased $14.5 million.

Nonfederal projects debt service increased $47.3 million and reflects terms of the related outstanding debt for Columbia Generating Station and terminated nuclear Projects 1 and 3. Debt service also reflects past debt management decisions and actions under Regional Cooperation Debt efforts. (See Regional Cooperation Debt section in this Management's Discussion and Analysis.)

In February 2018, BPA completed a depreciation study on BPA's transmission and general plant assets. As a result, BPA implemented revised depreciation rates in March 2018 on applicable assets. Depreciation and amortization increased $12.4 million due to higher amounts of utility plant assets in service and because of revised depreciation expense rates.

Net interest expense

A comparison of FCRPS net interest expense follows for the nine months ended June 30, 2018, and June 30, 2017:

(Millions of dollars)	Fiscal Year 2018	Fiscal Year 2017	Expense Increase (Decrease)	% Change
Interest expense	$ 181.3	$ 212.6	$ (31.3)	(15) %
Allowance for funds used during construction	(23.9)	(25.2)	1.3	(5)
Interest income	(4.3)	(3.5)	(0.8)	23
Net interest expense	$ 153.1	$ 183.9	$ (30.8)	(17)

Net interest expense decreased $30.8 million when compared to the same period of fiscal year 2017.

At the end of fiscal year 2017, BPA made a large advanced repayment of comparatively higher-interest-rate federal appropriations. This payment reduced the balance of federal appropriations and has resulted in lower fiscal year 2018 interest expense.

Other Operational Matters

Litigation and related disputes arising from the West Coast Energy Crisis in 1999-2001

On Feb. 5, 2018, BPA signed a settlement agreement with the California Parties (consisting of Southern California Edison (SCE), Pacific Gas & Electric, San Diego Gas & Electric, California Attorney General, California Public Utility Commission) to resolve all the long-standing litigation concerning the West Coast Energy Crisis. BPA and the California Parties jointly filed the settlement agreement with FERC on Feb. 8, 2018. Upon FERC's approval of the settlement on May 3, 2018, BPA derecognized a $35.3 million liability to SCE and a corresponding regulatory asset. On May 25, 2018, BPA received $16.3 million under the settlement. BPA had recognized $16.0 million of interest income related to the California Refund proceedings in fiscal year 2012 and recognized an additional $300 thousand of interest income in May 2018.

Liquidity and Capital Resources

Cash and cash equivalents and financial reserves

To ensure BPA is able to meet its financial responsibilities to counterparties and to the U.S. Treasury, BPA relies on measures such as financial reserves, a line of credit with the U.S. Treasury and a CRAC that can raise rate levels on short notice within the rate period, if needed. 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 assets and for expenditures on certain regulatory assets, primarily related to fish and wildlife, that BPA has incurred but has not borrowed for as of the end of the period. To reduce interest expense, BPA delays borrowing from the U.S. Treasury when possible, which increases BPA's deferred borrowing balance.

A comparison of BPA total financial reserves, reported at fair value, follows:

(Millions of dollars)	As of June 30, 2018	As of Sept. 30, 2017	As of June 30, 2017
Cash and cash equivalents	$ 533.3	$ 597.9	$ 434.8
Short-term investments in U.S. Treasury securities	155.3	30.1	829.6
	688.6	628.0	1,264.4
Less: Cash and cash equivalents held by USACE and Reclamation	381.6	355.6	356.3
Add: Deferred borrowing	839.7	493.3	572.2
BPA financial reserves balance	$ 1,146.7	$ 765.7	$ 1,480.3

Access to capital

BPA makes capital investments to support its multifaceted responsibilities to the region. BPA's U.S. Treasury borrowing authority is limited by law and, absent other actions, the limit could be reached within a few years. To assure continued funding necessary for critical infrastructure improvements, BPA has over several years expanded its options. These include nonfederal debt refinancings, lease-purchases, the power prepay program, reserve and revenue financing, and asset management strategies to more rigorously prioritize 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 capital programs for the FCRPS. In addition, BPA and the U.S. Treasury have agreed to a liquidity facility for Northwest Power Act expenses in the amount of $750.0 million. Use of the facility is counted within the $7.70 billion overall limit. In June 2018, BPA issued $133.0 million of Treasury debt on the liquidity facility to meet short-term cash obligations. This amount is due and payable in August 2018. For capital programs, the related U.S. Treasury debt is term limited depending on the facilities financed: 50 years for USACE and Reclamation capital investments, 35 years for transmission facilities, 15 years for fish and wildlife projects and six years for corporate capital assets.

As of June 30, 2018, BPA had $5.09 billion of bonds outstanding to the U.S. Treasury and $2.61 billion in remaining U.S. Treasury borrowing authority.

Regional Cooperation Debt

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 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 to BPA as a result of these refinancings enable BPA to prepay higher-interest-rate federal obligations. 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 program. The refinancings also preserve and restore U.S. Treasury borrowing authority, enabling BPA to finance 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, within the U.S. Treasury, to continue prepaying a portion of BPA's 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. BPA estimates that the aggregate potential principal amount of additional Regional Cooperation Debt refunding bonds to be issued through fiscal year 2020 could exceed $478.0 million.

Expense borrowing arrangement by Energy Northwest

Through the continued use of line-of-credit borrowing arrangements between Energy Northwest and certain banking institutions, BPA continues a program that began in fiscal year 2016 to accelerate payments on comparatively higher-interest-rate federal obligations. If Energy Northwest did not borrow funds under these arrangements, BPA would have provided similar funding to Energy Northwest. In the FCRPS Combined Statements of Cash Flows, these amounts are reported as Deferred payments for Energy Northwest-related O&M and interest. This non-cash item is included among Net cash provided by operating activities as an adjustment in reconciling net revenues to cash flows from operating activities.

In December 2017, Energy Northwest obtained a $141.0 million line of credit to finance operations and maintenance expenses for Columbia Generating Station, including interest expense related to certain outstanding bonds for Columbia Generating Station. The line was available for draws until June 30, 2018, and matures on Dec. 18, 2018. As of June 30, 2018, Energy Northwest had borrowed the entire $141 million on this line of credit.

In fiscal year 2017, Energy Northwest had borrowed $403.3 million as of June 30, 2017, and a total of $458.3 million during the fiscal year on a line of credit to finance operations and maintenance expenses for Columbia Generating Station and interest expense related to certain outstanding bonds for Columbia Generating Station and terminated nuclear Projects 1 and 3. The amounts borrowed incurred interest at variable rates and were due to be repaid on or before June 30, 2018. Through June 2018, BPA funded Energy Northwest's repayment of the entire $458.3 million owed on this line of credit. This amount is recorded as a repayment of nonfederal debt in the FCRPS Combined Statements of Cash Flows.

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 generally 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 Port of Morrow, Oregon; the Idaho Energy Resources Authority (IERA), an independent public instrumentality of the state of Idaho; and the Northwest Infrastructure Financing Corporation (NIFC).

Credit ratings

Rating agencies issue credit ratings on nonfederal debt backed by BPA. The ratings are subject to change, and the most recent ratings were as follows:

- Moody's at Aa1 with a stable outlook (May 2018)
- Fitch at AA with a negative outlook (May 2018)
- Standard & Poor's at AA- with a stable outlook (May 2018)

Cash flows

A comparison of FCRPS cash flows follows for the nine months ended June 30, 2018, and June 30, 2017:

(Millions of dollars)	Fiscal Year 2018	Fiscal Year 2017	Cash Increase (Decrease)	% Change
Cash and cash equivalents at beginning of year	$ 597.9	$ 579.6	$ 18.3	3 %
Cash flows from				
Operating activities	1,025.5	1,065.9	(40.4)	(4)
Investing activities	(619.3)	(1,057.5)	438.2	(41)
Financing activities	(470.8)	(153.2)	(317.6)	207
Net increase (decrease) in cash and cash equivalents	(64.6)	(144.8)	80.2	(55)
Cash and cash equivalents at end of the quarter	$ 533.3	$ 434.8	$ 98.5	23

Operating activities

Net cash provided by FCRPS operating activities through the third quarter of fiscal year 2018 decreased $40.4 million when compared to the same period of fiscal year 2017. As a result of the factors previously discussed, the FCRPS had net revenues through the third quarter of fiscal year 2018 of $476.2 million, an increase of $117.0 million from the same period last year. However, net cash provided by operating activities decreased, largely because of changes in accounts payable. In addition, during the first nine months of fiscal year 2018, Energy Northwest borrowed less from an expense borrowing arrangement when compared to the first nine months of fiscal year 2017. Through this period of fiscal years 2018 and 2017, Energy Northwest borrowed $141.0 million and $403.3 million, respectively, which relieved BPA of funding these amounts during the same periods. (See Expense borrowing arrangement by Energy Northwest section in this Management's Discussion and Analysis.)

Investing activities

Net cash used for FCRPS investing activities decreased $438.2 million through the third quarter of fiscal year 2018 when compared to the same period of fiscal year 2017. This is mainly due to the fluctuation of purchases and maturities of U.S. Treasury securities, which saw a decrease in net purchases of $431.7 million through the nine months ended June 30, 2018.

The timing and amounts of purchases and maturities of U.S. Treasury securities vary depending on operational and cash management needs. Consistent with past practice and BPA's cash management strategy, BPA continued to invest in U.S. Treasury market-based special securities, which are classified as investments on the Combined Balance Sheets if their original maturity dates exceed 90 days. These securities earn a higher rate of interest than do cash or cash equivalents.

Investments in utility plant increased $28.3 million. Notable projects include upgrades to Ice Harbor Dam and McNary Dam, certain assets being constructed to serve specific transmission customers, turbine work at Chief Joseph Dam and continued work on fiber cable upgrades.

Financing activities

Net cash used for FCRPS financing activities increased $317.6 million through the third quarter of fiscal year 2018 when compared to the same period of fiscal year 2017.

BPA borrowed $133.0 million from the U.S. Treasury in June 2018 for expense-related purposes. BPA did not borrow from the U.S. Treasury through the first nine months of fiscal year 2017. In general, BPA borrows on an as-needed basis from the U.S. Treasury to reduce interest expense. BPA also repaid $56.1 million of U.S. Treasury borrowings during the second quarter of fiscal year 2018. These bonds were originally due

Sept. 30, 2017, but were extended until Jan. 31, 2018. No other U.S. Treasury bonds have been repaid through the third quarter of fiscal year 2018.

Nonfederal debt repayment increased $384.8 million through the third quarter of fiscal year 2018, due to increased funding by BPA of Energy Northwest's repayment of expense borrowing arrangements. During the second and third quarters of fiscal year 2018, BPA funded the repayment of $93.3 million and $365.0 million respectively, which related to amounts borrowed by Energy Northwest in fiscal year 2017.

Customer advances for construction, used to build assets on behalf of certain transmission customers, increased $54.1 million through the third quarter of fiscal year 2018. This increase was due to greater demand for such projects funded in advance when compared to fiscal year 2017.

Adjusted Net Revenues

For fiscal years 2013 through 2017, BPA management reported Adjusted Net Revenues (ANR), a non-GAAP financial measurement. However, beginning with fiscal year 2018 and the BP-18 rate period, BPA no longer calculates ANR but will continue to use other non-GAAP measures for internal management purposes. Fiscal year 2017 was the final year for the reporting of ANR.

Additional Information

To see BPA's annual and quarterly reports, go to www.bpa.gov/goto/AnnualReport

For general information about BPA, refer to BPA's home page at www.bpa.gov

For information on Power Services, go to www.bpa.gov/power

For information on Transmission Services, go to www.bpa.gov/transmission

Federal Columbia River Power System
Combined Balance Sheets (Unaudited)
(Millions of dollars)

	As of June 30, 2018	As of September 30, 2017
Assets		
Utility plant		
Completed plant	**$ 19,065.8**	$ 18,820.2
Accumulated depreciation	**(6,794.8)**	(6,588.1)
Net completed plant	**12,271.0**	12,232.1
Construction work in progress	**1,357.9**	1,193.7
Net utility plant	**13,628.9**	13,425.8
Nonfederal generation	**3,561.6**	3,518.7
Current assets		
Cash and cash equivalents	**533.3**	597.9
Short-term investments in U.S. Treasury securities	**155.3**	30.1
Accounts receivable, net of allowance	**39.4**	48.5
Accrued unbilled revenues	**315.3**	297.2
Materials and supplies, at average cost	**111.5**	112.0
Prepaid expenses	**39.5**	55.1
Total current assets	**1,194.3**	1,140.8
Other assets		
Regulatory assets	**5,615.9**	5,961.1
Nonfederal nuclear decommissioning trusts	**367.2**	346.9
Deferred charges and other	**231.2**	278.3
Total other assets	**6,214.3**	6,586.3
Total assets	**$ 24,599.1**	$ 24,671.6
Capitalization and Liabilities		
Capitalization and long-term liabilities		
Accumulated net revenues	**$ 4,156.6**	$ 3,680.4
Debt		
Federal appropriations	**2,097.4**	2,029.4
Borrowings from U.S. Treasury	**4,502.6**	4,918.6
Nonfederal debt	**7,109.9**	6,871.4
Total capitalization and long-term liabilities	**17,866.5**	17,499.8
Commitments and contingencies (See Note 13 to 2017 Audited Financial Statements)		
Current liabilities		
Debt		
Borrowings from U.S. Treasury	**583.0**	90.1
Nonfederal debt	**748.4**	1,390.9
Accounts payable and other	**408.4**	517.4
Total current liabilities	**1,739.8**	1,998.4
Other liabilities		
Regulatory liabilities	**1,964.4**	2,047.0
IOU exchange benefits	**2,288.5**	2,415.7
Asset retirement obligations	**204.7**	191.7
Deferred credits and other	**535.2**	519.0
Total other liabilities	**4,992.8**	5,173.4
Total capitalization and liabilities	**$ 24,599.1**	$ 24,671.6

Federal Columbia River Power System
Combined Statements of Revenues and Expenses (Unaudited)
(Millions of dollars)

	Three Months Ended June 30,		Fiscal Year-to-Date Ended June 30,	
	2018	2017	**2018**	2017
Operating revenues				
Sales	**$ 860.0**	$ 817.5	**$ 2,693.5**	$ 2,622.4
U.S. Treasury credits	**18.2**	16.5	**67.7**	50.6
Miscellaneous revenues	**19.3**	19.0	**53.1**	54.6
Total operating revenues	**897.5**	853.0	**2,814.3**	2,727.6
Operating expenses				
Operations and maintenance	**507.0**	533.3	**1,509.7**	1,572.8
Purchased power	**20.7**	21.0	**84.0**	80.1
Nonfederal projects	**67.9**	51.6	**214.8**	167.5
Depreciation and amortization	**129.9**	122.0	**376.5**	364.1
Total operating expenses	**725.5**	727.9	**2,185.0**	2,184.5
Net operating revenues	**172.0**	125.1	**629.3**	543.1
Interest expense and (income)				
Interest expense	**61.4**	71.2	**181.3**	212.6
Allowance for funds used during construction	**(7.5)**	(8.0)	**(23.9)**	(25.2)
Interest income	**(2.5)**	(1.7)	**(4.3)**	(3.5)
Net interest expense	**51.4**	61.5	**153.1**	183.9
Net revenues	**$ 120.6**	$ 63.6	**$ 476.2**	$ 359.2

Federal Columbia River Power System
Combined Statements of Cash Flows (Unaudited)
(Millions of dollars)

	Fiscal Year-to-Date Ended June 30, 2018	2017
Cash flows from operating activities		
Net revenues	**$ 476.2**	$ 359.2
Non-cash items:		
Depreciation and amortization	**376.5**	364.1
Amortization of nonfederal projects	**148.8**	17.6
Deferred payments for Energy Northwest-related O&M and interest	**141.0**	403.3
Changes in:		
Receivables and unbilled revenues	**(9.0)**	(15.1)
Materials and supplies	**0.5**	(4.4)
Prepaid expenses	**15.6**	(19.6)
Accounts payable and other	**(73.1)**	35.3
Regulatory assets and liabilities	**88.2**	72.6
IOU exchange benefits	**(127.2)**	(107.2)
Other assets and liabilities	**(12.0)**	(39.9)
Net cash provided by operating activities	**1,025.5**	1,065.9
Cash flows from investing activities		
Investments in utility plant, including AFUDC	**(522.8)**	(494.5)
U.S. Treasury securities:		
Purchases	**(292.0)**	(1,109.0)
Maturities	**167.0**	552.3
Deposits to nonfederal nuclear decommissioning trusts	**(2.8)**	(2.7)
Lease-purchase trust funds:		
Deposits to	**(9.6)**	(103.8)
Receipts from	**40.9**	100.2
Net cash used for investing activities	**(619.3)**	(1,057.5)
Cash flows from financing activities		
Federal appropriations:		
Proceeds	**68.0**	48.2
Borrowings from U.S. Treasury:		
Proceeds	**133.0**	-
Repayment	**(56.1)**	-
Nonfederal debt:		
Proceeds	**9.9**	104.1
Repayment	**(668.8)**	(284.0)
Customers:		
Net advances for construction	**57.4**	3.3
Repayment of funds used for construction	**(14.2)**	(24.8)
Net cash used for financing activities	**(470.8)**	(153.2)
Net decrease in cash and cash equivalents	**$ (64.6)**	$ (144.8)
Cash and cash equivalents at beginning of year	**597.9**	579.6
Cash and cash equivalents at end of quarter	**$ 533.3**	$ 434.8
Supplemental disclosures:		
Cash paid for interest, net of amount capitalized	**$ 196.9**	$ 229.8
Significant noncash investing and financing activities:		
Nonfederal debt increase for Energy Northwest	**$ 1,257.4**	$ 991.3
Nonfederal debt extinguished through refinancing for Energy Northwest	**$ (1,002.5)**	$ (601.5)
Other nonfederal	**$ -**	$ (10.8)