

Bonneville Power Administration Overview

As of June 15, 2016



Grand Coulee Dam



High Voltage Transmission



Columbia Generating Station

Moody's: Aa1/Stable

S&P: AA-/Stable

Fitch: AA/Stable



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Bonds supported by BPA’s financial obligations and the obligations of BPA providing such support are not nor shall they be construed to be general obligations of the United States of America nor are such bonds or obligations intended to be or are they secured by the full faith and credit of the United States of America.

Port of Morrow: Transmission Facilities Revenue Bonds

Bonneville Cooperation Project No. 5, Series 2016-2 (Federally Taxable)	
Par Amount*	\$120,000,000
Structure*	Fixed rate maturities; Serial bonds September 1, 2020 and 2021
Interest Payment Dates*	Starting September 1, 2016 and semiannually on March 1 and September 1 thereafter
Pricing Date*	Tuesday, June 21, 2016
Settlement Date*	Wednesday, June 29, 2016
Security	The Series 2016-2 Bonds are Transmission Facilities Revenue Bond obligations of the Port of Morrow and are secured by the Trust Estate pledged under the Indenture in connection with certain transmission facilities leased from the Port by Bonneville. Pursuant to the Lease-Purchase Agreement between Bonneville and the Port of Morrow, Bonneville is required to make rental payments in the amounts set forth in schedules to the Lease-Purchase Agreement which schedules will provide for rental payments at times and in amounts at least sufficient to pay the principal of and interest and all other amounts due on the Series 2016-2 Bonds. Such rental payments are irrevocably pledged by the Issuer pursuant to the Indenture for the payment of principal or redemption premium, if any, of and interest on the Series 2016-2 Bonds. The Series 2016-2 Bonds will not be secured by a mortgage or other lien on the leased transmission facilities and such facilities will not be pledged as security for such bonds.
Use of Funds	The proceeds from the sale of the Series 2016-2 Bonds will be principally used for acquiring certain transmission facilities from the Northwest Infrastructure Financing Corporation V ("NIFC V") to be leased by the Port of Morrow to BPA. NIFC V financed the acquisition, construction, installation, and equipping of the project through a credit facility with Wells Fargo Bank, N.A. NIFC V will use the acquisition payments by the Port of Morrow to repay that credit agreement. The proceeds from the sale of the Series 2016-2 Bonds will also be used by the Issuer to pay the costs of issuance of the Series 2016-2 Bonds (including Underwriters' discount) and certain administrative costs of the Issuer.
Optional Redemption*	Redeemable any time at the Make-Whole Redemption Price
Ratings	Aa1 (Moody's) / AA (Fitch)
Tax Status	Interest on the Series 2016-2 bonds is expected to be subject to Federal income tax and exempt from Oregon income tax (Please refer to Preliminary Official Statement)
Syndicate	Wells Fargo Securities, Citigroup, BofA Merrill Lynch, TD Securities

Overview



Columbia River

BPA at a Glance

<p>One Agency with Two Business Units</p>	<ul style="list-style-type: none"> ■ Power Services and Transmission Services sales exceeded \$3.3 billion in aggregate in FY2015 ■ BPA's customers primarily include utilities throughout the Pacific Northwest
<p>Unique Hydro-Based System</p>	<ul style="list-style-type: none"> ■ Virtually carbon-free - BPA markets power from 31 federally-owned hydroelectric projects and several Non-Federal projects ■ Provides stability, flexibility and reliability to meet electric demands with limited fuel risk
<p>Available Funding Sources</p>	<ul style="list-style-type: none"> ■ Revolving authority to borrow up to \$7.7 billion from the U.S. Treasury (\$3.1 billion available at 9/30/2015) ■ Non-Federal Debt is approximately half of BPA's total debt
<p>Cost Recovery</p>	<ul style="list-style-type: none"> ■ BPA is required by law to establish rates to recover all costs ■ FERC reviews and approves rates on the basis that BPA rates recover all costs
<p>Non-Federal Payment Priority and Financial Reserves</p>	<ul style="list-style-type: none"> ■ Cash payments and financial credits by BPA for Non-Federal Debt are met before payments by BPA to the U.S. Treasury; Non-Federal Debt coverage has exceeded 2.0x since 2013 ■ BPA maintains substantial cash and investments available for risk. When combined with a \$750M U.S. Treasury line of credit, there were 347 days of liquidity on hand as of 9/30/2015

One BPA -Two Business Units

Power Services

- Primarily serves over 125 Preference Customer utilities and several federal agencies under long-term contracts through 2028
- BPA accounts for about one-third of the electric power consumed within the Region
- Approximately \$2.4 billion in sales (FY15)

Transmission Services

- Delivers power between resources and loads within the Region and transmits imports to and exports from the Region
- 75% of the bulk transmission capacity in the Region
- 15,000 circuit miles of high voltage transmission lines and 261 substations and other facilities
- Approximately \$903 million in sales (FY15)

Top Customers by Business Unit

Power Services Top 5 Customers (FY15)

Customer Name	Approximate % of Sales*
Snohomish County PUD No. 1 (Preference)	9%
Cowlitz County PUD No. 1 (Preference)	7%
City of Seattle, City Light Dep't (Preference)	7%
Pacific Northwest Generating Cooperative (Preference)	6%
Tacoma Power (Preference)	5%
Total	34%

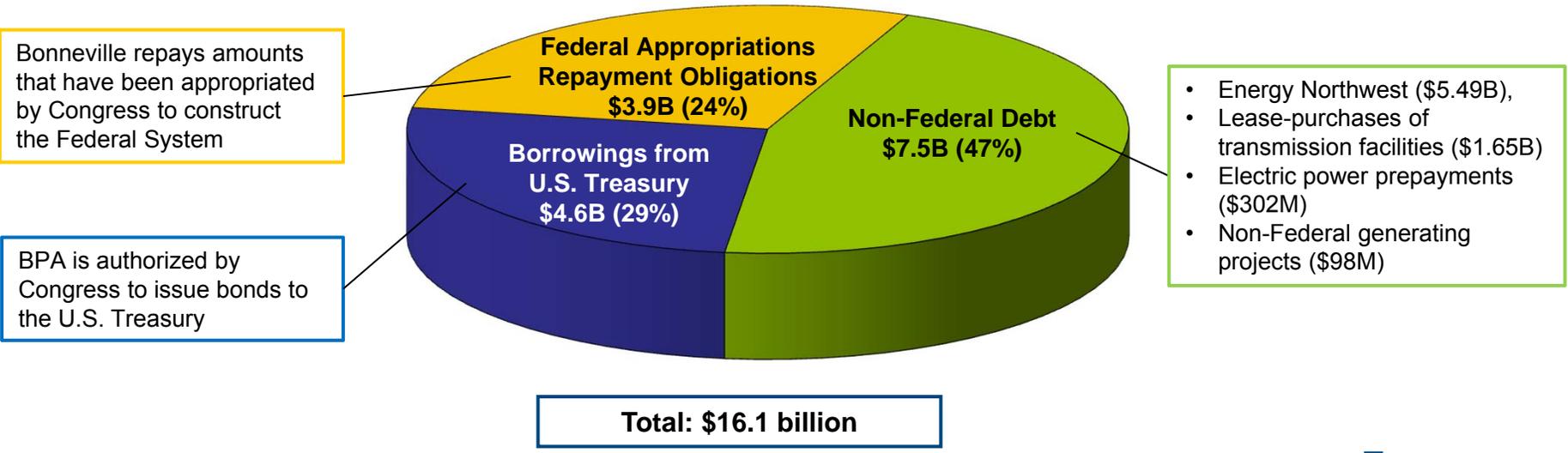
Transmission Services Top 5 Customers (FY15)

Customer Name	Approximate % of Sales*
PacifiCorp (IOU)	12%
Puget Sound Energy Inc. (IOU)	12%
Portland General Electric Company (IOU)	9%
Powerex Corp. (Power Marketer)	6%
City of Seattle, City Light Dep't (Preference)	5%
Total	44%

Sources of Capital

- Revolving authority (\$7.7 billion in aggregate) to borrow from the U.S. Treasury
- To assist in meeting capital program needs, BPA makes financial commitments that secure the debt service on debt instruments issued by third parties. BPA refers to these instruments as “Non-Federal Debt”
 - A third party issues debt instruments that are payable from amounts (cash and/or monetary credits) provided by BPA under agreements under which BPA obtains the use or benefit of the facilities so financed:
 - Nuclear project capability net billing agreements (Energy Northwest)
 - Transmission facility lease-purchase agreements (e.g., Port of Morrow, Idaho Energy Resources Authority (“IERA”))
 - Power and resource acquisition agreements (e.g., Lewis County PUD)
- In FY13, BPA also received \$340 million in aggregate from four customers as prepayments for future deliveries of electric power to those customers (also included as Non-Federal Debt)

Federal and Non-Federal Debt Outstanding as of September 30, 2015



Order in Which BPA's Costs Are Met

- BPA has numerous financial commitments to meet obligations to Non-Federal entities. These obligations include meeting the debt service on Non-Federal Debt
- BPA's payments to Non-Federal entities (including to Port of Morrow) are met prior to all of BPA's payments to the U.S. Treasury
- **All BPA funds are available to meet Non-Federal costs including debt service costs for Non-Federal Debt**
- BPA-supported debt rated Aa1 (Moody's) / AA- (S&P)* / AA (Fitch)



(Not to scale)

BPA's total scheduled payments of \$662 million to the U.S. Treasury were made on time and in full in FY15--32nd consecutive year of full and timely payments to the U.S. Treasury. In FY15 BPA also prepaid \$229 million of high interest federal appropriations repayment obligations

*The Series 2016-2 Bonds are not rated by S&P.

The Federal Hydro System is Expansive

- The Columbia River Basin has the most hydropower capacity in the U.S. and second most in North America
- Geographic footprint of the Federal Hydro System covers numerous distinct watersheds
- Storage at Canadian and U.S. dams provides BPA the ability to manage hydro for power production, reliability, to meet load, and other purposes
- The substantial storage capacity and the hydro generation facilities provide flexibility to meet system loads and stability to respond to unforeseen events
- The Federal Hydro System is subject to certain environmental laws. One such law, the Endangered Species Act, is implemented in part through “biological opinions.” A federal district court has ordered that a new biological opinion affecting the Federal Hydro System be completed by March 1, 2018. Bonneville is unable to predict the long-term implications of the court’s ruling. See “CERTAIN DEVELOPMENTS RELATING TO BONNEVILLE—Developments Relating to the Endangered Species Act” in the Preliminary Official Statement.

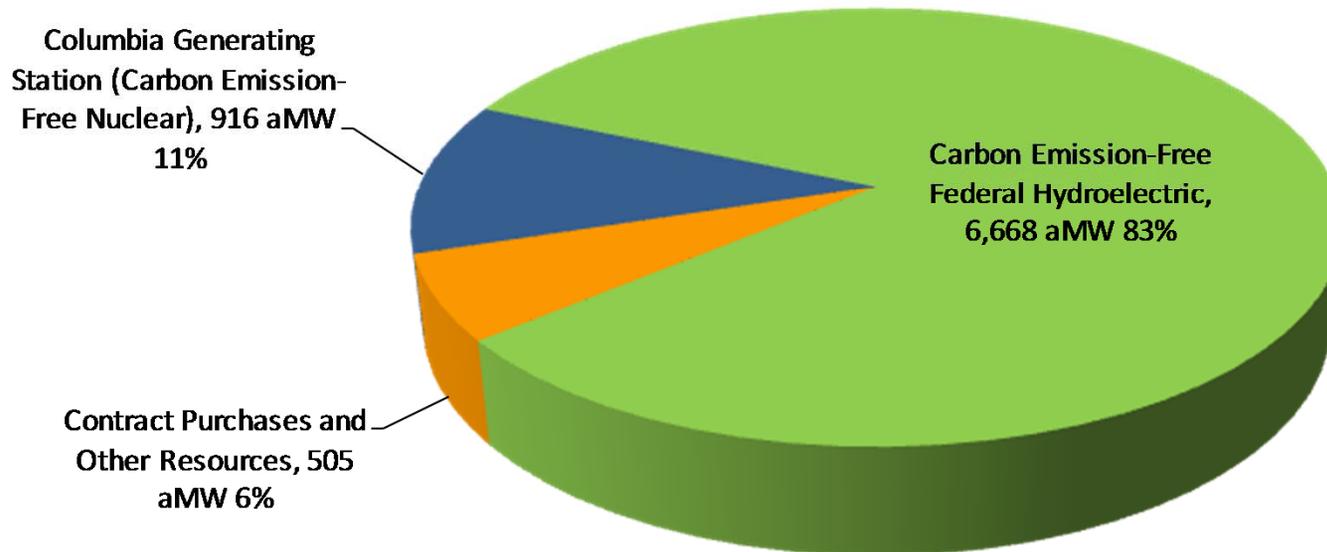


Virtually Emission-Free Assured Fuel Supply

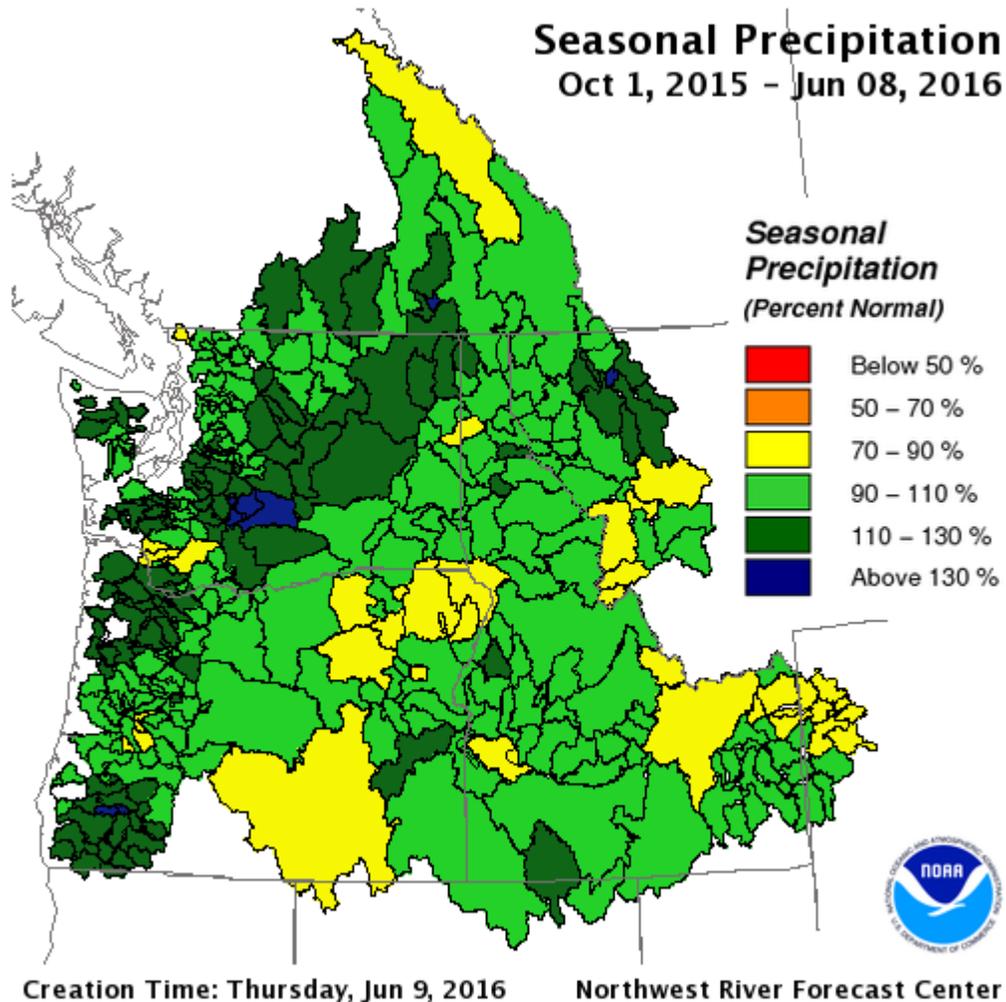
- Firm Energy capability is 8,089 aMW, 83 percent of which is Firm Energy from hydro
- Firm energy is the estimated amount of energy to be produced by the Federal System assuming historically low water conditions. The fuel supply (streamflow) and generating capability for Firm Energy from Federal System hydro have a high probability of occurring from year to year
- 94 percent of Federal System Firm Energy is hydro- and nuclear- based and is Carbon Emission-Free

Federal System Power Resources

Annual Average Megawatts (8,089 total) of Energy for Operating Year* 2017
 assuming 1937 Low Water Conditions (Firm Water)



Seasonal Surplus (Secondary) Sales



- The amount of energy produced by the hydroelectric system above Firm Energy is seasonal surplus (secondary) energy
- As opposed to firm energy, seasonal surplus (secondary) energy varies with annual precipitation and weather conditions
- Under *average* water conditions this amount is estimated to be 1,595 aMW (Operating Year 2017)
- Expected sales of seasonal surplus (secondary) energy is an important part of BPA's ratemaking and risk mitigation
- For the FY 16-17 rate period, BPA assumed that revenues from seasonal surplus (secondary) sales would average about \$335 million per fiscal year. BPA's risk modeling indicated that such revenues could range between \$50 million (low water low prices) and \$671 million (high water high prices). This high and low are each associated with a 1 in 100 event
- For reference, \$335 million is approximately 10 percent of BPA's total revenues of \$3.4 billion (FY 2015)

BPA Key Credit Highlights



Bonneville Dam



John Day Dam



The Dalles Dam

Cost Recovery

<p>1. Organic Statutes</p>	<p>BPA is required by law to establish rates that recover all of its costs, including amounts for Non-Federal Debt and lower payment priority Federal Debt</p>
<p>2. Rate Case Every Two Years</p>	<p>BPA’s rate process ensures a thorough basis for proposed rates. BPA has elected to conduct a rate case every two years</p> <ul style="list-style-type: none"> • Transparency and customer involvement are fundamental goals • To assure repayment, BPA’s rates are established to achieve at least a 95% Treasury Payment Probability over the two year rate period
<p>3. FERC Ensures Rates are Adequate</p>	<p>FERC reviews rates primarily to ensure they are sufficient to recover costs</p>
<p>4. Cost Recovery Obligation is Carried Forward</p>	<p>Under its cost recovery obligation, if BPA were unable to meet all of its costs in a period because its rates (together with its financial reserves) were insufficient, BPA would be required to recover the un-met costs in future rates</p>

How BPA Manages Reserves

- Total Financial Reserves are cash and readily-liquidated U.S. Treasury securities held in BPA's account at the U.S. Treasury together with the ability to borrow on short notice for limited amounts of capital costs that BPA theretofore funded with cash (deferred borrowing)
- As of 9/30/2015, BPA had \$845 million in Reserves Available for Risk (RAR) and a \$750 million short-term line of credit with the U.S. Treasury (no outstanding balance as of 9/30/2015)
 - RAR is a financial metric BPA uses as a measure of accumulated financial reserves derived from operations
- BPA forecasts that it will finish the fiscal year with RAR of \$655 million
- BPA sets rates every two years, and will set higher rates (for the relevant business line) to generate additional RAR when needed to meet BPA's 95% Treasury Payment Probability standard

Year-End BPA Financial Reserves (\$millions)					
Fiscal Year	Reserves Available for Risk	U.S. Treasury Line of Credit	Days Liquidity on Hand*		
2011	\$ 747	\$ 750	329		
2012	\$ 704	\$ 750	319		
2013	\$ 641	\$ 750	303		
2014	\$ 784	\$ 750	317		
2015	\$ 845	\$ 750	347		

BPA's Reserves Available for Risk combined with U.S. Treasury line of credit provided 347 days liquidity on hand at the end of FY15

Additional Non-Federal Obligation Assurance

<p>1. Overnight Access to Treasury</p>	<p>BPA has overnight access to a \$750 million line of credit with the U.S. Treasury</p>
<p>2. Cost Recovery Adjustment Clause</p>	<p>BPA rates include provisions to increase Power Services' rate levels to obtain up to \$300 million per year in additional revenues within the rate period without undertaking a formal rate process</p>
<p>3. Fish & Wildlife Adjustment</p>	<p>BPA rates include provisions to increase Power Services' rate levels within a rate period to recover adverse cost impacts arising from the Endangered Species Act litigation</p>
<p>4. Expedited Rate Case</p>	<p>BPA may initiate, and believes it would be able to complete within 6 months, an expedited rate case to propose increased rates to recover costs</p>
<p>5. Defer Treasury Payment</p>	<p>By law, BPA must defer its U.S. Treasury payments to meet Non-Federal obligations</p>

Financial Coverage¹

(\$millions)	FY2013	FY2014	FY2015
1 Total Operating Revenue	\$3,346	\$3,600	\$3,404
2 Less Operating Expense ²	1,654	1,744	1,653
3 Net Funds Available for Debt Service	1,693	1,856	1,750
4 Non-Federal Debt Service	775	425	306
5 Non-Federal Debt Service Coverage Ratio ³	2.2x	4.4x	5.7x
6 Total Debt Service	1,268	1,220	1,005
7 Total Debt Service Coverage Ratio ⁴	1.3x	1.5x	1.7x
8 Annual Treasury Payments ⁵	692	991	891

¹This information is presented in more detail in Official Statements for Non-Federal Debt bond issuances. BPA's audited financial statements do not include a similar table.

²Operating Expense as presented in this table is not consistent with that presented in BPA's audited financial statements. For example, this table excludes Nonfederal projects expense, depreciation and amortization, and certain expenses related to the Corps and Reclamation.

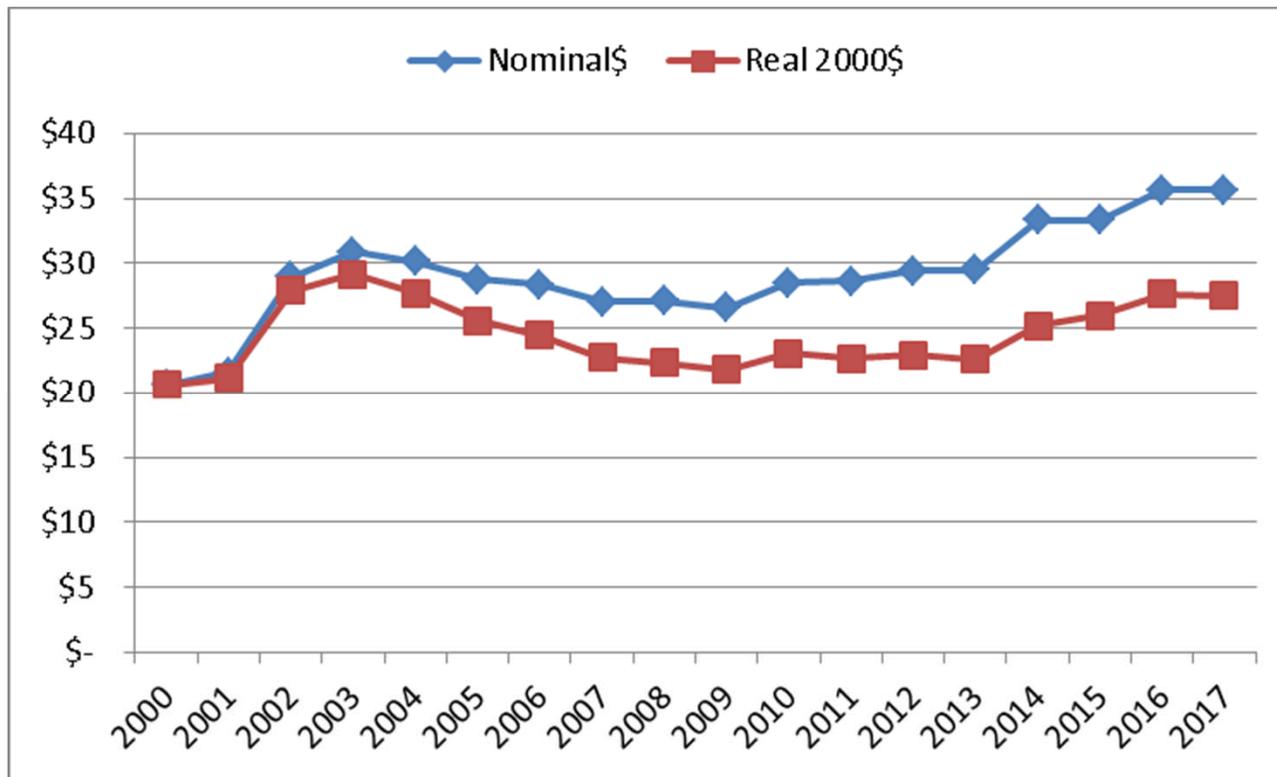
³Non-Federal Debt Service Coverage Ratios increased in Fiscal Years 2014 and 2015 due to Non-Federal Debt management actions (described in Appendix A of the Port of Morrow's Series 2016-2 POS (the "POS") under Regional Cooperation Debt and Related Actions). These actions enabled BPA to prepay additional high-interest federal appropriations repayment obligations.

⁴Total Debt Service Coverage Ratios were affected in Fiscal Years 2014 and 2015 due to Non-Federal Debt management actions (described in Appendix A of the POS under Regional Cooperation Debt and Related Actions). These actions enabled BPA to prepay additional high-interest federal appropriations repayment obligations.

⁵Annual Treasury Payments include scheduled payments, and in Fiscal Years 2014 and 2015 include prepayments enabled by Non-Federal Debt management actions (described in Appendix A of the POS under Regional Cooperation Debt and Related Actions).

Historical BPA Power Rates

Average Rates for Power Sold to Preference Customers & Federal Agencies
(Excludes Associated Transmission Costs)

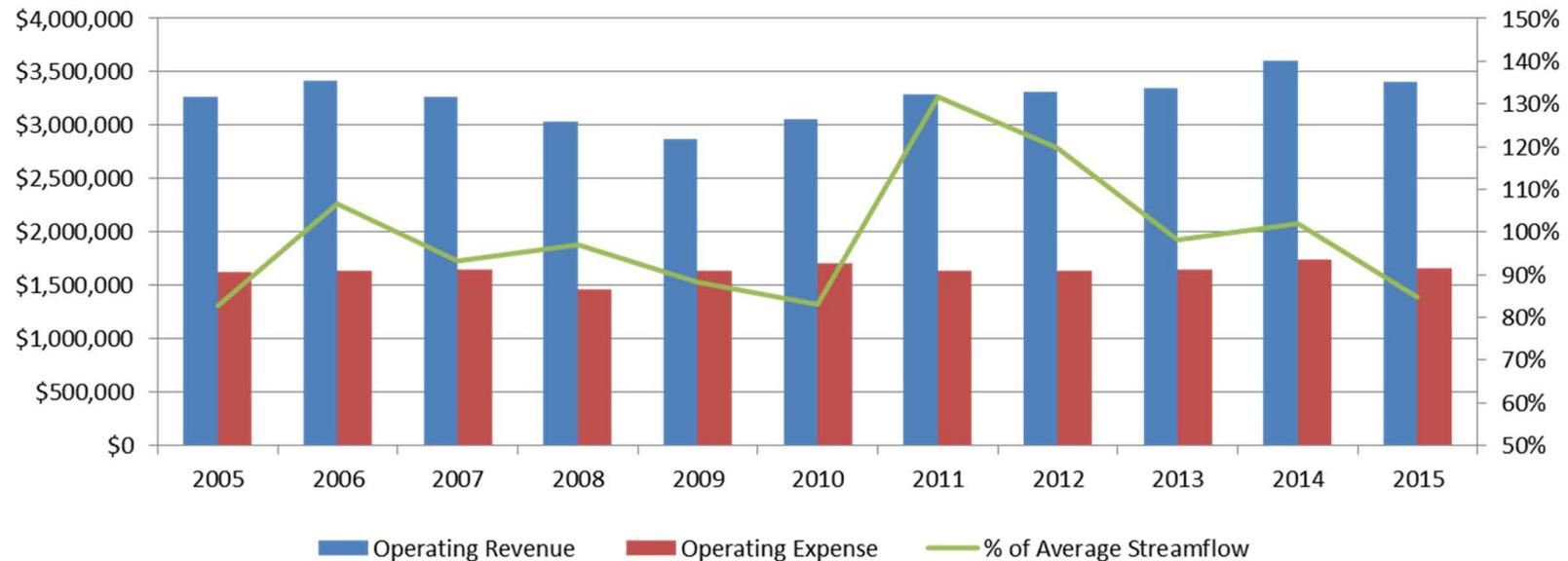


- BPA power rates have remained relatively stable, especially on an inflation-adjusted basis
- BPA implemented a significant rate increase when needed in 2002 following the 2001 West Coast Power Crisis

Revenues & Expenses More Stable than Streamflow

- The relationship of operating revenues to operating expenses has been stable relative to wide variances in stream-flows and hydro-generation. Much of this stability in revenues is attributable to the high proportion of power revenues that BPA derives from sales of firm power. Firm power is power produced by the Federal System under assumptions of historically low water conditions
- BPA has made all scheduled payments to the U.S. Treasury, on time and in full for the last 32 years
- FY 2016 water supply for the Columbia River basin is forecast to be approximately 99% of the 30-year average as of June 7th, 2016

BPA Operating Revenues and Expenses (\$millions) Comparison to Streamflow (% of Average*)



* Average of 132 Million Acre Feet (MAF) at The Dalles Dam. Streamflow reflects BPA's operating year results (August 1-July 31) and financial results reflect BPA's fiscal year (October 1-September 30)

BPA Finance Plan



Bonneville Headquarters



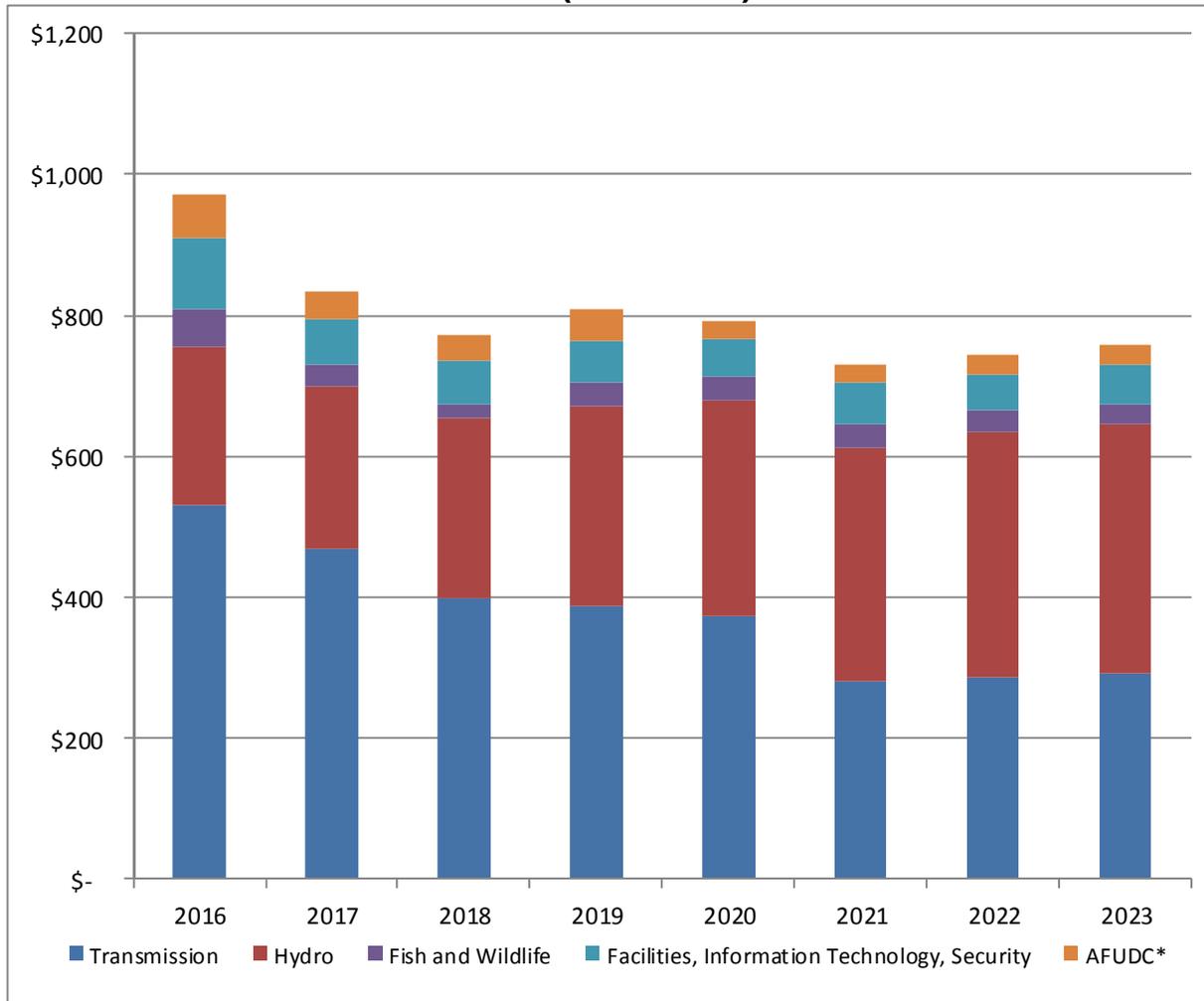
Celilo Converter Station Transformer



Big Eddy-Knight River Crossing

BPA Capital Plan and Financing Strategy

**Proposed Capital Investment
(\$ millions)**



- BPA has substantial capital needs and is in the process of updating its proposed capital investment plan
- BPA supplements its federal borrowings with Non-Federal Debt
- Strategy includes additional Federal and Non-Federal Debt (publicly-offered bonds issued by Energy Northwest, Port of Morrow, and others)
- BPA will continue to assess tools available to fund these investments

*AFUDC - allowance for funds used during construction

Non-Federal Debt – Transmission Issuers

Bonds supported by BPA are not general obligations of the United States of America and are not secured by the full faith and credit of the United States of America

- Transmission Lease-Purchases

- BPA expects to enter into lease-purchase agreements related to approximately 50% of its transmission capital investments over the next 10 years
- BPA believes that public issuance of bonds supported by BPA lease purchases could be up to approximately \$500 million per year
- BPA partners with the Port of Morrow and the Idaho Energy Resources Authority to facilitate such issuances supported by the lease-purchase agreements



- Oregon port district
- Authorized to finance transmission projects with publicly issued bonds and credit arrangements secured by BPA lease-purchase commitments
- \$376 million* in long-term BPA-supported debt outstanding
- Additional BPA-supported lines of credit outstanding in the amount of \$705 million*
- BPA believes that the Port of Morrow will participate in future lease-purchase transactions and will issue to the public substantial amounts of Non-Federal Debt
- Absent a change in law, BPA believes that interest on such future bonds would **NOT** be exempt from federal income tax but would be exempt from Oregon state income tax



- Energy-related financing authority created by Idaho legislation
- Authorized to finance transmission projects with publicly issued bonds secured by BPA lease-purchase commitments
- Currently \$100 million* in the form of a short-term credit facility, but no BPA-supported bonds outstanding
- BPA believes that IERA will participate in future lease-purchase transactions and will issue to the public substantial amounts of Non-Federal Debt
- BPA believes that, absent a change in law, interest on such bonds would **NOT** be exempt from federal income tax but would be exempt from Idaho income tax

*As of September 30, 2015

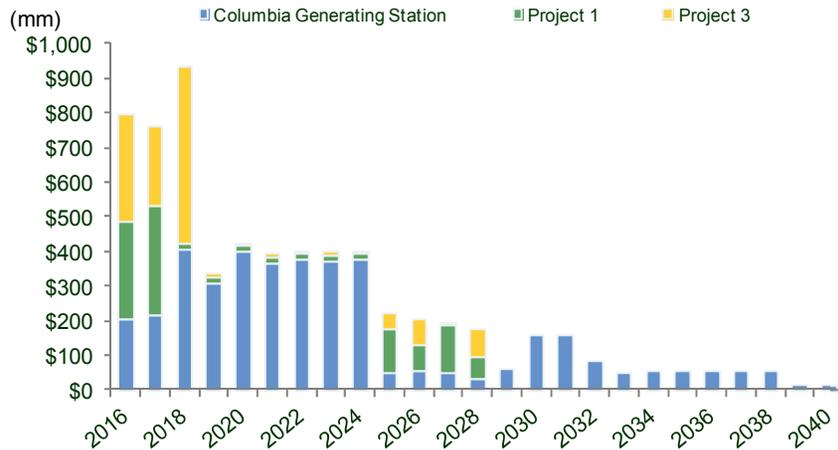
Non-Federal Debt – Energy Northwest

Bonds supported by BPA are not general obligations of the United States of America and are not secured by the full faith and credit of the United States of America



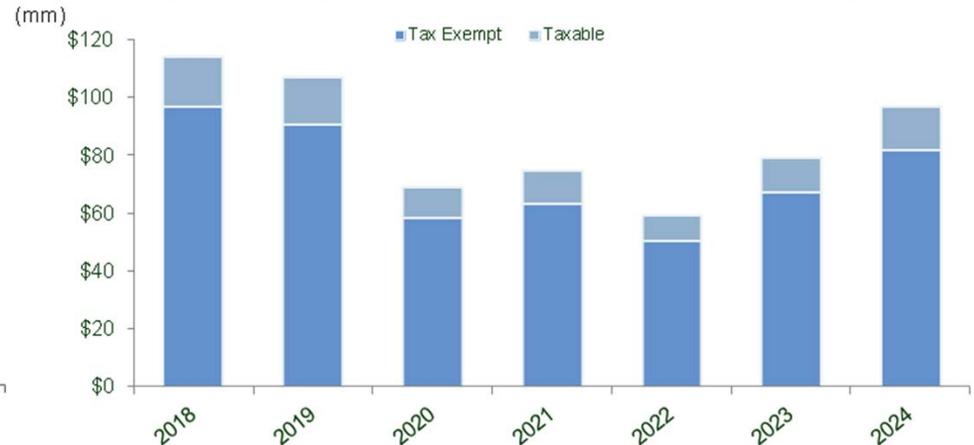
- Washington state Joint Operating Agency
- Owns/operates Columbia Generating Station
- \$5.49 billion in BPA-supported debt outstanding as of 9/30/2015
 - Columbia Generating Station (operating)
 - Project 1 (terminated)
 - Project 3 (terminated)
- Interest on most Energy Northwest debt is exempt from federal income tax
 - \$3.92 billion tax-exempt
 - \$1.57 billion taxable
- BPA expects that Energy Northwest will debt finance 100% of new capital needs at Columbia Generating Station in addition to refinancing and/or extending certain debt

BPA-Supported Energy Northwest Debt Service*



*As of 9/30/2015. Debt service is shown net of certain forward sales of uranium fuel that was purchased with bond proceeds.

Expected Public Bond Issuances for Columbia Project New Capital Needs (Energy Northwest Fiscal Years 2018-2024)



*Columbia Capital needs for FY2016/2017 have been funded

Port of Morrow Series 2016-2 Summary and Schedule

Bonneville Cooperation Project No. 5, Series 2016-2 (Federally Taxable)		Maturity*	Par Amount*
Par Amount*	\$120,000,000	9/1/2020	\$60,000,000
Interest Payment Dates*	Starting September 1, 2016 and semiannually on March 1 and September 1 thereafter	9/1/2021	60,000,000
Pricing Date*	Tuesday, June 21, 2016	Total	\$120,000,000
Settlement Date*	Wednesday, June 29, 2016		
Optional Redemption*	Redeemable any time at the Make-Whole Redemption Price		
Ratings	Aa1 (Moody's) / AA (Fitch)		
Syndicate	Wells Fargo Securities, Citigroup, BofA Merrill Lynch, TD Securities		

*In July 2016 BPA and POM expect to price an additional \$325 million taxable long-term transmission lease-purchase offering**

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