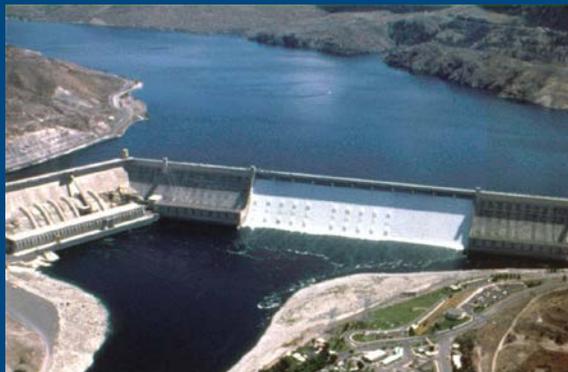


# Bonneville Power Administration Overview

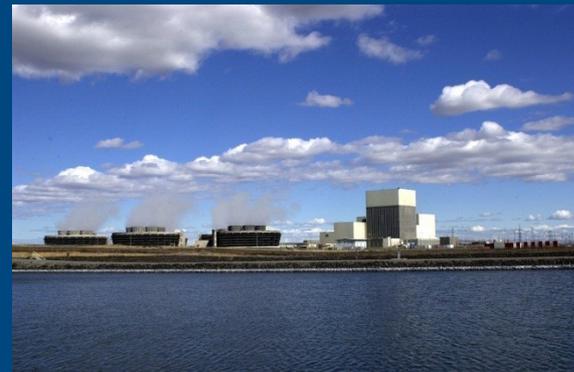
As of December 1, 2014



Grand Coulee Dam



High Voltage Transmission



Columbia Generating Station

Moody's: Aa1/Stable

S&P: AA-/Stable

Fitch: AA/Stable



***The information in this investor presentation is a summary of certain information concerning the Bonneville Power Administration (“BPA”) and is not intended to contain all information material to investors.*** This investor presentation is provided for your information and convenience only. This investor presentation does not constitute a recommendation or an offer or solicitation for the purchase or sale of any security or other financial instrument or to adopt any investment strategy. In no event shall BPA be liable for any use by any party of, or any decision made or action taken by any party in reliance upon the information contained herein. BPA makes no representations as to the legal, tax or accounting treatment of any BPA-supported security. You should consult with your own advisors as to such matters and the consequences of the purchase and ownership of BPA-supported securities. Past performance is not indicative of future performance, which will vary.

This investor presentation you are about to view is provided as of December 1, 2014. If you are viewing this presentation after December 1, 2014, there may have been events that occurred subsequent to such date that would have a material adverse effect on the financial information that is presented herein, and BPA has not undertaken any obligation to update this investor presentation.

This investor presentation contains statements which, to the extent they are not recitations of historical fact, may constitute “forward-looking statements.” In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting Bonneville’s business and financial results could cause actual results to differ materially from those stated in the forward-looking statements.

**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.**

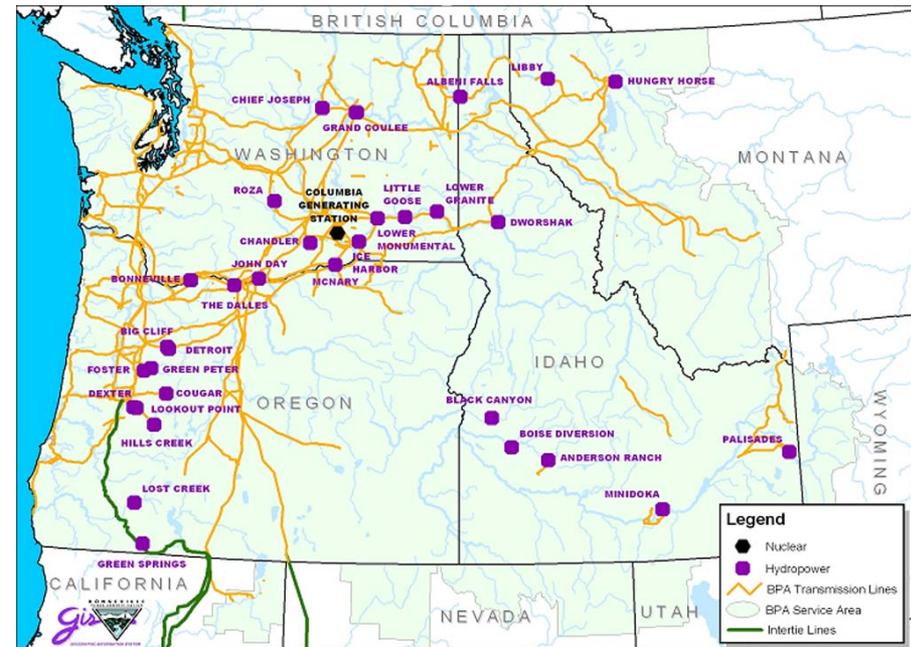
# Background



Columbia River

# BPA at a Glance

- Bonneville Power Administration (“BPA”) is one of four regional federal power marketing administrations within the United States Department of Energy
  - Established by Congress in the Bonneville Project Act of 1937
  
- BPA markets power from 31 federally-owned hydroelectric projects and several Non-Federal projects (including Energy Northwest’s Columbia Generating Station) totaling over 23,000 MW of nameplate capacity
  
- Summary Statistics:
  - BPA’s electric power supply service area is over 300,000 square miles, and the population of the area is approximately 12 million people
  - BPA accounts for about thirty percent of the electric power consumed within the Pacific Northwest
  - Over 80% of BPA’s total firm power supply is carbon emission-free hydroelectric power
  - BPA’s grid provides about 75% of the bulk transmission capacity in the Region



Bonneville Power Resources Map

# One BPA -Two Business Units

## Power Services

- BPA sells power to over 125 Preference Customer utilities and several federal agencies at Priority Firm (PF) Rates, which is BPA's lowest cost, statutorily-designated rate class
  - Under planning assumptions for Operating Year 2015, of the firm load BPA expected to meet, 85% would be Preference Customer load, and 7% would be federal agency and Direct Service Industry (DSI) load
- BPA also markets seasonal surplus (secondary energy) and electric power capacity throughout the western U.S. and Canada
- Approximately \$2.7 billion in Power Services sales in FY14

## Transmission Services

- For purposes of Federal Energy Regulatory Commission (FERC) transmission regulation, BPA is a non-jurisdictional utility; however, BPA makes transmission and related services available under an Open Access Transmission Tariff based on FERC's *pro forma* tariff
- Approximately \$932 million in Transmission and related Services sales in FY14

### Power Services Top 10 Customers (FY14)

Customer Name	Approximate % of Sales*
Snohomish County PUD No 1 (Preference)	8%
Cowlitz County PUD No 1 (Preference)	6%
City of Seattle, City Light Dept (Preference)	6%
Pacific Northwest Generating Cooperative (Preference)	5%
Tacoma Power (Preference)	4%
ALCOA Inc (DSI)	4%
Powerex Corp (Independent Power Producer)	4%
Clark Public Utilities (Preference)	4%
Eugene Water & Electric Board (Preference)	3%
Iberdrola Renewables Inc (Independent Power Producer)	2%

### Transmission Services Top 10 Customers (FY14)

Customer Name	Approximate % of Sales*
Puget Sound Energy Inc (Investor-Owned Utility)	12%
PacifiCorp (Investor-Owned Utility)	11%
Portland General Electric Company (Investor-Owned Utility)	9%
Powerex Corp (Independent Power Producer)	7%
City of Seattle, City Light Dept (Preference)	5%
Snohomish County PUD No 1 (Preference)	4%
Iberdrola Renewables Inc (Independent Power Producer)	4%
Pacific Northwest Generating Cooperative (Preference)	2%
Hermiston Power LLC (Independent Power Producer)	2%
Clark Public Utilities (Preference)	2%

# Sources of Capital and Cost Recovery

## ■ Sources of Capital

- BPA has revolving authority (\$7.7 billion in aggregate) to borrow from the U.S. Treasury at rates comparable to rates available to other U.S. agencies
- BPA does not issue or sell debt to the public in its own name. 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”
- In these transactions, a third party issues debt instruments that are payable from amounts (cash and/or monetary credits) provided by BPA under agreements in which BPA obtains the use or benefit of the facilities so financed:
  - nuclear project capability net billing agreements (Energy Northwest)
  - transmission facility lease-purchases agreements (e.g., Port of Morrow)
  - power and conservation 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)

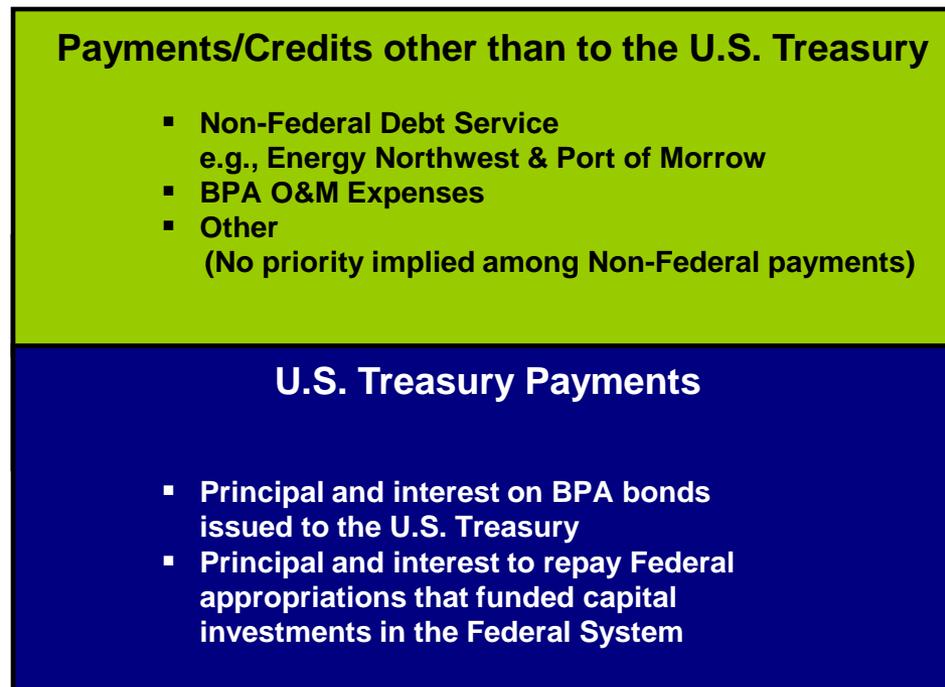
## ■ Cost Recovery

- BPA is required by law to establish rates that recover **all** of its costs, including amounts for Non-Federal Debt
- FERC is required by law to review BPA’s rate proposals to assure that BPA meets the foregoing cost recovery obligations

*Although Power Services and Transmission Services function as separate business units, ALL BPA funds are available to meet Non-Federal costs including debt service costs for Non-Federal Debt*

# Order in Which BPA's Costs Are Met

- BPA has contractual commitments to meet the debt service on Non-Federal Debt and to make other payments to other non-federal entities
- BPA's payments (including to Port of Morrow), and monetary credits in the case of Energy Northwest bonds and power prepayments by Preference Customers, are met prior to all of BPA's payments to the U.S. Treasury
- BPA related debt currently rated Aa1 (Moody's) / AA- (S&P) / AA (Fitch)



(Not to scale)

*BPA's total scheduled payment of \$670 million to the U.S. Treasury was made on time and in full in FY14, marking the 31st consecutive year of full and timely payments to the U.S. Treasury. BPA also prepaid \$321 million of high interest federal appropriation debt.*

# BPA Operation and Financial Information



Libby Dam



Hungry Horse Dam

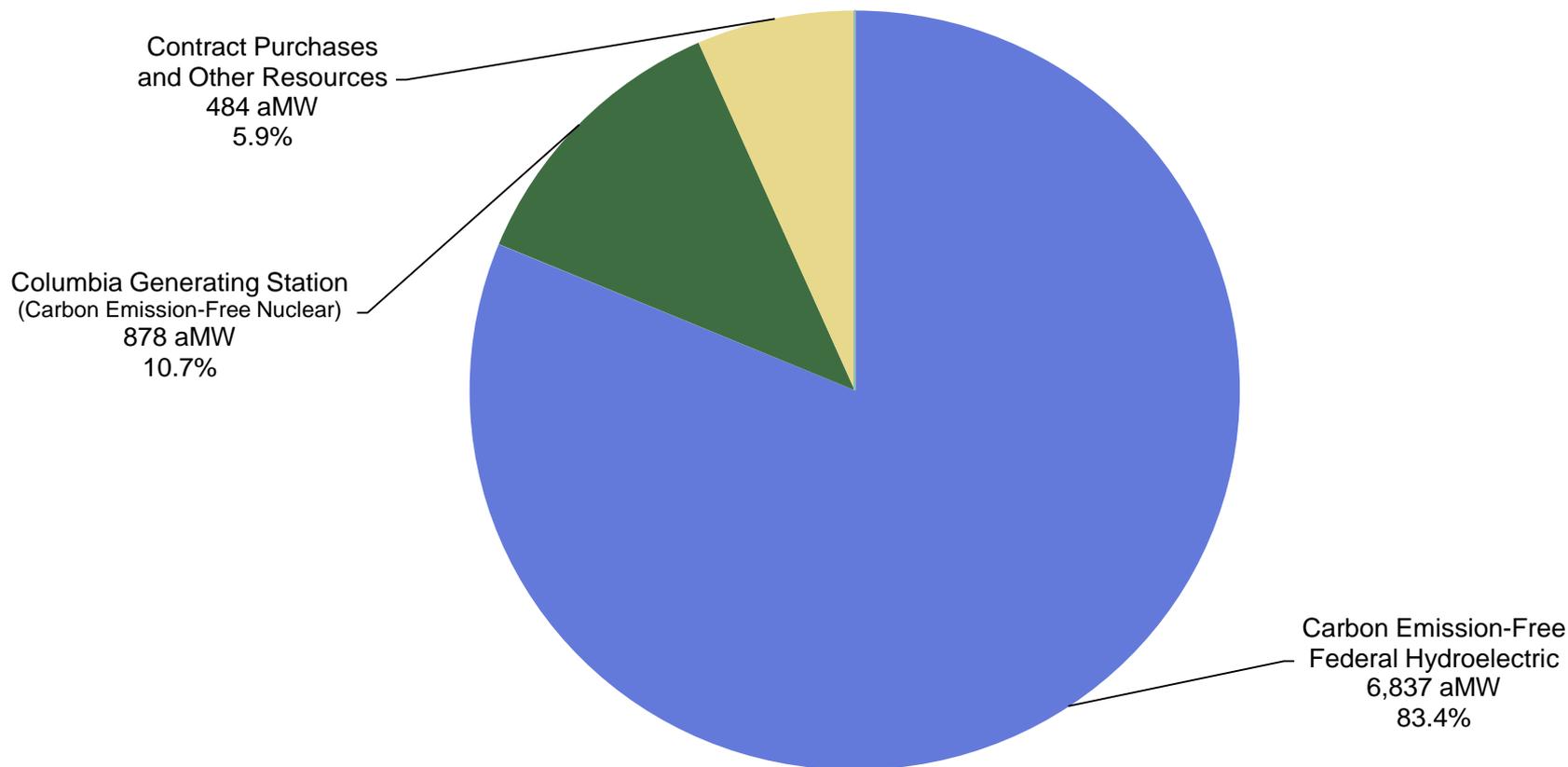


Dworshak Dam

# Virtually Carbon Emission-Free, Low-Cost, Hydro-Based System

## Federal System Power Resources

Average Megawatts (8,199 total) of Energy for Operating Year\* 2015  
assuming 1937 Low Water Conditions (Critical Water)

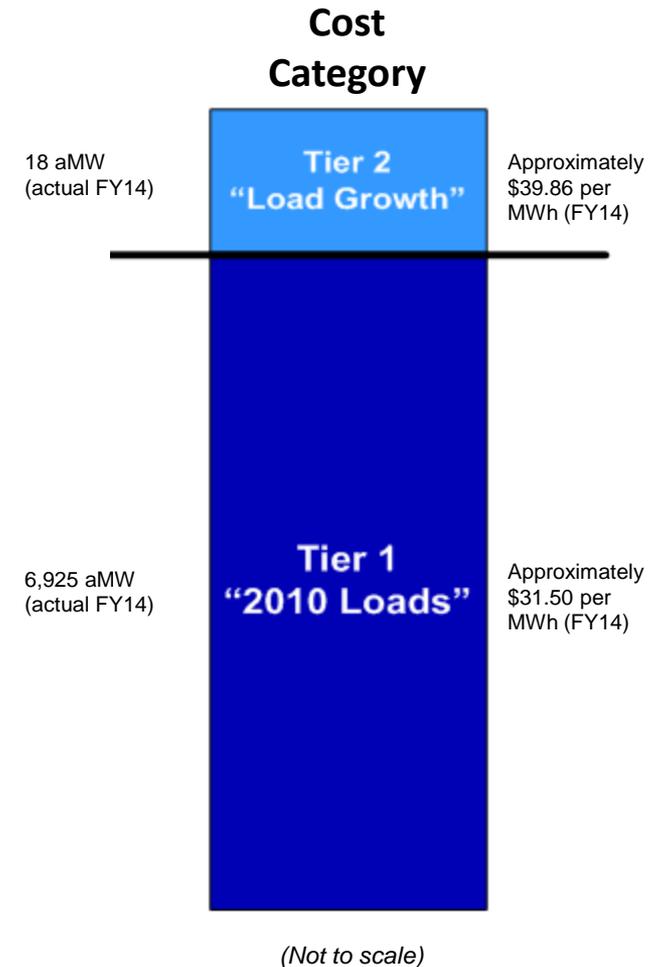


# Long-Term Power Purchase Commitments

- BPA uses the firm power of the Federal System to meet Preference Customers' (and federal agencies') net power requirements in the Region under two forms of Power Sale Contracts (PSCs)
  - Load Following – BPA meets actual loads on an hourly basis
  - Slice/Block – BPA provides a percentage of all Federal System power as generated (Slice), together with set amounts of power at set times (Block)
    - Slice portion of Slice/Block represents 26.6% of Federal System output
  
- Preference Customers are consumer- or publicly-owned electric utilities that have an obligation to serve end-use consumers' power needs
  
- Key Provisions of the Power Sale Contracts
  - Cover FY12 through FY28 (federal law limits PSCs to 20-year terms, PSCs were executed in December 2008)
  - Customers must pay the power rates that BPA establishes periodically
  - Customers must pay for power tendered by BPA (although if a customer's loads in the Region fall, the customer's right and obligation to purchase, in general, is reduced equally)

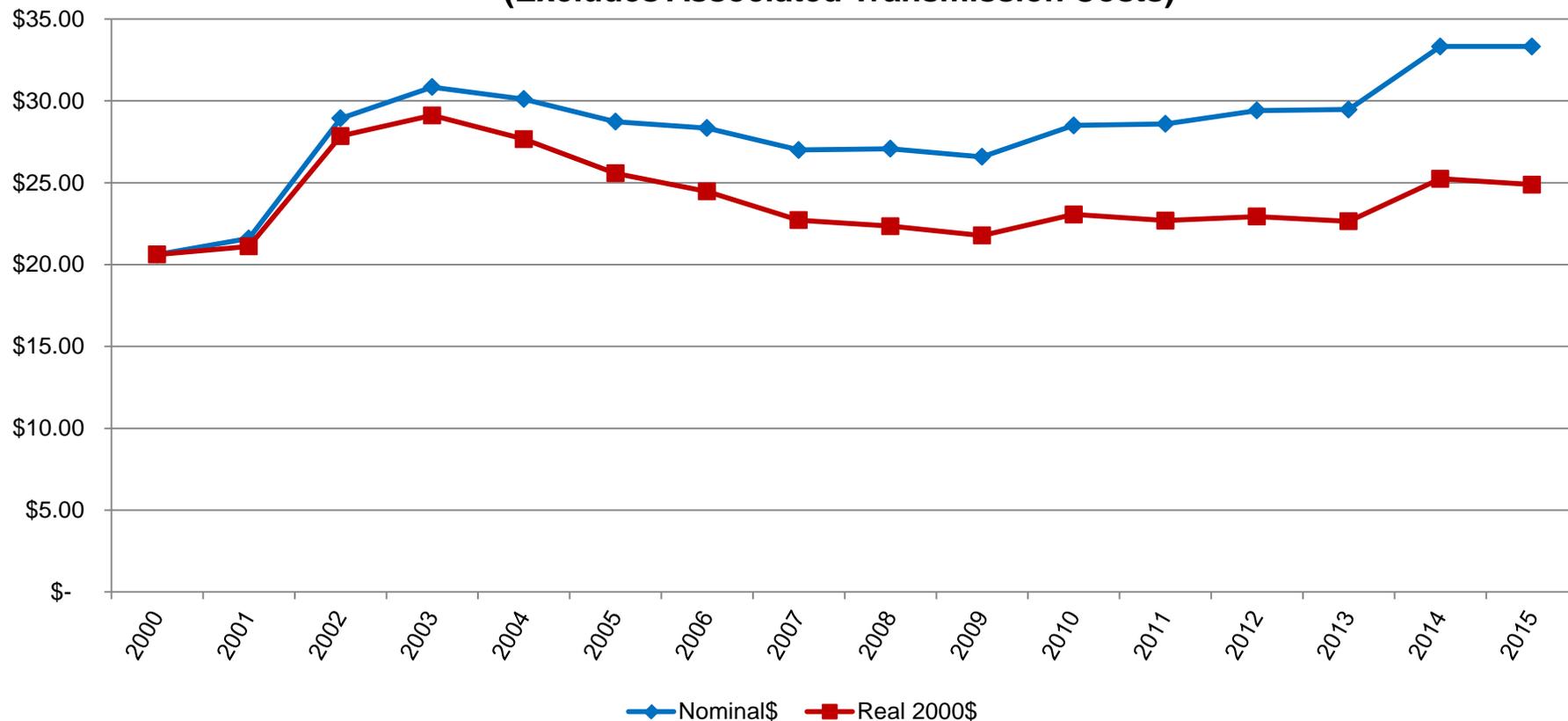
# Meeting Load Obligation through Tiered Rates

- BPA is obligated by law to meet loads within the Region, primarily Preference Customers' loads
  - Historically, BPA blended the cost of meeting load growth with the low cost of the existing system, which incentivized customers to place load growth on BPA
- Under current PSCs, BPA has two tiers of power rates for Preference Customers
- BPA establishes Tier 1 power rates based on the classes of costs associated with meeting a customer's loads tied to its historical purchases from BPA (based primarily on 2010 loads)
- Tier 2 rates are designed to recover the power purchase cost to BPA of meeting customers' loads above Tier 1 (Tier 2 loads, primarily load growth)
- Customers are not obligated to purchase from BPA for Tier 2 needs, but may elect to meet that need on their own
- If a customer does elect to make a Tier 2 purchase commitment, it is on a take-or-pay basis



# Recent 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

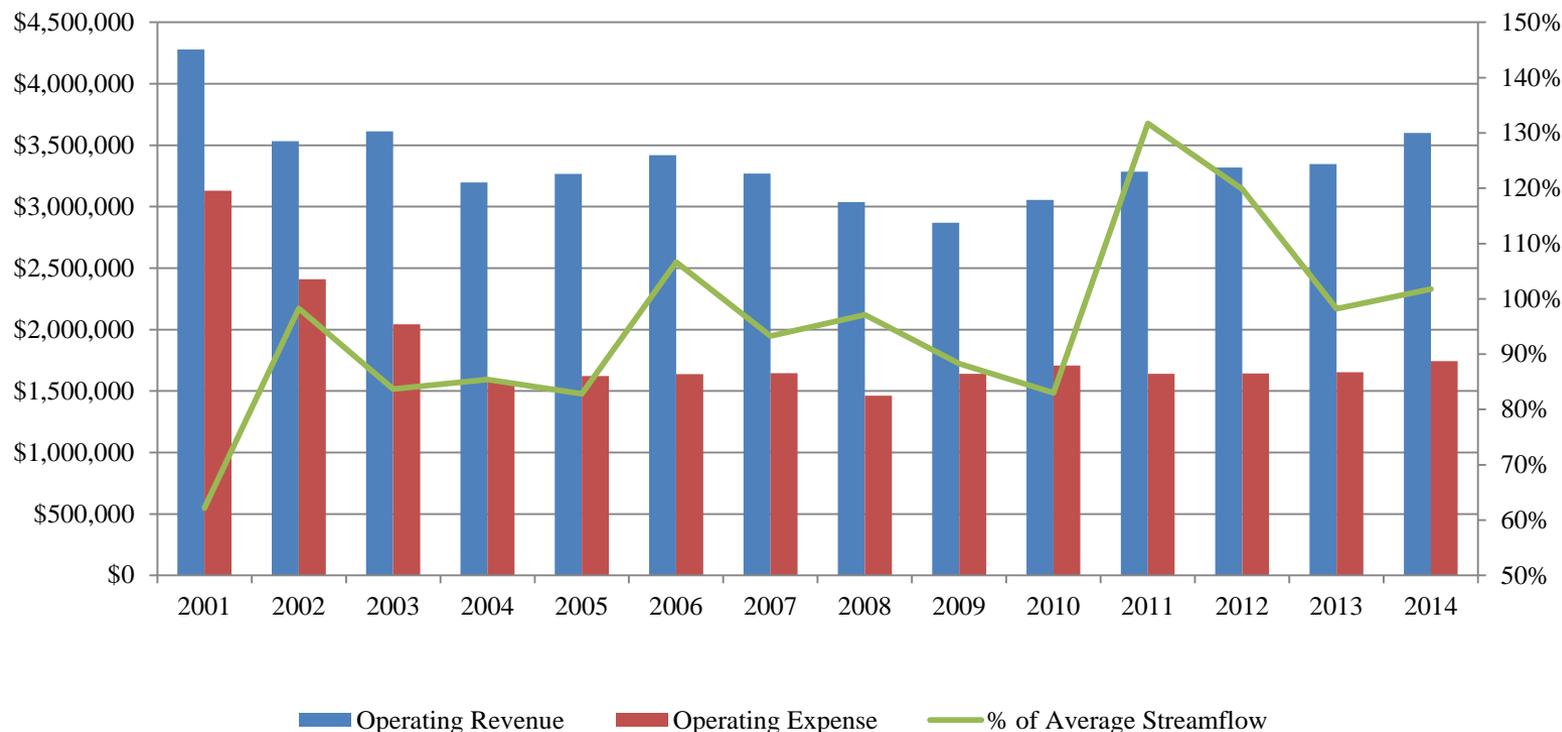
# BPA Rates Assure Cost Recovery

- To assure cost recovery despite generation variability and market uncertainty, among other risks, BPA policy is to establish power and transmission rates that achieve at least a 95% probability of meeting its scheduled U.S. Treasury payments (Treasury Payment Probability or “TPP”) in each year of the rate period. U.S. Treasury payments are paid only after all Non-Federal debt service, BPA O&M, and certain other obligations are met
- BPA establishes rates in a formal process every two years (since FY02 for Transmission Services and FY10 for Power Services)
- Transmission Services costs and revenue are generally more stable than Power Services costs and revenue
- For Power Services, BPA uses a Cost Recovery Adjustment Clause (CRAC) to address risks that may arise during the two-year rate cycle without an additional (time consuming) rate proceeding
  - BPA may increase rate levels to obtain up to \$300 million per year in additional Power Services revenues in the rate period
  - CRAC recoveries begin at the start of the fiscal year in which triggered
  - The trigger is based on financial performance factors and liquidity needs
  - The CRAC has not been utilized under existing PSCs
- Compared to the previous rate period, FY14-15 rates reflect:
  - 9% increase in power rate levels (aggregate average increase in PF Rates)
  - 11% increase in Transmission Services rate levels (aggregate average transmission rates)
- Compared to the FY14-15 rate period, BPA’s preliminary estimates for FY16-17 rates reflect:
  - 6.7% increase in power rate levels (aggregate average increase in PF rates)
  - 5.6% increase in Transmission Services rate levels (aggregate average transmission rates)

# Revenue & Expense More Stable than Streamflow

- Despite significant challenges in the energy market, the relationship of revenues to expenses has been stable relative to wide variances in streamflows and hydro-generation
- In extreme market scenarios, rate mechanisms and risk management have enabled BPA to recover all costs, and make all scheduled payments to the U.S. Treasury on time and in full for the last 31 years.

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



\* Average of 133 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)

# Reserves & Liquidity

- Total Financial Reserves are cash and cash equivalents, deferred borrowings and readily-liquidated U.S. Treasury securities held in BPA's account at the U.S. Treasury
- Reserves Available for Risk (RAR) are Total Financial Reserves less amounts received and held for specified expenditures or purposes
- While Total Financial Reserves can be used at any time to meet obligations if necessary, BPA adopts a conservative stance and relies on RAR and not Total Financial Reserves in its rate-making and calculations of Treasury Payment Probability (TPP)
- As of 9/30/2014, BPA had \$784 million in RAR and a \$750 million short-term expense line of credit with the U.S. Treasury (no outstanding balance)
- RAR balances and the short-term borrowing facility combine to provide a cushion of liquidity for BPA to meet its cash obligations in situations where revenues and expenses deviate from rate case assumptions
- BPA will establish higher rates (for the relevant business line) to generate additional RAR when needed to meet BPA's 95% TPP standard (the probability that BPA will have sufficient liquidity to make all U.S. Treasury payments in a rate period)

Year-End BPA Financial Reserves (\$millions)				
Fiscal Year	Total Financial Reserves	Reserves Available for Risk	U.S. Treasury Short-Term Line	Days Liquidity on Hand*
2009	1,363	1,068	750	399
2010	1,114	839	750	335
2011	1,006	747	750	329
2012	1,022	704	750	319
2013	1,272	641	750	303
2014	1,224	784	750	317

***BPA's reserves available for risk combined with U.S. Treasury Line of Credit provided 317 days liquidity on hand at the end of FY14***

\*Days Liquidity on Hand = (RAR + U.S. Treasury Short-Term Line)/(Operating Expenses/360)

# Financial Performance and Coverage

- Cash payments and financial credits by BPA for Non-Federal costs (including for Non-Federal Debt) are met before payments by BPA to the U.S. Treasury
- BPA is required to defer U.S. Treasury payments if necessary to meet Non-Federal obligations

## (Actual Dollars in Thousands)

Fiscal Years ending September 30	2014	2013	2012
1 Total Operating Revenue	3,600,346	3,346,281	3,317,850
2 Less Operating Expense	1,743,969	1,653,552	1,642,148
3 Net Funds Available for Non-Federal Debt Service	1,856,377	1,692,729	1,675,702
4 Total Non-Federal Debt Service	425,407	775,012	685,131
5 <b>Non-Federal Debt Service Coverage Ratio</b>	<b>4.4x</b>	<b>2.2x</b>	<b>2.4x</b>
6 Annual Treasury Payment	991,027	691,787	886,120

*\*For presentation purposes, the above information is summarized differently than other published BPA audited financial statements. For example, line 4 includes Non-Federal Project Debt Service, lease-purchases, and Prepaid Customer Power Purchases*

# BPA Debt Management



**Bonneville Dam**



**John Day Dam**

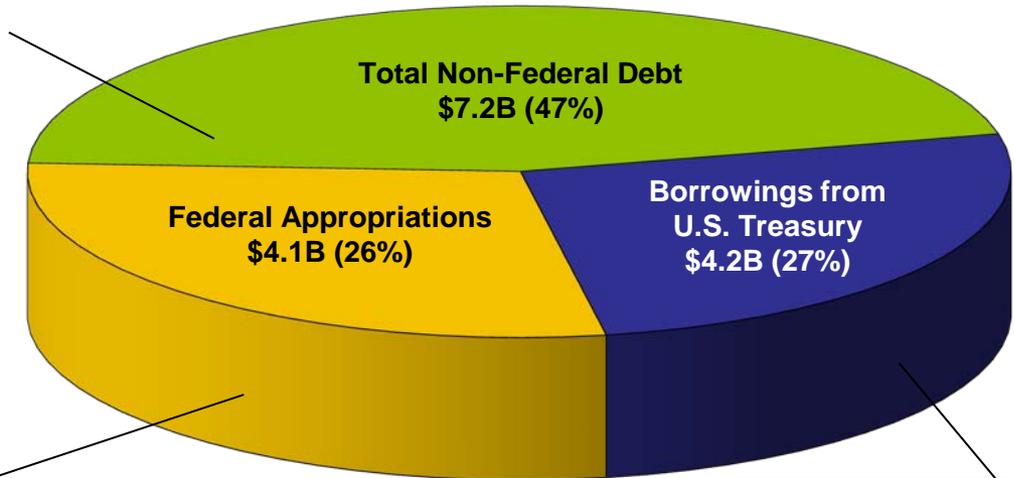


**The Dalles Dam**

# BPA Debt Composition

## Total Liabilities to Federal and Non-Federal Parties as of September 30, 2014

Debt associated with purchase of generating capability of Energy Northwest projects (\$5.36B), lease-purchases of transmission facilities (\$1.45B), electric power prepayments (\$319M), acquisition of generating capability of other Non-Federal generating projects (\$102M), and acquisition of electric power conservation savings (\$2M)



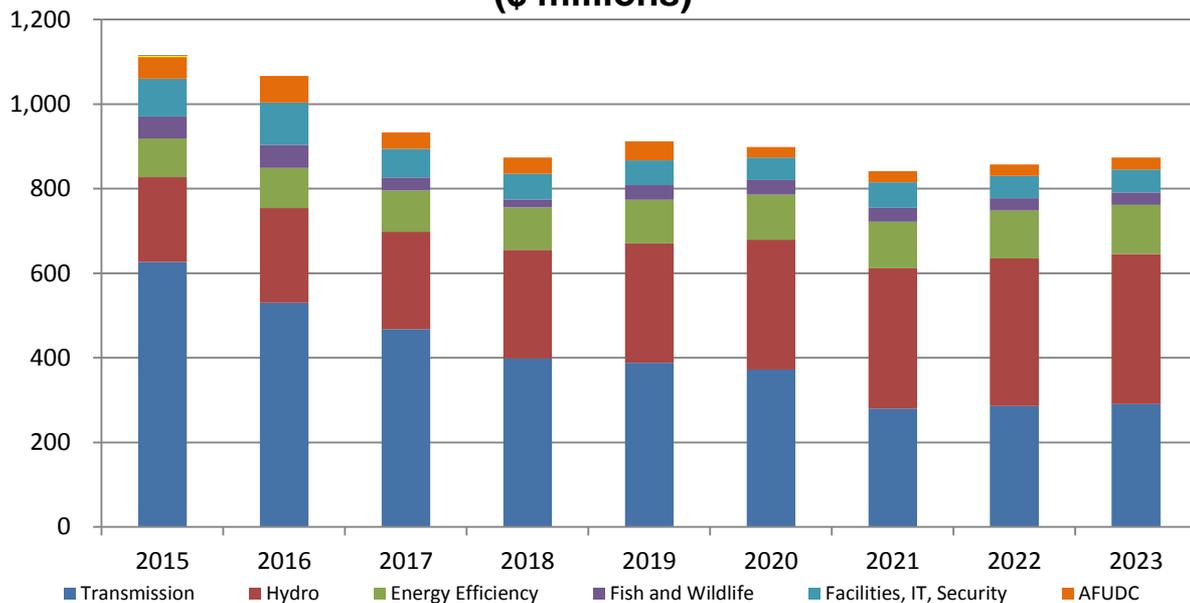
Primarily amounts (i) appropriated to the Army Corps of Engineers and Bureau of Reclamation for Federal System hydroelectric dams (ii) for which BPA is obligated to set rates to repay to the U.S. Treasury

BPA is authorized by Congress to issue bonds to U.S. Treasury, up to \$7.7 billion revolving

**Total Liabilities: \$15.6 billion as of September 30, 2014**

# BPA Capital Plan and Strategy

## Proposed Capital Investment (\$ millions)



- BPA has a substantial capital plan and is implementing a capital financing strategy developed with Regional input
- Strategy includes expected additional Non-Federal Debt: publicly-offered bonds by Energy Northwest, Port of Morrow, and others
- BPA will continue to assess tools available to fund these investments
- For the ten calendar years beginning in 2015, public issuance of BPA-supported debt for transmission facilities and Energy Northwest is projected to be between \$100 million and \$400 million per year, excluding possible energy efficiency and any Energy Northwest refinancings

	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Transmission	627	530	468	399	388	372	280	286	290	3,640
Hydro	200	224	230	257	282	307	332	349	355	2,537
Energy Efficiency	92	95	98	101	104	107	110	113	116	934
Fish and Wildlife	52	55	31	19	35	35	34	29	29	318
Facilities, IT, Security	89	100	67	61	58	53	59	52	54	594
AFUDC	52	63	39	38	45	25	26	27	29	345
<b>Total</b>	<b>1,112</b>	<b>1,067</b>	<b>933</b>	<b>874</b>	<b>912</b>	<b>899</b>	<b>841</b>	<b>857</b>	<b>874</b>	<b>8,368</b>

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



## ■ Port of Morrow Overview

- Oregon port district
- Authorized to finance transmission projects with publicly issued bonds and credit arrangements secured by BPA lease-purchase commitments
- Currently \$85 million in long-term BPA-supported debt outstanding
- Additional BPA-supported line of credit with \$509 million outstanding as of FY 14
- 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

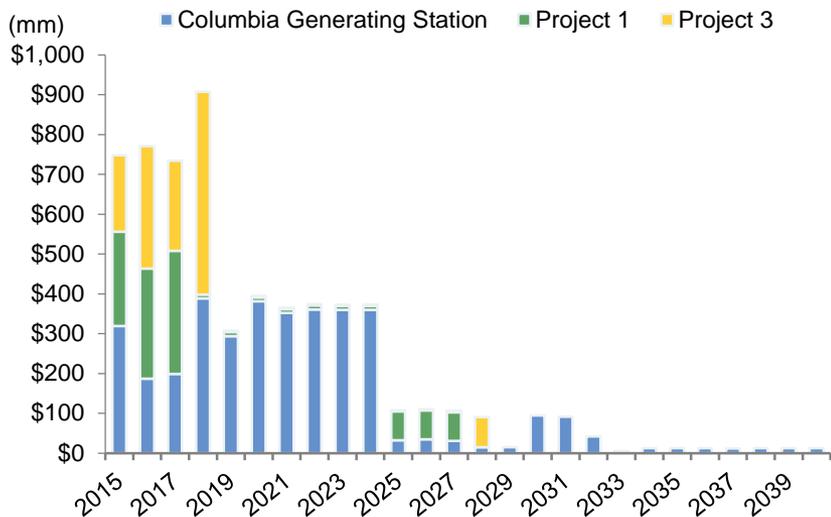
# Non-Federal Debt - Energy Northwest

*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*

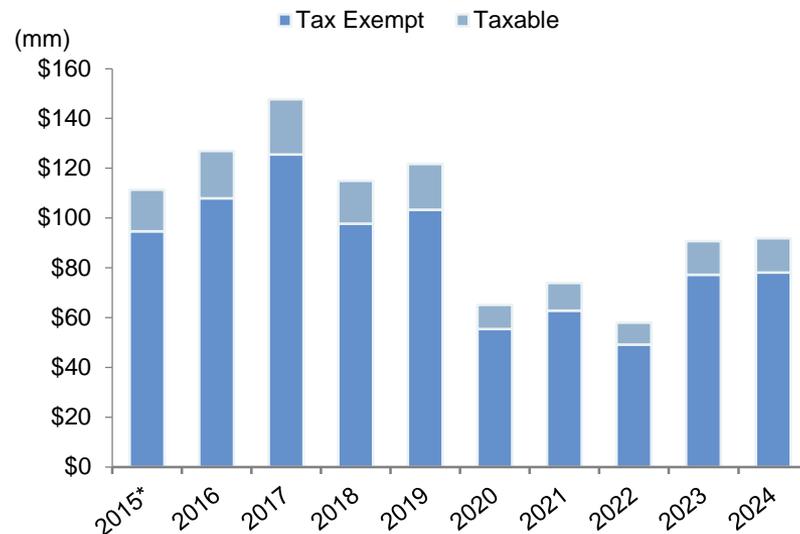


- Washington state Joint Operating Agency
- Owns/operates Columbia Generating Station
- \$5.36 billion in BPA-supported debt outstanding, some of which is expected to be refinanced
  - Columbia (operating)
  - Project 1 (terminated)
  - Project 3 (terminated)
- Interest on most Energy Northwest debt is exempt from Federal income tax
  - \$4.12 billion tax-exempt
  - \$1.24 billion taxable
- BPA expects that Energy Northwest will debt finance 100% of new capital needs in addition to refinancing and/or extending certain debt

**BPA-Supported Energy Northwest Debt Service<sup>1</sup>**



**Columbia Project New Capital Needs**



\*Financed with 2014-AB proceeds

<sup>1</sup>Debt service is shown net of certain forward sales of uranium fuel that was purchased with bond proceeds, and is not adjusted to reflect anticipated maturity extensions of certain Columbia, Project 1 and Project 3 bonds that BPA and Energy Northwest have agreed in principle to undertake. See the Preliminary Official Statement for discussion of regional cooperation debt.

# Expected BPA-Supported Bond Offerings

- Port of Morrow (Transmission Lease-Purchase)
  - December 2014
  - Estimated amount - \$200 million
  - Taxable
- Energy Northwest (Net Billing Agreements)<sup>1</sup>
  - April 2015
  - Estimated amount - \$500 million
    - \$100 million of New Money
    - \$400 million of Regional Cooperation Debt
  - Tax-Exempt and Taxable
- Port of Morrow (Transmission Lease-Purchase)<sup>1</sup>
  - August 2015
  - Estimated amount - \$100 million
  - Taxable
- Port of Morrow (Transmission Lease-Purchase)<sup>1</sup>
  - December 2015
  - Estimated amount - \$400 million
  - Taxable



<sup>1</sup>Subject to change, no official action has been taken. **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.**

# Port of Morrow: Transmission Facilities Revenue Bonds

## Bonneville Cooperation Project No. 2, Series 2014 (Federally Taxable)

<b>Par Amount*</b>	Project 2 Series 2014    \$188,585,000
<b>Structure*</b>	Fixed rate maturities from September 1, 2024-2027
<b>Interest Payment Dates*</b>	Starting March 1, 2015 and semiannually on September 1 and March 1 thereafter
<b>Pricing Date*</b>	December 11, 2014
<b>Settlement Date*</b>	December 18, 2014
<b>Security</b>	The Series 2014 Bonds are Transmission Facilities Revenue Bond obligations of the Port of Morrow and are secured by the Trust Estate pledged under the Indenture. 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 2014 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 2014 Bonds.
<b>Uses of Funds</b>	The Series 2014 Bond proceeds shall be used to acquire the Project from NIFC III. NIFC III will use the funds received from the Port of Morrow to pay the indebtedness NIFC III incurred under a credit agreement. The proceeds from NIFC III's borrowings under the credit agreement were used to fund the construction of the facilities composing the Project. The proceeds of the 2014 Bonds will also be used to pay the costs of issuance thereof (including Underwriters' discount) and certain administrative costs of the Issuer.
<b>Optional Redemption*</b>	Redeemable at any time at the Make-Whole Redemption Price
<b>Ratings</b>	Aa1 (Moody's) / AA (Fitch)
<b>Tax Status</b>	Interest on the Series 2014 bonds is expected to be subject to Federal income tax and exempt from Oregon income tax (Please refer to POS and OS when issued)
<b>Syndicate</b>	J.P. Morgan, Citigroup, Bank of America Merrill Lynch, TD Securities LLC, Wells Fargo Securities

# Series 2014 Transaction Structure & Schedule

## Financing Schedule\*

Monday, December 1	Post Preliminary Official Statement
Thursday, December 11	Pricing
Thursday, December 18	Closing

## Dec-14

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

## Transaction Summary\*

### Statistics<sup>1</sup>

Total Par Amount	\$188,585,000
Average Life (years)	11.20

<sup>1</sup> Rates as of November 19, 2014, subject to change

## 2014 Bond Amortization\*

Maturity	Series 2014
9/1/2024	\$47,145,000
9/1/2025	\$47,145,000
9/1/2026	\$47,145,000
9/1/2027	\$47,150,000
<b>Total</b>	<b>\$188,585,000</b>

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<http://www.bpa.gov/goto/investors>