

Bonneville Power Administration Overview

As of July 30, 2014



Grand Coulee Dam



High Voltage Transmission



Columbia Generating Station

Moody's: Aa1/Stable

S&P: AA-/Stable

Fitch: AA/Stable



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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 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.

Energy Northwest: Project 1 and Project 3

Project 1 & Project 3 Electric Revenue Refunding Bonds, Series 2014C

Par Amount*	Project 1 2014-C: \$196,695,000 Project 3 2014-C: \$72,250,000
Structure*	Fixed rate maturities from July 1, 2025-2028
Interest Payment Dates*	Starting January 1, 2015 and semiannually on July 1 and January 1 thereafter
Pricing Date*	August 5, 2014
Settlement Date*	August 21, 2014
Security	The Project 1 and Project 3 2014-C Bonds are special revenue obligations of Energy Northwest issued under and pursuant to the Project 1 and Project 3 Electric Revenue Bond Resolutions, respectively, and are secured by pledges of the receipts, income, and revenues derived by Energy Northwest from the ownership of Project 1 and Project 3, which pledges are subject, so long as any of the other Prior Lien Bonds remain outstanding, to the lien and pledge of the related Project 1 and Project 3 Prior Lien Resolution.
Uses of Funds*	The Series 2014-C Bonds shall be used to repay the outstanding principal balance of the Notes that were used to pay the principal portion of certain Project 1 and Project 3 electric revenue bonds.
Optional Redemption*	Callable July 1, 2024 at par
Ratings	Aa1 (Moody's) / AA- (S&P) / AA (Fitch)
Tax Status	Interest on the Series 2014-C bonds is exempt from Federal income tax
Syndicate	J.P. Morgan, Citigroup, Goldman Sachs, Bank of America Merrill Lynch

Background



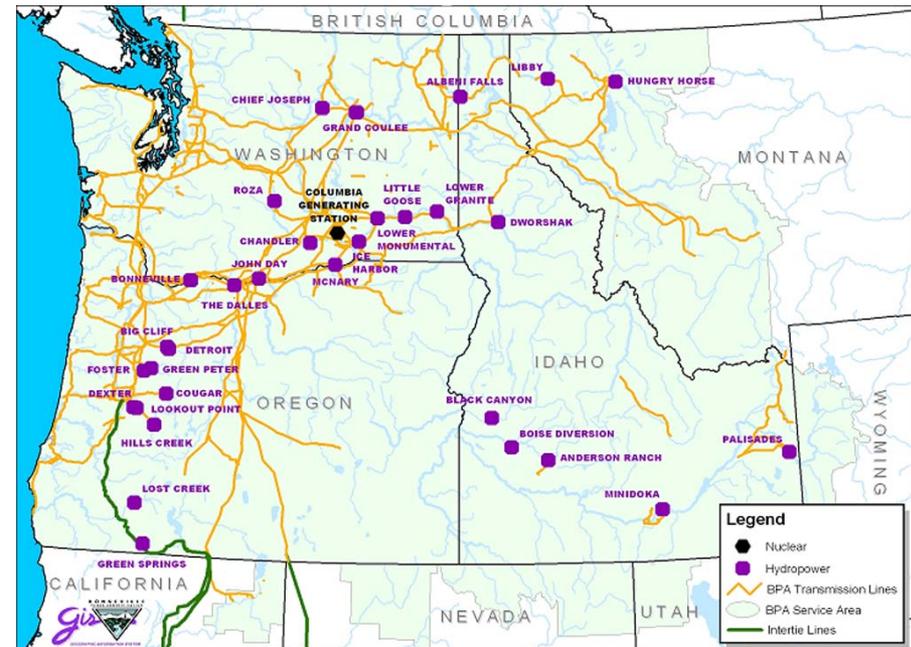
Columbia River

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 population served 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 2014, of the firm load BPA expected to meet, 84% was Preference Customer load, and 7% was 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 \$2.37 billion in Power Services sales in FY13

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 \$804 million in Transmission Services sales in FY13

Power Services Top 10 Customers (FY13)

Customer Name	Approximate % of Sales*
Snohomish County PUD No 1 (Preference)	9%
Cowlitz County PUD No 1 (Preference)	6%
City of Seattle, City Light Dept (Preference)	6%
Pacific Northwest Generating Cooperative (Preference)	5%
Tacoma Power (Preference)	5%
ALCOA Inc (DSI)	4%
Clark Public Utilities (Preference)	4%
Powerex Corp (Independent Power Producer)	3%
Eugene Water & Electric Board (Preference)	3%
Morgan Stanley Capital Group Inc (Power Marketer)	3%

Transmission Services Top 10 Customers (FY13)

Customer Name	Approximate % of Sales*
Puget Sound Energy Inc (Investor-Owned Utility)	11%
PacifiCorp (Investor-Owned Utility)	11%
Portland General Electric Company (Investor-Owned Utility)	8%
Powerex Corp (Independent Power Producer)	7%
Snohomish County PUD No 1 (Preference)	5%
Iberdrola Renewables Inc (Independent Power Producer)	5%
City of Seattle, City Light Dept (Preference)	4%
Hermiston Power LLC (Independent Power Producer)	3%
Clark Public Utilities (Preference)	2%
Cowlitz County PUD No 1 (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)

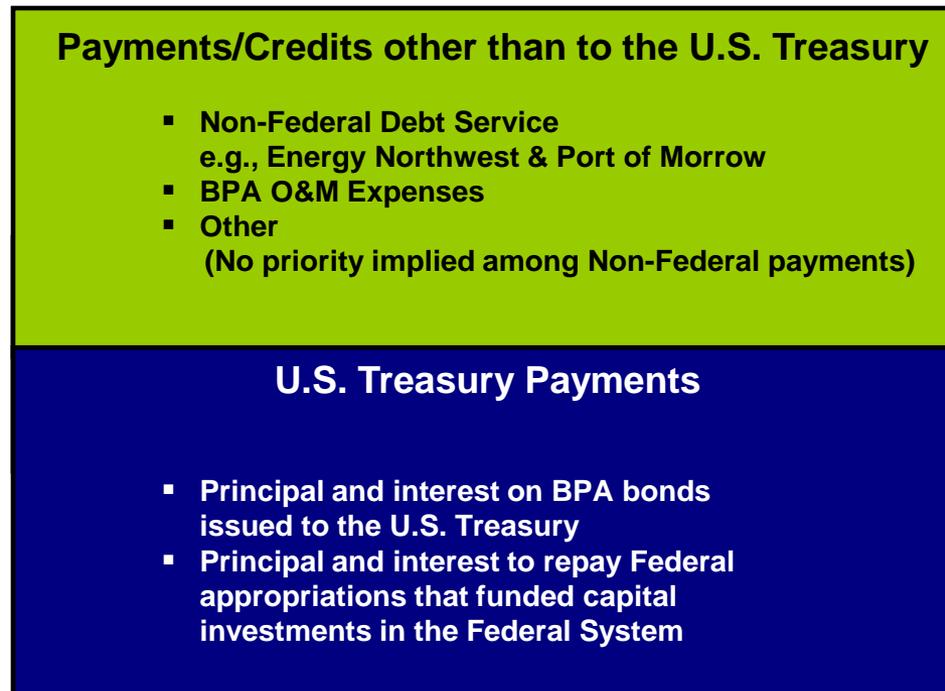
■ Cost Recovery

- 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 debt service payments 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
- BPA's payments (and monetary credits in the case of Energy Northwest bonds (including the 2014-C 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 \$692 million to the U.S. Treasury was made on time and in full in FY13, marking the 30th consecutive year of full and timely payments to the U.S. Treasury

BPA Operation and Financial Information



Libby Dam



Hungry Horse Dam

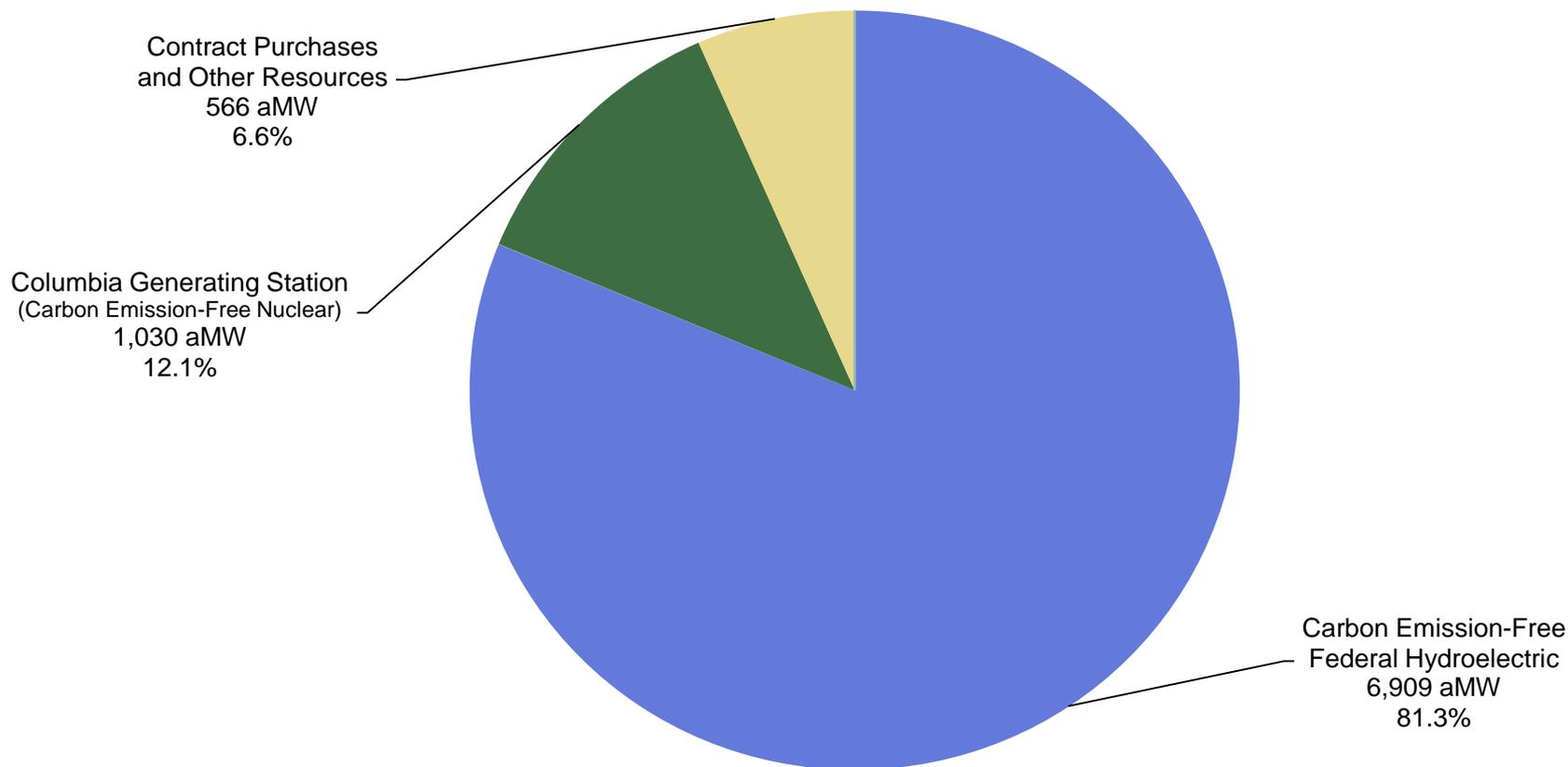


Dworshak Dam

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

Federal System Power Resources

Average Megawatts (8,506 total) of Energy for Operating Year* 2014
assuming 1937 Low Water Conditions (Critical Water)



Long-Term Power Purchase Commitments

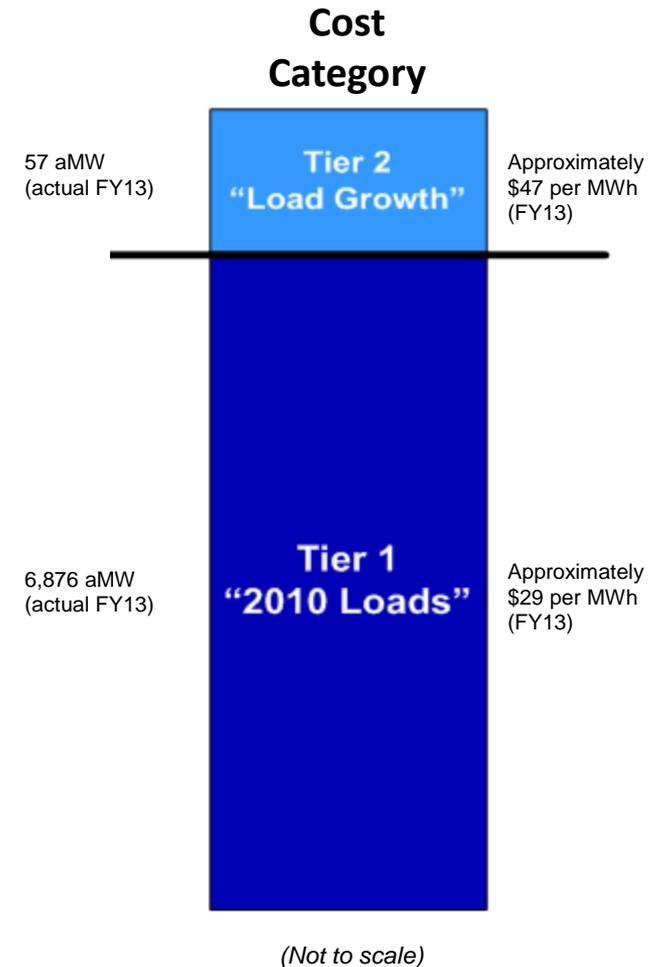
- BPA uses the firm power of the Federal System to meet Preference Customers' (and federal agencies') net power requirements in the Region under two forms of Power Sale Contracts (PSCs)
 - Load Following – BPA meets actual loads on an hourly basis
 - Slice/Block – BPA provides a percentage of all Federal System power as generated (Slice), together with set amounts of power at set times (Block)
 - Slice portion of Slice/Block represents 28% 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)

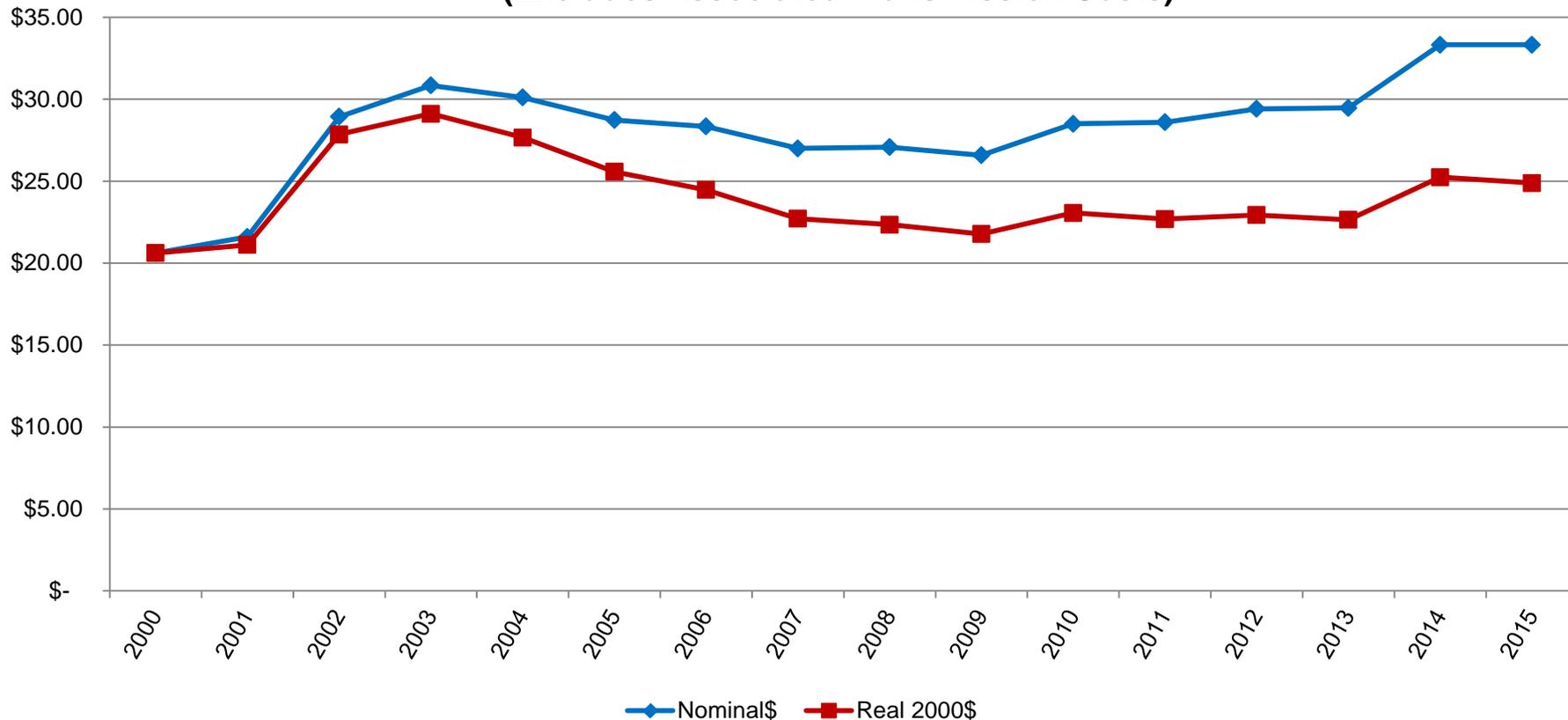
Meeting Load Obligation through Tiered Rates

- BPA is obligated by law to meet loads within the Region, primarily Preference Customers
 - 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

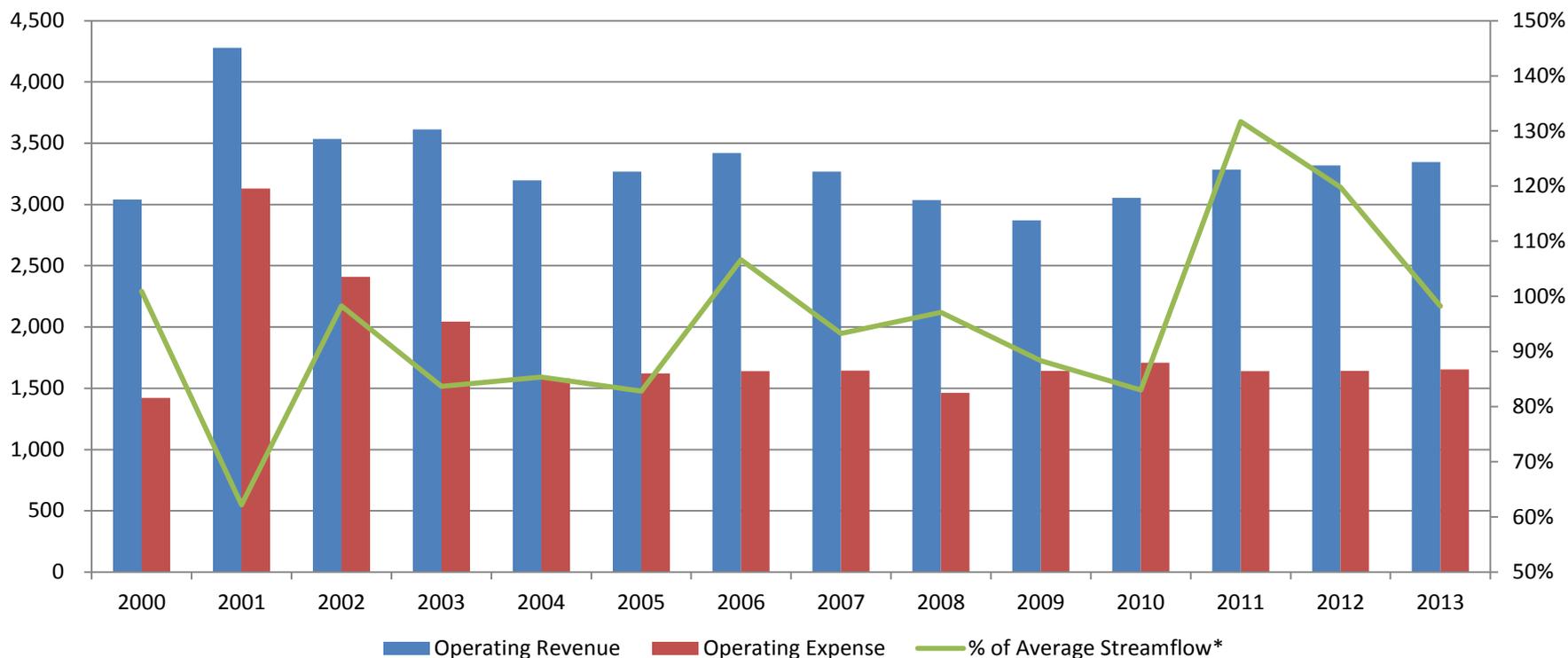
BPA Rates Assure Cost Recovery

- 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
- Transmission Services costs and revenue are generally more stable than Power Services costs and revenue
- BPA establishes rates in a formal process every two years (since FY02 for Transmission Services and FY10 for Power Services)
- 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, FY16-17 projected rates reflect:
 - 9% increase in power rate levels (aggregate average increase in PF rates)
 - 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 30 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 only on RAR in its rate-making and calculations of Treasury Payment Probability (TPP)
- As of 9/30/2013, BPA had \$641 million in RAR and a \$750 million 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 set 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 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
2008	1,646	1,286	750	501
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

BPA's reserves available for risk combined with U.S. Treasury Line of Credit provided 303 days liquidity on hand at the end of FY13

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	2013	2012	2011
1 Total Operating Revenue	3,346,281	3,317,850	3,284,774
2 Less Operating Expense	1,653,553	1,642,148	1,640,415
3 Net Funds Available for Non-Federal Debt Service	1,692,728	1,675,702	1,644,359
4 Total Non-Federal Debt Service	775,012	685,131	648,844
5 Non-Federal Debt Service Coverage Ratio	2.2x	2.4x	2.5x
6 Annual Treasury Payment	691,787	886,120	829,842

**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

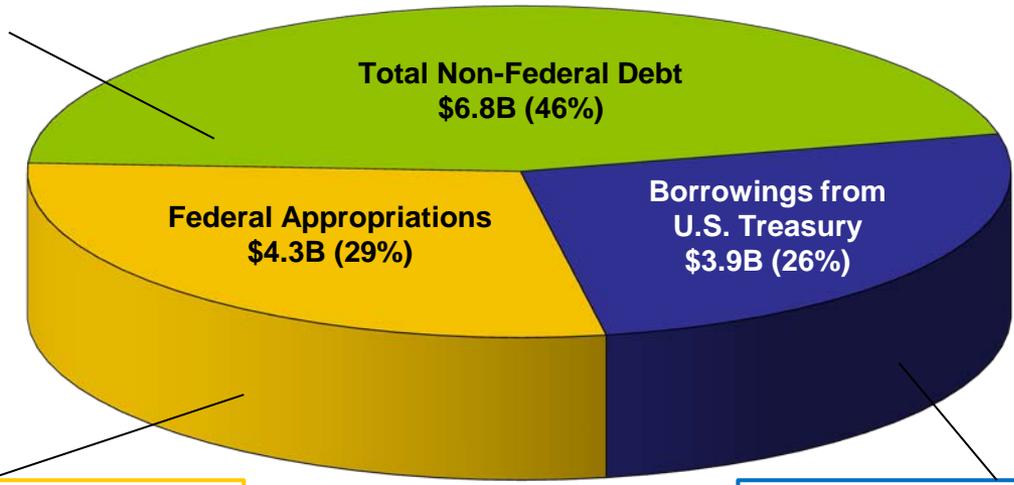


The Dalles Dam

BPA Debt Composition

Total Liabilities to Federal and Non-Federal Parties as of September 30, 2013

Debt associated with purchase of generating capability of Energy Northwest projects (\$5.45B), lease-purchases of transmission facilities (\$936M), electric power prepayments (\$335M), acquisition of generating capability of other Non-Federal generating projects (\$106M), and acquisition of electric power conservation savings (\$6M)



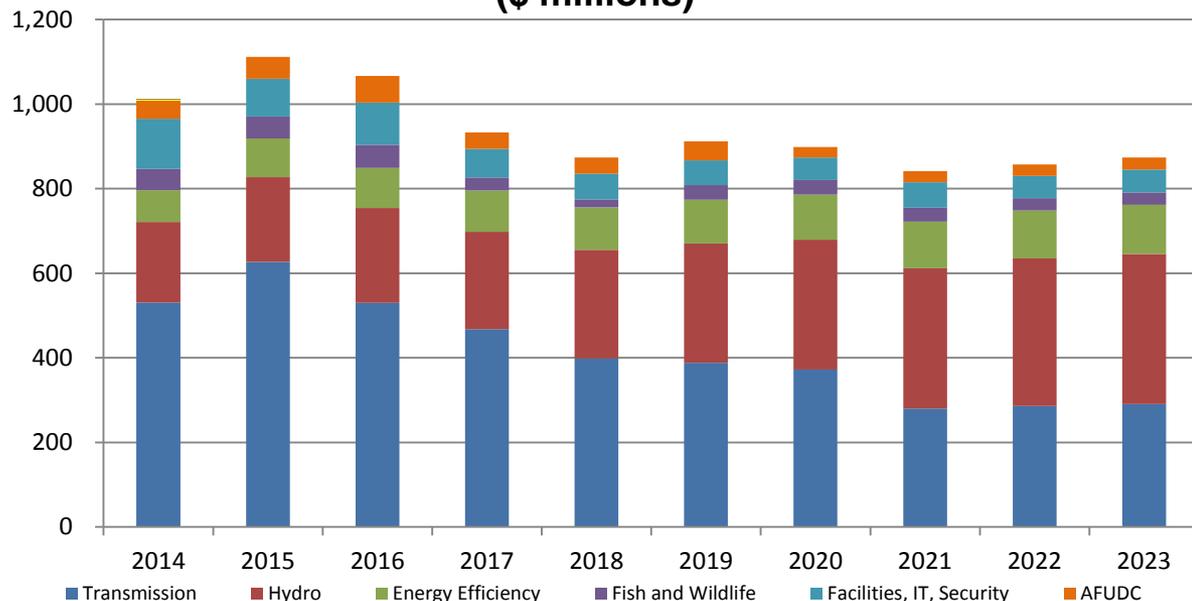
Primarily amounts (i) appropriated to the Army Corps of Engineers and Bureau of Reclamation for Federal System hydroelectric dams (ii) for which BPA is obligated to set rates to repay to the U.S. Treasury

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

Total Liabilities: \$15.0 billion as of September 30, 2013

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

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Transmission		531	627	530	468	399	388	372	280	286	290	4,171
Hydro		190	200	224	230	257	282	307	332	349	355	2,727
Energy Efficiency		75	92	95	98	101	104	107	110	113	116	1,010
Fish and Wildlife		50	52	55	31	19	35	35	34	29	29	368
Facilities, IT, Security		119	89	100	67	61	58	53	59	52	54	714
AFUDC		43	52	63	39	38	45	25	26	27	29	388
Total		1,009	1,112	1,067	933	874	912	899	841	857	874	9,377

AFUDC - allowance for funds used during construction

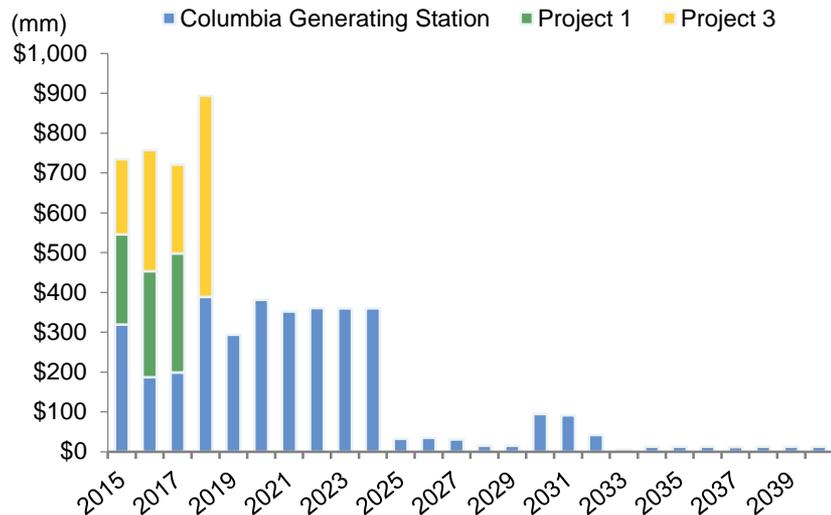
Non-Federal Debt - Energy Northwest

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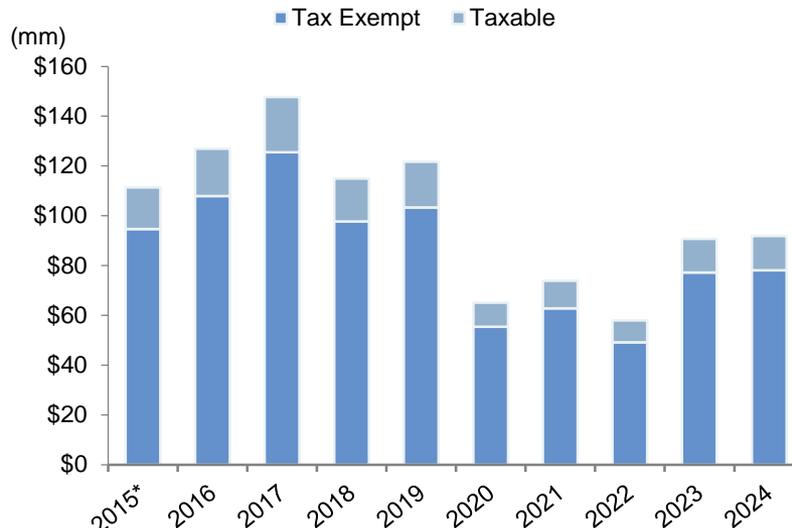


- Washington state Joint Operating Agency
- Owns/operates Columbia Generating Station
- \$5.4 billion in BPA-supported debt outstanding, some of which is expected to be refinanced
 - Columbia (operating)
 - Project 1 (terminated)
 - Project 3 (terminated)
- Interest on most Energy Northwest debt is exempt from Federal income tax
 - \$4.2 billion tax-exempt
 - \$1.2 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 Service¹



Columbia Project New Capital Needs



¹Debt service is shown net of forward sales from the uranium purchase transaction

*Financed with 2014-AB proceeds

Energy Northwest's Regional Cooperation Debt

- Energy Northwest & BPA are working together to manage Columbia Generating Station, Project 1 and Project 3 debt
- Enables the Region to lower cost of service vis-à-vis lower interest expense
- BPA can repay approximately \$1.7 billion of 7%+ Federal appropriation debt by utilizing cash flow freed up from extending Energy Northwest Debt
 - Federal appropriation debt is currently callable at par
- Regional Cooperation Debt Benefits:**
 - Improve the **long-term financial health** of BPA and the Region
 - Help lower **interest expense** and stabilize **capital-related revenue requirement**
 - Restore reliable **U.S. Treasury Borrowing Authority** to continue solving the access to capital challenge
 - Not extend the **weighted average maturity** of BPA's aggregate direct and indirect debt portfolio
 - Not increase the **weighted average interest rate** of BPA's aggregate direct and indirect debt portfolio

Energy Northwest Regional Cooperation Debt vs. BPA Appropriation Debt Power (\$000s)					
	Energy Northwest Debt (BPA Related)				7%+ Federal Appropriation * Debt
	Project 1	Columbia	Project 3	Total	
2014	235,438	-	85,177	320,615	
2015	137,683	-	91,630	229,313	
2016	214,320	2,685	169,860	386,865	
2017	241,850	2,825	140,505	385,180	
2018		46,455	429,800	476,255	
2019		219,380		219,380	
2020		231,451		231,451	
2021		242,458		242,458	
2022		261,794		261,794	
2023		266,225		266,225	91,942
2024		240,704		240,704	7,240
2025		-		-	214,635
2026		-		-	235,002
2027		-		-	111,491
2028		-		-	216,200
2029		-		-	236,716
2030		-		-	2,099
2031		-		-	42,352
2032		-		-	206,513
2033		-		-	267,642
2034		-		-	-
2035		-		-	48,116
2036		-		-	264
2037		-		-	66,050
Total	829,291	1,513,977	916,972	3,260,240	1,746,263

*The total amount of additional appropriations to be paid in each year as a result of the transaction is set, however, the specific maturities have yet to be chosen.

Proceeds from rates collected in the current rate period for the principal payments otherwise due in Fiscal Year 2014 with respect to Project 1 and Project 3 will be utilized to repay Federal appropriations (subject to BPA's statutory priority of payments).

The Proceeds of the 2014 Refinancing Bonds will be used to repay outstanding Project 1 and Project 3 debt, and the 2014 Refinancing Bonds themselves will have maturities that increase the average weighted maturity of Project 1 and Project 3 debt. BPA will include for recovery in its future rates the debt service costs of the 2014 Refinancing Bonds.

Non-Federal Debt – Other Issuers

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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 \$300 million per year



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

Note: The Port of Morrow has taken no official action authorizing the issuance of additional bonds



- Energy-related financing authority created by Idaho legislation
- Authorized to finance transmission projects with publicly issued bonds secured by BPA lease-purchase commitments
- No BPA-supported debt outstanding currently
- BPA believes that IERA will become a Lease-Purchase Program counterparty and could 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 but would be exempt from Idaho income tax

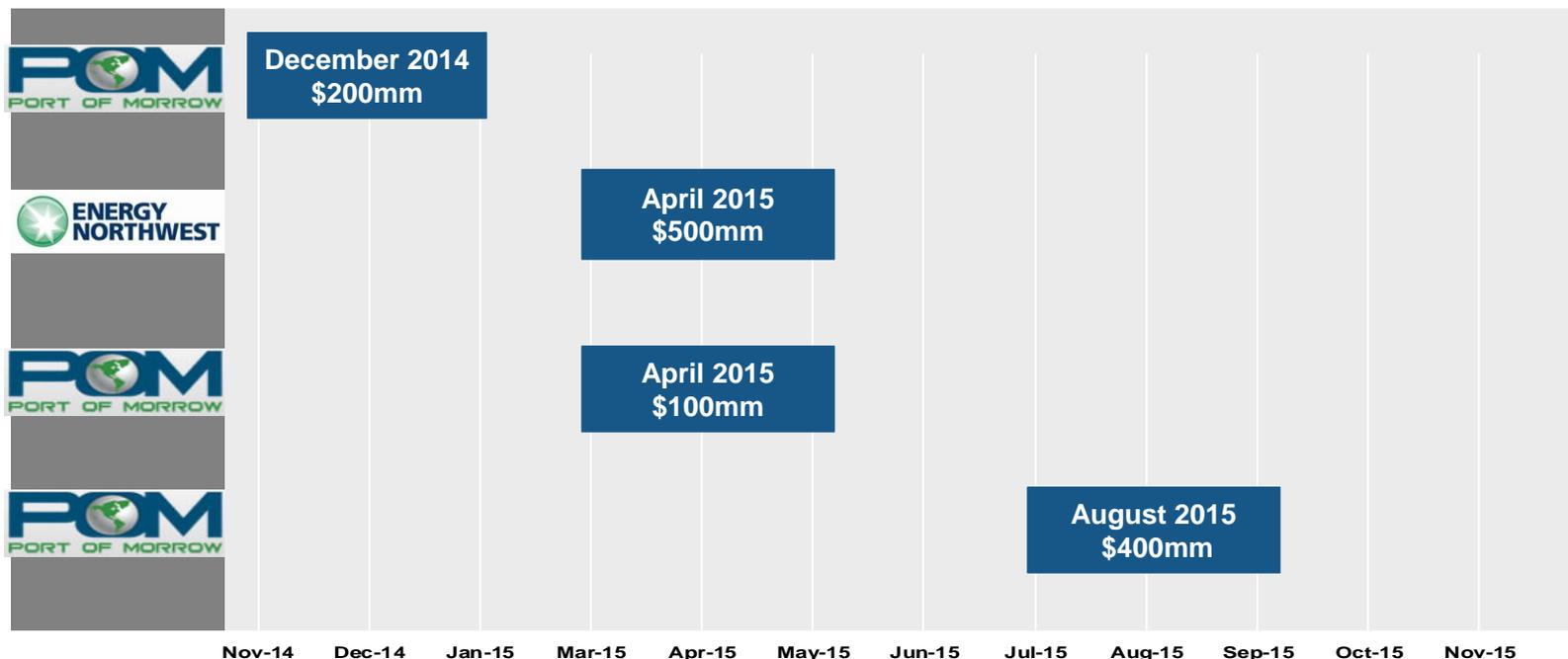
Note: IERA has taken no official action authorizing issuance of bonds

Possible Energy Efficiency Program Financing

BPA is considering whether to seek to finance a large portion of its Region-wide electric power conservation program through the issuance by a third party of publicly-offered Non-Federal Debt. Based on a variety of assumptions, BPA believes that such conservation program expenditures could exceed \$700 million in aggregate over a ten-year period beginning FY16

Expected BPA-Supported Bond Offerings¹

- Port of Morrow (Transmission Lease-Purchase)
 - December 2014
 - Estimated amount - \$200 million
 - Taxable
- Energy Northwest (Net Billing Agreements)
 - 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)
 - April 2015
 - Estimated amount - \$100 million
 - Taxable
- Port of Morrow (Transmission Lease-Purchase)
 - August 2015
 - Estimated amount - \$400 million
 - Taxable



¹Subject 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.** As of July 30, 2014

2014-C Transaction Structure & Schedule

Financing Schedule*

Wednesday, July 30	Post Preliminary Official Statement
Tuesday, August 5	Pricing
Thursday, August 21	Closing

Jul-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		

Aug-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 & Savings¹

Total Par Amount	\$268,945,000
TIC	3.15%
Total Debt Service	\$435,989,076
Average Life (years)	12.42
Gross Savings ²	\$147,194,838
PV Savings ²	\$131,949,745
% PV Savings ²	41.15%

¹ Rates as of July 28, 2014, subject to change

² Assumes redemption of earliest maturity, highest coupon U.S. Treasury Appropriation debt

2014-C Bond Amortization*

Maturity	Project 1 2014-C	Project 3 2014-C
7/1/2025	\$62,395,000	-
7/1/2026	65,510,000	-
7/1/2027	68,790,000	-
7/1/2028	-	72,250,000
Total	\$196,695,000	\$72,250,000

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