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## Management's Discussion and Analysis – 3rd Quarter

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### Net Revenues

Net revenues through the nine months ended June 30, 2000, were \$244 million, compared with \$112 million for the same period a year ago. The increase of \$132 million, or 118 percent, was primarily the result of increased discretionary power sales at higher prices.

### Operating Revenues

Total operating revenues of \$2,105 million were up \$200 million compared to the same period of fiscal 1999. This represents an increase of 10 percent.

Revenues increased primarily from increased revenues for power sales to extra-regional customers and increased transmission and other operating revenues.

Revenues from extra-regional customers increased \$208 million, or 116 percent, reflecting the strong market for discretionary sales resulting from high market prices.

Transmission and other operating revenues increased \$70 million, or 26 percent, as transmission revenue from out of region sales and US Treasury allowances for fish recovery costs increased.

### Operating Expenses

Operations and maintenance costs through the first three-quarters of fiscal 2000 increased \$105 million from the previous year. BPA's costs for short-term purchased power were \$23 million higher than the prior year. BPA's power marketing costs, Corps of Engineers and Bureau of Reclamation O&M costs and nuclear fuel purchases for Energy Northwest's WNP-2 nuclear power plant also increased.

Nonfederal project debt service was down \$29 million, or 6 percent.

Residential exchange costs were unchanged at \$48 million.

Federal project depreciation increased \$15 million, or 7 percent. BPA performed a depreciation study in 1999 that resulted in a reduction of the average service life for transmission plants from 45 to 40 years and also increased the estimated cost to retire certain classes of plant. The depreciation study results increased annual depreciation expense by approximately \$21 million.

Total operating expenses increased \$91 million, or 6 percent.

For the twelve months ended June 30, 1999, BPA had a loss of \$86 million. In fiscal 1995 the Tenaska Washington Partners, II L.P. (Tenaska) and Chase Manhattan Bank (Chase) filed suit against BPA for breach of contract and lost revenues. In June 1996, BPA and Chase reached a settlement that resulted in a payment of \$115 million by BPA to Chase. In fiscal 1997, BPA paid expenses of \$38 million, which included some of the subcontractor claims. In fiscal 1998 BPA settled with Tenaska for \$158.6 million. BPA has now settled with all litigants of the Tenaska suit and no further exposure exists for 1999 and future years.

### Interest Expense

Net interest expense decreased \$22 million, or 8 percent, over the comparable period of 1999. Interest income earned on BPA's cash account with the US Treasury is netted against interest expense. As BPA's cash balance has increased over the past year, interest income has increased and is reflected in the decreased net interest expense.

### Forecast Financial Condition

The current forecast for fiscal 2000 year-end financial reserves -- cash and deferred borrowing authority -- is approximately \$867 million, up \$197 million, or 29 percent, from Sept. 30, 1999.

For general information about BPA and access to agency press releases, refer to our external home page at <http://www.bpa.gov>

Information on specific activities of interest can be found at the following locations:

The Transmission Business Line rate case:

[http://www.transmission.bpa.gov/tblib/ratecase/2002ratecasedocs/TC-02\\_TR-02\\_SETTLEMENT\\_AGRREEMENT6.pdf](http://www.transmission.bpa.gov/tblib/ratecase/2002ratecasedocs/TC-02_TR-02_SETTLEMENT_AGRREEMENT6.pdf)

News from the Power Business Line: <http://www.bpa.gov/Power/pgg/whatspl.shtml>

## Federal Columbia River Power System

### Comparative Balance Sheets (Unaudited)

(Thousands of Dollars)

	June 30	
	2000	1999
<b>ASSETS</b>		
<b>UTILITY PLANT:</b>		
Completed plant	\$11,077,310	\$11,031,331
Accumulated depreciation	(3,647,261)	(3,475,779)
	7,430,049	7,555,552
Construction work in progress	613,267	465,884
Net utility plant	8,043,316	8,021,436
<b>NON-FEDERAL PROJECTS</b>	6,688,337	6,963,895
<b>TROJAN DECOMMISSIONING COST</b>	82,240	107,284
<b>CONSERVATION, net of accumulated amortization</b>	522,563	575,111
<b>FISH AND WILDLIFE, net of accumulated amortization</b>	143,886	147,613
<b>CURRENT ASSETS</b>	1,415,085	1,111,237
<b>OTHER ASSETS</b>	193,735	171,445
	<b>\$17,089,162</b>	<b>\$17,098,021</b>
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>ACCUMULATED NET REVENUES (EXPENSES)</b>	\$143,804	(\$110,470)
<b>FEDERAL APPROPRIATIONS</b>	4,503,159	4,473,879
<b>CAPITALIZATION ADJUSTMENT</b>	2,345,408	2,412,235
<b>LONG-TERM DEBT</b>	2,355,900	2,395,200
<b>NON-FEDERAL PROJECTS DEBT</b>	6,376,903	6,664,379
<b>TROJAN DECOMMISSIONING RESERVE</b>	59,640	77,254
<b>CURRENT LIABILITIES</b>	840,659	736,079
<b>DEFERRED CREDITS</b>	462,792	449,465
	<b>\$17,088,265</b>	<b>\$17,098,021</b>

### Comparative Statements of Revenues and Expenses (Unaudited)

(Thousands of Dollars)

	Nine months ended		Twelve months ended	
	June 30		June 30	
	2000	1999	2000	1999
<b>Operating Revenues</b>	\$2,104,908	\$1,904,948	\$2,818,839	\$2,482,847
<b>Operating Expenses</b>	1,609,289	1,517,857	2,231,372	2,207,911
Net operating revenues	495,619	387,091	587,467	274,936
<b>Interest Expense</b>	252,773	275,233	333,193	360,639
<b>NET REVENUES (EXPENSES)</b>	<b>\$242,846</b>	<b>\$111,858</b>	<b>\$254,274</b>	<b>(\$85,703)</b>

### Operating Segments

The FCRP's major operating segments are defined by the utility functions of generation and transmission. The Power Business Line identifies the operations of the generation function, while the Transmission Business Line identifies the operations of the transmission function. The business lines are not separate legal entities. Where applicable, "Corporate" represents items that are necessary to reconcile to the financial statements which generally include shared activity and eliminations. Each FCRPS segment operates predominantly in one industry and geographic region: the generation and transmission of electric power in the Pacific Northwest.

The FCRPS centrally manages all interest expense activity. Since the Bonneville Power Administration has one fund with the United States Department of Treasury, all cash and cash transactions are also centrally managed. Unaffiliated revenues represent sales to external customers for each segment. Intersegment revenues are eliminated as shown.

FCRPS management evaluates the performance of the business lines based on Net Operating Margin (NOM) and does not track the separate balance sheets or net revenues on a business line level. NOM represents revenues generated from operations less operating and maintenance expenses of the segment's revenue generating assets.

### Major Customers

During fiscal 1999, and 1998, no single customer represented 10% or more of the FCRPS's revenues.

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(Thousands of Dollars)

	Nine months ended June 30			
<b>2000</b>				
	<u>Power</u>	<u>Transmission</u>	<u>Corporate</u>	<u>Total</u>
Unaffiliated Revenues	\$1,792,132	\$263,095	\$0	\$2,055,227
Intersegment Revenues	35,095	161,539	(146,953)	49,681
<b>Operating Revenues</b>	<b>\$1,827,227</b>	<b>\$424,634</b>	<b>(\$146,953)</b>	<b>\$2,104,908</b>
<b>Net Operating Margin</b>	<b>\$1,049,844</b>	<b>\$238,941</b>	<b>(\$53,247)</b>	<b>\$1,235,538</b>
<b>1999</b>				
	<u>Power</u>	<u>Transmission</u>	<u>Corporate</u>	<u>Total</u>
Unaffiliated Revenues	\$1,662,604	\$224,184	\$0	\$1,886,788
Intersegment Revenues	26,300	200,088	(208,228)	18,160
<b>Operating Revenues</b>	<b>\$1,688,904</b>	<b>\$424,272</b>	<b>(\$208,228)</b>	<b>\$1,904,948</b>
<b>Net Operating Margin</b>	<b>\$952,026</b>	<b>\$265,315</b>	<b>(\$76,254)</b>	<b>\$1,141,087</b>
Twelve Months Ended June 30				
<b>2000</b>				
	<u>Power</u>	<u>Transmission</u>	<u>Corporate</u>	<u>Total</u>
Unaffiliated Revenues	\$2,427,223	\$333,749	\$0	\$2,760,972
Intersegment Revenues	51,176	218,747	(212,056)	57,867
<b>Operating Revenues</b>	<b>\$2,478,399</b>	<b>\$552,496</b>	<b>(\$212,056)</b>	<b>\$2,818,839</b>
<b>Net Operating Margin</b>	<b>\$1,411,450</b>	<b>\$294,350</b>	<b>(\$108,515)</b>	<b>\$1,597,285</b>
<b>1999</b>				
	<u>Power</u>	<u>Transmission</u>	<u>Corporate</u>	<u>Total</u>
Unaffiliated Revenues	\$2,190,874	\$300,547	\$0	\$2,491,421
Intersegment Revenues	36,528	268,051	(313,153)	(8,574)
<b>Operating Revenues</b>	<b>\$2,227,402</b>	<b>\$568,598</b>	<b>(\$313,153)</b>	<b>\$2,482,847</b>
<b>Net Operating Margin</b>	<b>\$1,086,019</b>	<b>\$345,943</b>	<b>(\$14,805)</b>	<b>\$1,417,157</b>