

The Benefits of Power

The Power of Benefits

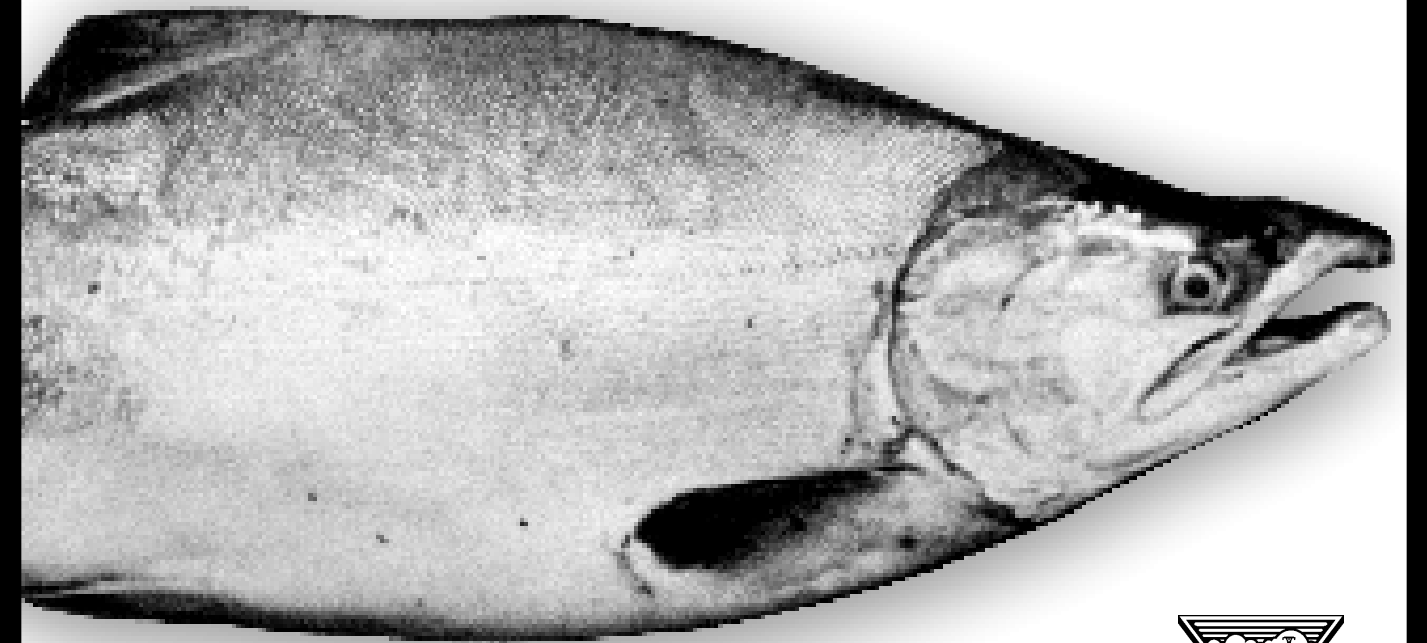


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Cover photos:

Balancing economic and environmental goals. BPA must balance the benefits of a reliable, low-cost supply of power with its commitment to the environment. More than half the water behind Northwest federal storage dams is now dedicated to restoring endangered salmon runs.

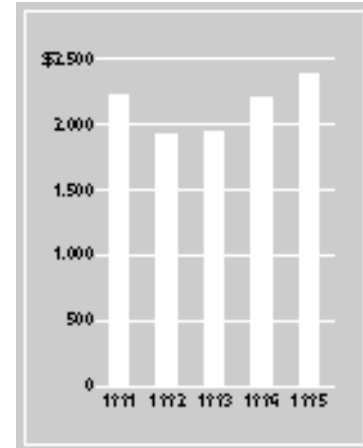
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financial highlights

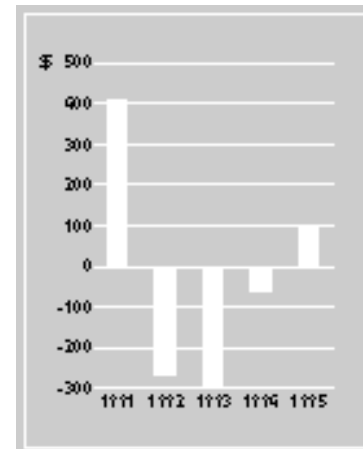
Federal Columbia River Power System

For the years ended Sept. 30, 1995 & 1994

Total Operating Revenues (millions of dollars)



Net Revenues (Expenses) (millions of dollars)



| | 1995 | 1994 |
|---------------------------------|------------------|--------------------|
| (thousands of dollars) | | |
| Operating Revenues | | |
| Sales of electric power: | | |
| Sales within the Northwest | \$ 2,049,476 | \$ 1,952,231 |
| Sales outside the Northwest | 132,060 | 76,461 |
| Wheeling and other sales | 204,289 | 167,256 |
| Total operating revenues | 2,385,825 | 2,195,948 |
| Total operating expenses | 1,889,464 | 1,880,334 |
| Net operating revenues | 496,361 | 315,614 |
| Net interest expense | 397,594 | 376,275 |
| Net revenues (expenses) | \$ 98,767 | \$ (60,661) |

| End of Year | | |
|-----------------------------------|--------------|--------------|
| Total Assets | | |
| (Net of accumulated depreciation) | \$16,804,282 | \$16,618,875 |

| Total Capitalization and Liabilities: | | |
|---------------------------------------|--------------|--------------|
| Accumulated net expenses | \$ (371,530) | \$ (470,297) |
| Federal appropriations | 6,788,545 | 6,824,117 |
| Long-term debt | 2,563,400 | 2,616,500 |
| Non-federal projects debt | 7,194,513 | 7,259,003 |
| Other | 629,354 | 389,552 |
| | \$16,804,282 | \$16,618,875 |

| | | |
|--------------------------------|--------------|--------------|
| Employees (staff years) | 3,271 | 3,444 |
|--------------------------------|--------------|--------------|

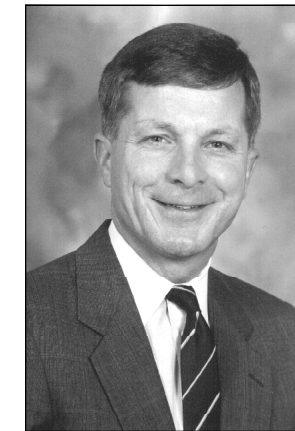
to President Clinton

Dear Mr. President:

1995 has been an exciting year with very positive results. This year, the Federal Columbia River Power System produced net revenues — \$99 million — for the first time since 1991. More importantly, BPA has positioned itself to succeed in the long run and maintain its service to the Pacific Northwest.

The goal has been simultaneously to become price competitive, to bring enough stability to costs and revenues to retain customers, and to revise resource and marketing programs to reflect major changes in the agency's resource base and environmental obligations. By the end of the year, BPA was well-positioned to retain its customers and continue its service to the region.

In 1993, BPA set out to respond to wholesale power market deregulation. Declining salmon stocks and filings under the Endangered Species Act created upward pressure on costs and reduced hydro-electric production. The National Energy Policy Act of 1992 set the stage for increasing competition at wholesale. BPA was challenged by declining alternative fuel costs, increasing competition, growing environmental responsibilities and a shrinking generating resource base.



In response, BPA has produced new, unbundled products and simplified power sales contracts for its customers. It has reorganized and improved its operating systems to focus on customer needs. It has met the declining market price for wholesale electricity through dramatic cost cuts and product innovation.

Congress and the Administration have helped immensely by stabilizing BPA's contribution to fish and wildlife. In sum, through the efforts, contributions and support of its employees, the region's Congressional delegation, and many others in the Pacific Northwest and in Washington, D.C., the agency has progressed a long way toward transforming itself so it can continue to do its job for the Northwest and the nation in this new environment.

As a result, in the face of its first competition in nearly 60 years, BPA appears to be keeping most of its customer base, and is beginning to attract new customers. It made its largest payment ever to the U.S. Treasury this year, almost \$1 billion. It is well on the way to providing solid, stable service to its customers as the industry changes in return for a stable stream of core revenues. From this improved financial position, BPA is confident of its ability to provide the benefits the region expects.

As 1996 begins, the Northwest is starting to consider what it should expect from its power system after the year 2000. This regional forum is being sponsored by the four Northwest governors. BPA looks forward to participating, and stands ready to serve the region and the nation, in the role the Northwest next requires of it. We have laid the groundwork for the 21st century.

Respectfully,

Randall W. Hardy
Administrator/Chief Executive Officer

The Columbia River saw a return to "normal" water in 1995, but the power system that depends on the Columbia rode rapids of change. BPA has designed agreements that will stabilize loads and revenues for the next five years, and will sustain BPA's public benefits while the region sets its next course.

With 1995 net revenues of \$99 million, the Federal Columbia River Power System had its best financial results since 1991.

1995 also saw a series of decisions that bear the fruit of several years of hard work to transform BPA into an efficient organization that can operate effectively in today's competitive utility industry. These actions include an unprecedented rate reduction proposal, new contracts with direct-service industrial customers, an agreement between the Administration and Congress on BPA's fish and wildlife funding responsibilities and proposed legislation to buy out BPA's appropriated debt. Together, these and other actions are bringing greater certainty to BPA's ability to produce needed revenues and provide its public benefits to the region in years to come.

Meeting the Market

BPA is important to the economic and environmental health of the Northwest. Its revenues from sales of power, transmission and energy services pay for the region's federal hydroelectric projects, nuclear plant debt and operation, energy conservation, the transmission grid and the world's largest fish and wildlife restoration program.

If BPA loses customers and revenues, it loses the ability to pay these costs. The foremost challenge of 1995 has been to assure that doesn't happen. Giving customers the price, service and certainty they need brings stability to BPA's revenue stream and its service to the region.

Following passage of the Energy Policy Act of 1992, it became apparent that the U.S. utility industry would deregulate, much as airlines and

keeping the lights on

telecommunications had earlier. BPA started to put its internal house in order so it could meet an increasingly competitive wholesale power market.

In 1993 and 1994, the agency identified its customers' needs: price, stability and ease of doing business with BPA. It reorganized around these needs, cut costs and staff, and strove to do business more quickly and efficiently, subjecting customers less to endless bureaucratic "maybes."

Three years ago, when BPA started to transform itself to become more competitive, many thought it was crying wolf. Instead, competition has hit harder, faster than the utility community expected. Because BPA was already working to become competitive, it has been able to keep up with the market more successfully.

As market prices fell in 1995, the crucial question became: can BPA continue to win the business of its largest customers and the revenue they provide? The agency went back and cut more costs, particularly for new generation projects and new transmission. In sum, BPA cut projected costs an average \$500 million a year for the next five years, below the budgets of only 18 months earlier. BPA is reducing staff and contractors by 20 percent by 1997 compared to 1994 levels. At the same time, BPA is offering its customers new products and services and custom-tailored contracts to meet their specific needs. It's all part of BPA's business plan to remain the Northwest's power supplier of choice so that BPA can continue to provide public benefits to the Pacific Northwest.

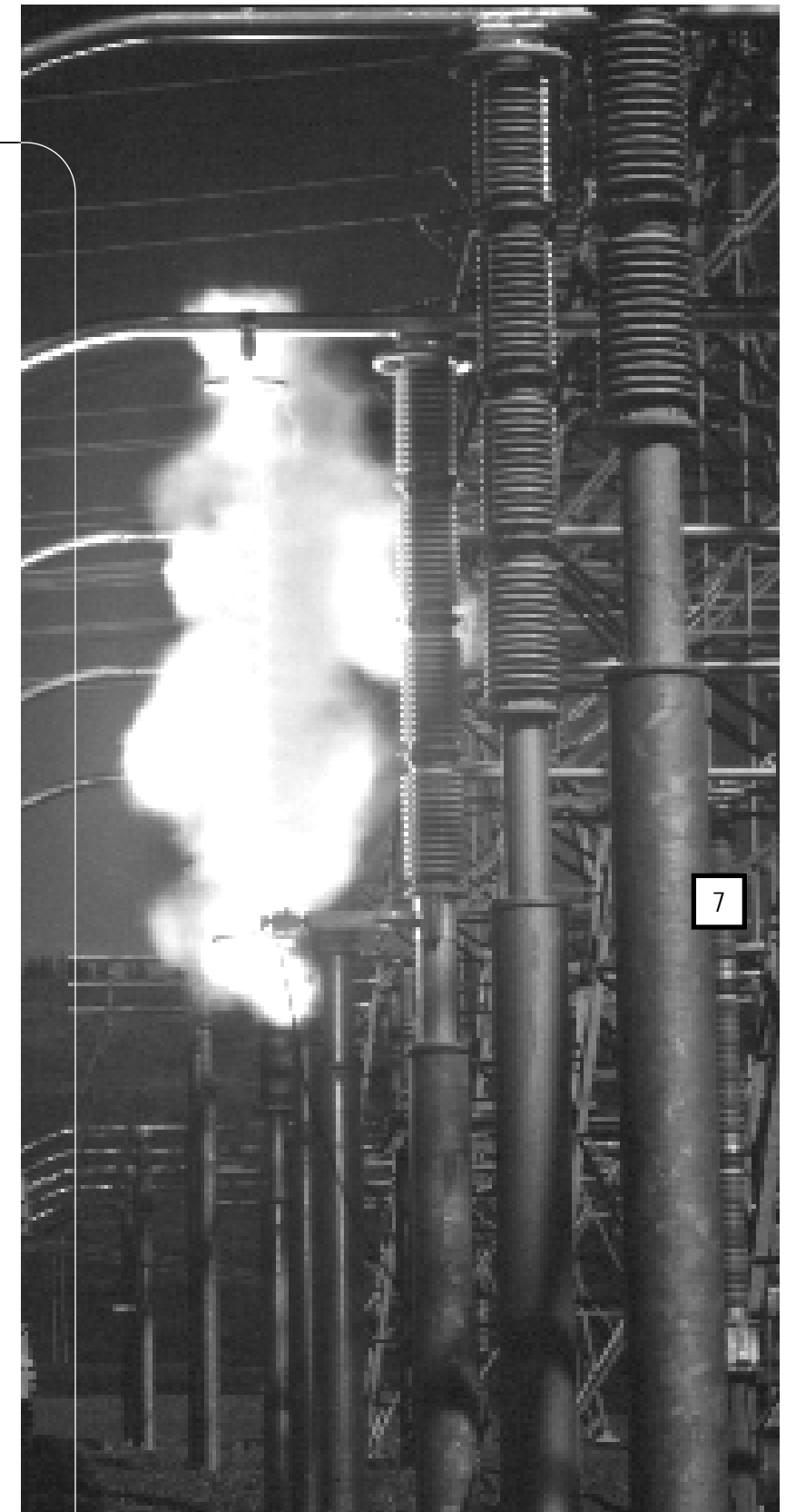
BPA's customers continue to be courted by alternate suppliers. BPA has responded by lowering its proposed power rates to meet the market and by simplifying its contract requirements and procedures. This summer,

BPA proposed an unprecedented 8.2-percent rate reduction to publicly owned utilities, coupled with a five-year rate guarantee. It met the market. Some publicly owned utilities who had asked for contract waivers to remove load from BPA came back. Others who had considered removing large portions of load have retained BPA as their major power supplier. As of the end of the fiscal year, only one public agency customer has removed most of its load from BPA.

BPA's rate proposal now offers a flat, five-year rate at prices competitive with those of other suppliers. New rates will go into effect on Oct. 1, 1996. BPA also will offer its publicly owned utility customers a choice of continuing their existing power sales contracts through their expiration in 2001, or moving to new power sales contracts.

The agency also had to compete hard to retain direct-service industrial loads, which typically provide one-fourth of its revenue. The DSIs' existing 20-year contracts let them remove all or part of their load on one-year's notice. Many of the industries suggested in April 1995 that they were about to give such notice. In response, BPA devised five-year contracts that met the competition, and will stabilize BPA revenues from these customers through 2001. Even with unprecedented competition for these customers, BPA was able to retain 84 percent of the firm load from this customer class. The certainty of this revenue source was also greatly increased by obtaining take-or-pay load commitments, rather than the previous requirements service.

While the rate case is not over, and new power sales contracts with all customers would not be signed until 1996, BPA clearly has turned the corner on retaining its customers and revenue base.



Voltage protection equipment flashes during a test at Schultz Substation in eastern Washington. During cold weather this substation helps prevent voltage collapse and power outages to BPA's customers west of the Cascades in the Puget Sound area.

servicing customers' needs

Customers have reacted favorably to its new can-do business style. BPA has injected stability into its costs and prospective revenues to assure existing and prospective customers that they can rely on it with confidence as a business partner. With renewed financial stability has come renewed confidence in BPA's ability to provide its public benefits for the region.

In addition to successfully retaining most of its existing customers, BPA is also venturing into new sales and new markets. Some examples: in 1995, BPA concluded a \$25-million, five-year surplus firm capacity contract with Portland General Electric. It welcomed Asotin County Public Utility District in Washington as a new customer. New sales and energy exchanges with California municipalities also increased BPA revenues.

At the end of the fiscal year, BPA received national recognition of its efforts to become a government agency that works better and costs less, with a "Reinventing Government" award from Vice President Al Gore for the competitiveness project. The agency appreciates the recognition from Washington, D.C., but is even more grateful for the recognition from customers who are choosing to keep BPA as their primary power supplier.

Legislative Initiatives

Recent steps in Congress have further enhanced BPA's financial stability and ability to manage its sales and costs as the power industry restructures.

Provisions in 1996 appropriations legislation will allow BPA to sell power within the Northwest for resale by other utilities outside the Northwest for the first time, and will allow BPA to sell surplus power outside the Northwest with seven-year call-back provisions, rather than the previous 60-day energy and five-year capacity call-back requirements.

These changes expand BPA's marketing opportunities and potential revenues and increase the efficient use of surplus power due to water sent through the system for fish needs.

At the same time, Congress has stabilized financial requirements for the residential exchange, setting exchange benefits for 1997 at the 1996 level of \$145 million, and encouraging a five-year phase-out of the exchange. Congress also gave BPA authority to reduce its staff costs through voluntary separation incentives.

In 1994, Oregon Senator Mark Hatfield proposed legislation that would refinance BPA's appropriated debt, reduce the federal debt and bring closure to persistent budgetary proposals to reform BPA's debt. This Administration-backed legislation is included in the Seven-Year Balanced Budget Reconciliation Act of 1995. If passed, this legislation would bring to an end years of speculation about potential changes to the terms of BPA's debt to the Treasury, without substantially increasing BPA rates.

Bringing Certainty to Fish Costs

As BPA's response to the market has stabilized its customer loads and revenues, 1995 events have brought certainty to the scope of BPA's monetary obligations to fish and wildlife, and to the size and shape of the hydro resource BPA can market under after meeting requirements for fish protection.

Unlike many other Endangered Species Act programs, work to restore Columbia River Basin's endangered salmon runs is largely funded from BPA ratepayer revenues, not taxes. It's also the most ambitious restoration program in the world. BPA's obligations to fish and wildlife in the Columbia River Basin are now bigger than the entire budget of the National Marine Fisheries Service. BPA is firmly committed to preserving Northwest salmon.



Lower costs mean lower rates. A \$17 lab test could save a \$6-million transformer. Analysis of insulating oil pinpoints problems early and prevents expensive equipment failures. It is one of many tools BPA is using to cut costs and improve service.



stable funding for fish

This year, for the first time, there is certainty about the funding that will be required of BPA to fulfill its fish and wildlife responsibilities.

BPA's fish and wildlife obligations nearly tripled in four years from \$150 million in 1991 to \$400 million in 1995. As the year opened, projections of future additional fish obligations ranged from an added \$300 million to \$600 million a year. In January, the Northwest's senate delegation wrote the President expressing concern about BPA's ability to fund these potential added fish costs. Fear of future fish costs ranked high on BPA customers' lists of reasons to consider switching to other suppliers.

In March, NMFS issued its final biological opinion and draft recovery plan for endangered and threatened salmon in the Columbia River Basin. Under the biological opinion, more than half the storage in Columbia River System reservoirs is dedicated to fish migration in average water years, and up to 95 percent in dry years. The added cost of 1995 biological opinion requirements to BPA was estimated at about \$160 million a year compared to the 1994 biological opinion.

At the close of the year, Vice President Al Gore, Senator Mark Hatfield and five other Northwest senators announced a ten-year framework for an agreement that will protect Northwest fish and wildlife and help ensure BPA adequate financial stability. This agreement represents an historic coming together of the Administration and the Northwest delegation on a multi-year plan to restore the health of the region's salmon runs without compromising the

viability of BPA. It is not a long-term solution, but builds a stable foundation that provides a bridge to the regional review that will set long-term policy.

Within this funding agreement, BPA's fish and wildlife investment was fixed at an average \$435 million per year from 1996 through 2001. Prior to this agreement, BPA's fish and wildlife costs were projected to average as much as \$565 million a year during this period. BPA will receive \$50 million to \$60 million a year as a Treasury credit to account for impacts on fish and wildlife of the nonpower purposes of the region's federal dams. An additional \$325 million in retroactive Treasury credit funds will be made available to BPA in the event of low-water years or court-ordered fish and wildlife spending that exceeds the \$435 million. This contingency fund represents money BPA ratepayers have already paid for fish and wildlife costs of nonpower uses of the federal dams.

Running a Reoriented River System

Under the draft recovery plan, operation of the Columbia River system has been reoriented to restore fish runs. The final Columbia River System Operation Review, completed in November 1995, puts it simply, "except for flood control, other river uses must take a back seat to salmon recovery." The Columbia River system operators — BPA, the U.S. Army Corps of Engineers and the Bureau of Reclamation — have revamped how they use the river and other resources to reflect this priority.

Through 2001, BPA will pay an average \$435 million a year for fish and wildlife protection and restoration, more than the entire budget of the National Marine Fisheries Service.

powering the economy

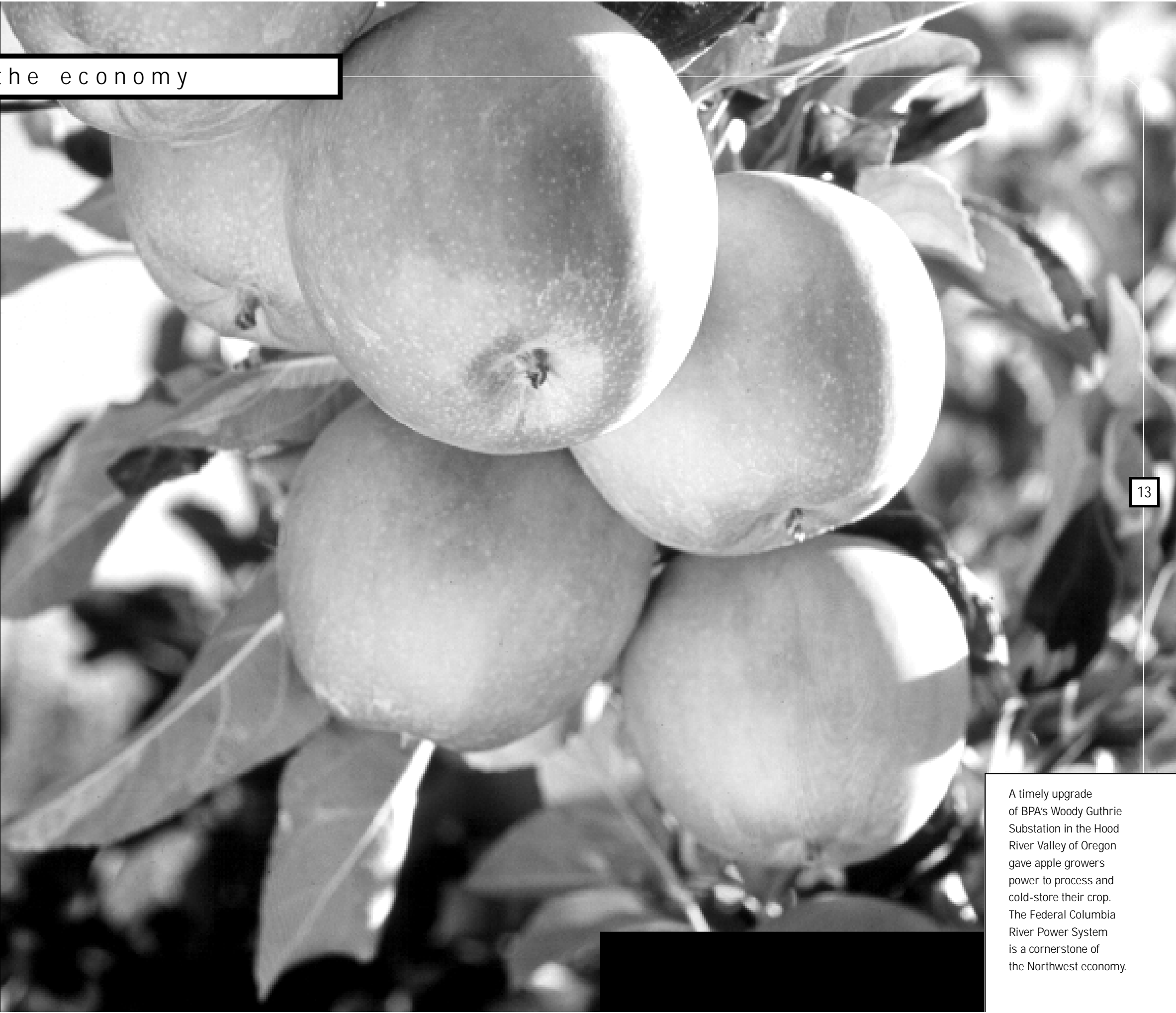
In 1995-96, power operations are relying on this year's runoff only. This is a fundamental change in the use of the region's hydroelectric system. Since the Coordination Agreement of 1964, system operations have been based on a three- or four-year sequence of water years. Water stored in reservoirs could be relied on to assure reliable power even in a series of dry years. Now, power operations must rely more on electricity from other sources to fill in the seasonal and drought-related gaps in the region's power supply.

But the region can count on having substantial amounts of surplus power in spring and summer, as water flows down the river to aid fish migration. BPA's surplus power sales and exchanges now emphasize trading power from fish flush water in spring for winter energy and capacity.

Changing Supply Needs

While the river system has changed, so have the other sources of power supply and the loads BPA must plan to serve. The West Coast has a large power surplus. Canada offers ample low-cost supplies of natural gas. And, while BPA expects to retain most of its firm power customers, it is seeing some load loss, and expects to be in surplus through the rest of the century.

The net result is that it is now cheaper and more prudent to buy power as needed on the short-term market rather than investing in new generation of any kind, including gas-fired combustion turbines. BPA's business plan and resource strategy reflect BPA's expectation that it will buy power on the short-term market as needed. BPA has withdrawn from generation projects it had expected to acquire power from as recently as spring of 1995. It is aggressively marketing a "green power product" to provide a market for power from renewable resource projects.



A timely upgrade of BPA's Woody Guthrie Substation in the Hood River Valley of Oregon gave apple growers power to process and cold-store their crop. The Federal Columbia River Power System is a cornerstone of the Northwest economy.

the future is on the line

Moving Toward Open Transmission

Another feature of the increasingly competitive utility industry is the changing use of high-voltage transmission. BPA's grid has a long history of serving not just BPA but the entire Northwest, and indeed, the whole West Coast of the United States and Canada. Since the mid-1970s, BPA has provided wheeling for third parties over the federal transmission system using capacity excess to federal needs. In 1995, the Federal Energy Regulatory Commission proposed rules that would give third parties open access to transmission, and would require utilities to separate their transmission and power sales businesses. BPA, as the Northwest's primary transmission provider, has moved to provide comparable access and prices to other users of its transmission grid. BPA will separate its transmission and power sales functions on an administrative basis by Oct. 1, 1996.

Wherever possible, BPA is pursuing joint projects with other utilities. This fall, BPA and Puget Sound Power and Light agreed to joint ownership of capacity in expanded intertie capacity north to British Columbia. BPA is working with other utilities throughout the Western United States and Canada to form regional transmission associations that will facilitate open transmission access on a broader scale.

Positioned to Serve a Fast-Moving Future

BPA is a much healthier, more vibrant organization now than it was three years ago.

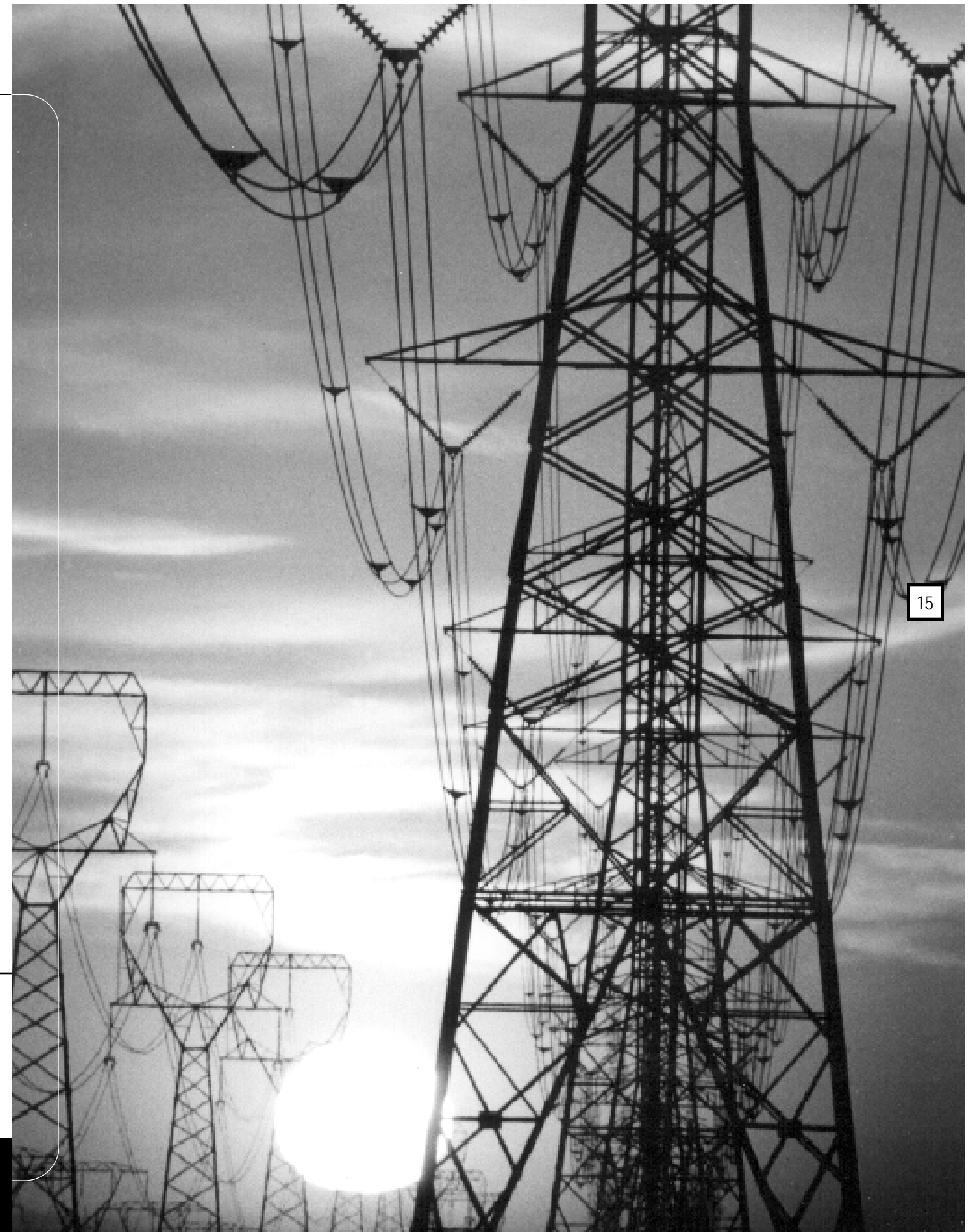
It can and does respond more quickly to meet customer needs and concerns. It is keeping up with changes in the industry, and finding new ways to serve its customers and the region.

The agency enters 1996 with the expectation the entire regional power system will be re-examined through a regional review sponsored by the four Northwest governors. BPA, for its part, welcomes the review and looks forward to participating as the region takes a fresh look at what it wants its power system to produce for the environment and economy, and what institutional arrangements will achieve those ends.

BPA's success in retaining customers is giving the region the best position from which to consider how it wants its utility system structured for the 21st century.

In sum, the Bonneville Power Administration has evolved rapidly to a player in a fast-moving competitive marketplace, while continuing to serve the Pacific Northwest. It is fit and ready to serve its customers well, and to fulfill the public service role the region next requires of it.

New kinds of power deals are bringing down wholesale electricity prices. In 1996, the region will consider how a competitive power system can best maximize economic benefits to end-use consumers and preserve the public benefits that BPA now provides in conservation, renewable resources, and fish and wildlife.



financial section

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With 1995 net revenues
of \$99 million, the Federal
Columbia River Power System
had its best financial
results since 1991.

management's discussion & analysis

Results of Operations

In 1995, the Federal Columbia River Power System (FCRPS) produced net revenues of \$99 million, the first year which has ended in the black since 1991. These improved results derive from higher world aluminum prices which increased revenues from BPA's industrial customers, and the return of average runoff to the river basin after several years of drought. BPA ended the year with \$196 million in financial reserves.

Revenues

Total FCRPS operating revenues rose from last year by \$190 million to \$2,386 million, an increase of 9 percent. This primarily reflects improved water conditions, meaning a long-awaited return to almost-average runoff in the Columbia River Basin, plus increased revenues from aluminum companies due to higher aluminum prices and therefore higher payments to BPA under the variable rate. BPA also received a credit of \$56 million toward its U.S. Treasury payment to help pay for fish and wildlife impacts of non-power uses of the Northwest's federal dams.

1994 revenues increased by 13 percent, primarily due to a 15 percent rate increase for the 1994-95 rate period. Rates in 1995 remained unchanged from 1994.

Revenue trends vary by customer class, as indicated in the following descriptions and accompanying charts.

Northwest Publicly Owned Utilities

Northwest publicly owned utilities, BPA's largest customer group, account for about half of total BPA revenues. They include 41 municipalities, 29 public utility districts and 56 cooperatives.

Revenues from power sales to publicly owned utilities decreased by \$35 million, or 3 percent to \$1,169 million, reflecting a mild winter.

In 1994, revenues from power sales to publicly owned utilities were up 17 percent, reflecting both an increase in volume of sales and higher BPA rates.

Aluminum Industry

Revenues from the eight aluminum companies that buy power directly from BPA rose \$99 million, or 25 percent, to \$491 million, continuing a recovery in revenues from this customer class which began last year. Wetter weather and higher world-market prices for aluminum caused the improvement.

BPA restored service to the top quartile of its industrial load in January 1995, after extended curtailments due to poor water conditions. Except

management's discussion & analysis

during fish migration during spring and early summer, BPA had exercised its right to restrict about 25 percent of the power it usually sells to aluminum smelters. Because of drought and high demand for power, BPA had needed that energy to serve firm loads. Restoring the top quartile during the latter three quarters of 1995 added about 100 average megawatts to BPA's 1995 sales.

Meanwhile, the world market for aluminum, which was depressed from 1992 through the end of fiscal 1994, started to rise in 1995. Aluminum prices were 82 cents a pound in September 1995, up from 78 cents a pound a year earlier. BPA's variable rate to the aluminum companies, which is tied to the world price of aluminum, rose from its floor of 22.1 mills per kilowatt-hour in November 1994 to its cap of 31.7 mills per kWh before settling back to the plateau rate of 25.9 mills per kWh by September 1995. Over its lifetime, the variable rate has earned more than \$50 million more than BPA would have made under the industrial power rate. In addition, industries were able to keep potlines up during times of lower prices. Therefore, the variable rate has contributed to the economic well-being of the region.

Northwest Investor-Owned Utilities

Revenues from Northwest investor-owned utilities rose \$22 million, or 7 percent, to \$325 million, primarily

reflecting higher nonfirm energy sales on the spot market as water conditions improved. Revenues from this customer class have been consistently low in this period of extended drought. They were up 1 percent in 1994. Investor-owned utilities buy power from BPA to supplement their own resources.

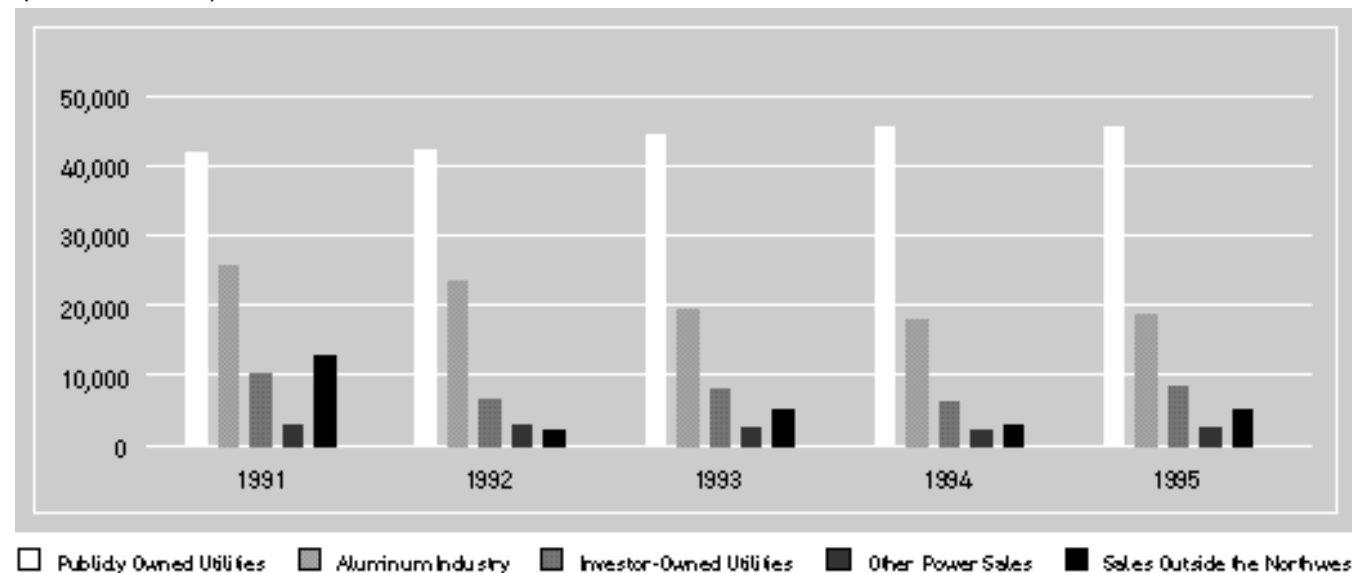
Other Northwest Power Sales

BPA sells power directly to seven federal agencies and eight non-aluminum industries. Revenues from this group rose \$11 million, or 20 percent, in 1995 to \$65 million. Sales to this group had dropped the two previous years, bottoming out at \$54 million in 1994, a decrease of \$2 million or 4 percent from 1993 levels. The increase this year was due to improved metals and chemicals markets, which caused several industrial customers to bring load on line, and restoration of the top quartile of industrial loads, due to improved water conditions. Sales to federal agencies remain stable.

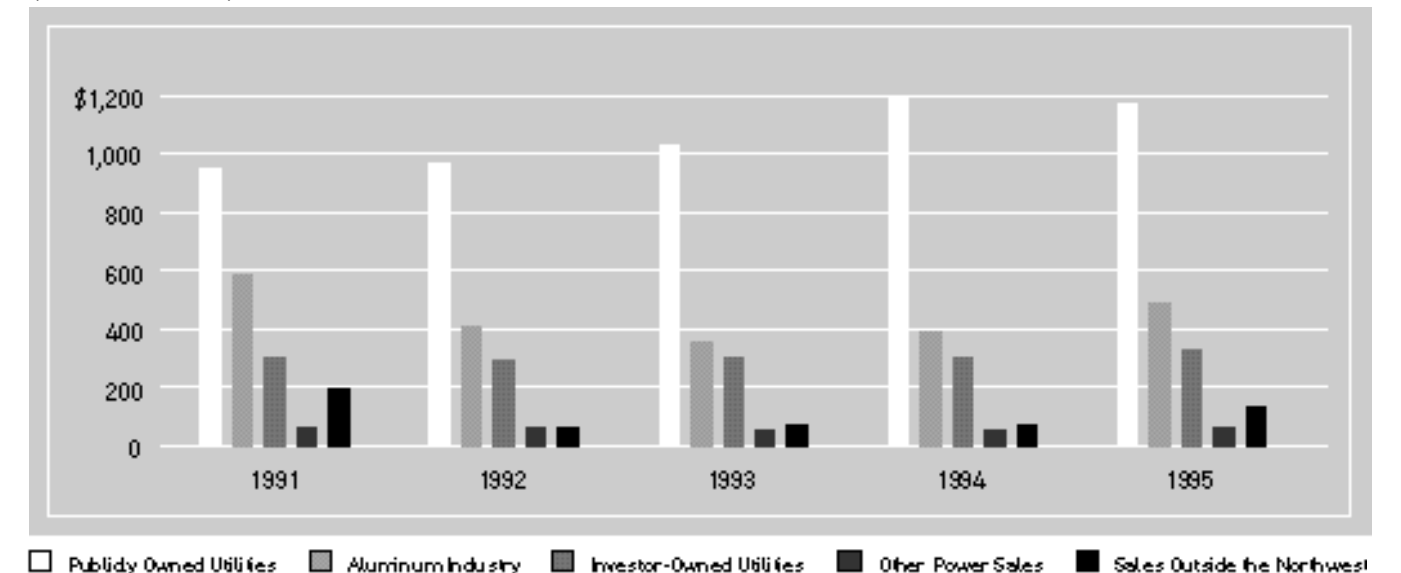
Sales Outside the Northwest

Sales outside the Pacific Northwest rose 73 percent to \$132 million in 1995 compared to 1994, reflecting increased availability of seasonal surplus hydro-electricity. BPA had very little excess energy to sell outside the Northwest in the preceding four years; sales

Megawatt-hours Used by Customer Class
(thousands of MWh)



Electric Power Revenues by Customer Class
(thousands of dollars)



management's discussion & analysis

were generally limited to water passed through dams to aid spring and early summer fish migration, and were \$76 million in 1994 and \$75 million in 1993.

Customers outside the Northwest include 24 public utilities and 13 investor-owned utilities. By law, BPA serves Northwest customers first.

Wheeling and Other Sales

Wheeling and other revenues increased 22 percent or \$37 million to \$204 million.

Of this, wheeling revenues were \$130 million, down slightly from \$132 million in 1994. Wheeling revenues in 1993 were \$115 million, reflecting the somewhat lower transmission rates in place at that time.

The increase in this category is due a \$56 million credit toward BPA's annual payment to the U.S. Treasury, accounting for non-hydro related impacts of the region's federal dams on fish and wildlife.

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Expenses

Total FCRPS operating and net interest expenses rose \$30 million, 1 percent, to \$2,287 million in 1995. In 1994, overall expenses rose \$17 million, less than 1 percent.

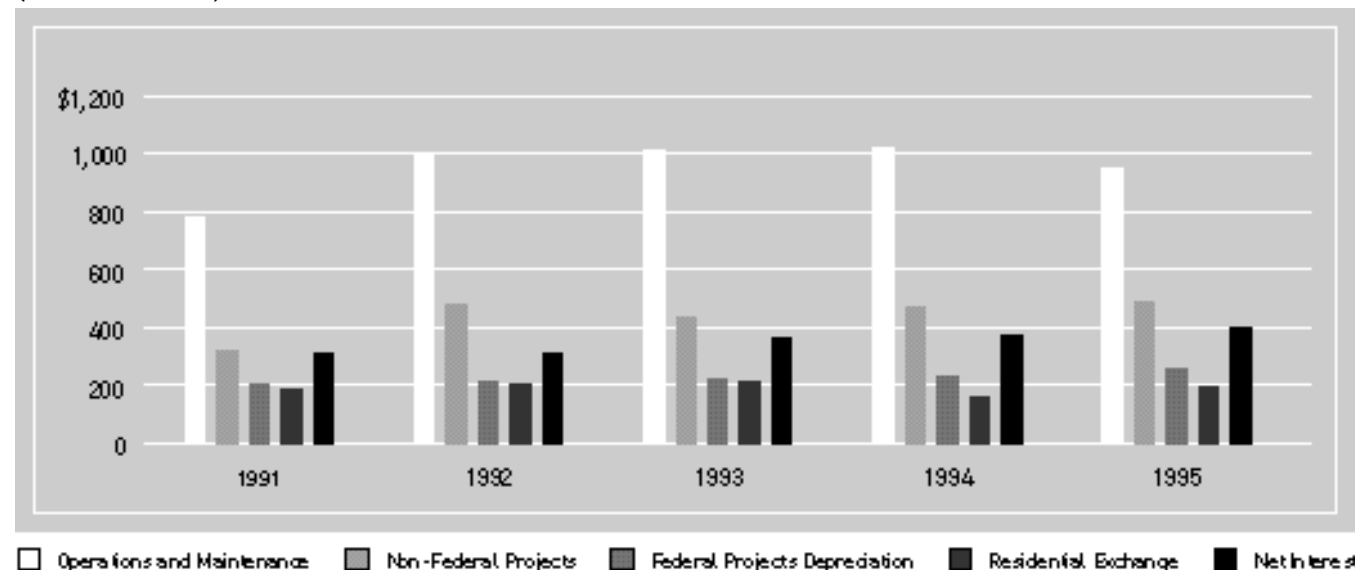
This overall trend of gradually increasing costs masks major changes in underlying cost management, especially severe reductions of costs within BPA's control. Total expenses for 1995 were \$83 million lower than projected in the 1993 final rate design for 1995.

FCRPS reduced its operations and maintenance costs for 1995 by \$70 million, 7 percent, compared to 1994. This primarily reflects a \$55 million, 25 percent reduction in short-term power purchases. At \$161 million, short-term power purchases and storage expenses were still \$28 million more than rates had been designed to recover, though lower than 1994's \$216 million. 1995 power purchases occurred primarily early in the year as BPA strove to refill reservoirs depleted by extended drought, to maintain power system reliability and provide water needed for spring and early summer fish migrations. BPA's direct fish and wildlife program and Endangered Species Act implementation expenses rose 28 percent, \$15 million in 1995, to \$71 million. This was the largest single change in BPA program expenses for the year.

While BPA's operation and maintenance expenses decreased in 1995, other expenses increased.

Debt service on non-federal projects increased by \$16 million, 3 percent, to \$485 million, after

Expense Trends
(thousands of dollars)



management's discussion & analysis

a \$32 million increase in 1994. At BPA's request, the debt-service payments for refinanced Washington Public Power Supply System bonds were structured to achieve maximum savings in the early years in order to levelize BPA's overall debt-service load. In years before Supply System bonds were refinanced, BPA's expenses in this category ran well over \$600 million a year.

Federal projects depreciation rose 11 percent to \$255 million as system replacements were put in service and new fish and wildlife and energy conservation capital projects entered the depreciation stream. Engineering studies in 1995 resulted in revising generation lives from 85 years reported in prior years to the current estimate of 75 years. The additional depreciation was \$9 million.

Net residential exchange expenses rose 24 percent or \$38 million, to \$198 million, primarily due to a final adjustment associated with 1993 system costs for Puget Sound Power & Light Co. These expenses had declined to \$160 million in 1994 due to a narrowing gap between utility average system costs and BPA's priority-firm rate. 1993 net residential exchange expenses were \$210 million.

Net interest expenses rose 6 percent to \$398 million, continuing a several-year trend. New borrowing increased BPA's annual interest payments. Cash reserves are still below projections made in BPA's

1993 rate case, with correspondingly low interest earnings. Part of the increase in interest expense in 1995 is due to higher interest on appropriated and long-term debt. Net interest expense increased \$17 million in 1994.

Financial Condition

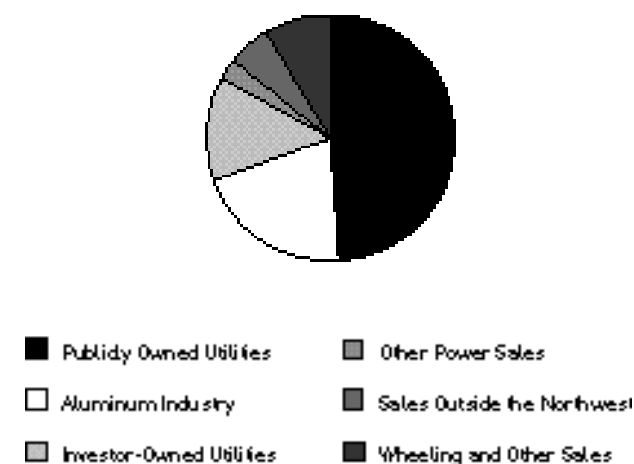
BPA ended 1995 with financial reserves — cash and deferred borrowing authority — of \$196 million, 16 percent lower than actual reserves of \$232 million at the end of 1994. In the 1993 rate case, reserves for the end of 1995 were forecast to be \$365 million. BPA's financial reserves declined dramatically from a high of \$877 million at the beginning of 1992 due to a series of years of persistent drought, low aluminum prices, and escalating fish and wildlife costs.

Despite the lower end-of-year reserves in 1995, BPA has turned the corner and is improving its financial condition. BPA now expects to have \$338 million in reserves by the end of 1996.

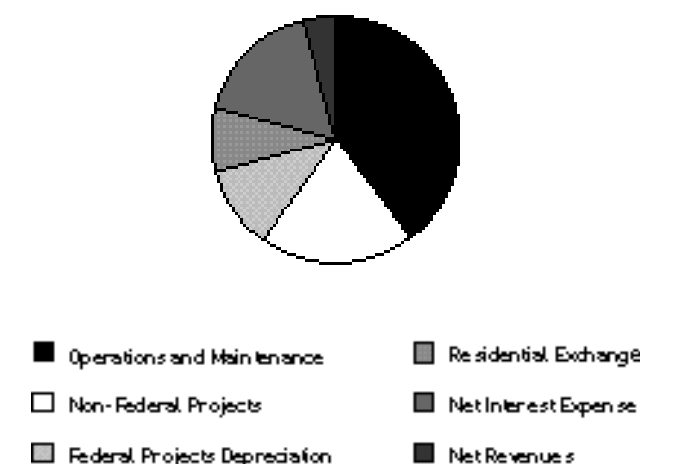
BPA made its full U.S. Treasury payment of \$998 million at the end of 1995, by far the largest annual payment in its history. This payment included \$156 million from non-federal participants in the third alternating-current intertie power line to California, as the non-federal participants paid for their share of the new line's capacity.

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1995 Sources of Revenue
(thousands of dollars)



1995 Disposition of Revenue and Net Revenues
(thousands of dollars)



This strengthening financial outlook is due to several factors. BPA and its customers agreed to a one-year, 4 percent across-the-board rate increase for 1996, which is expected to increase operating revenues by \$80 million. Continued cost cutting and strict cost management are keeping BPA's controllable operating expenses flat or on a downward path. BPA is continuing to work with generating project operators to reduce indirect expenses.

Long-term financial prospects have greatly improved. An agreement between the Administration and Congress on BPA's fish and wildlife financing brings stability to the largest growth area of BPA's expenses. Finally, new five-year take-or-pay contracts with the bulk of BPA's direct-service industrial customers have stabilized revenue projections from this major customer class.

Rates

BPA rates in 1995 were unchanged from 1994, and were designed to produce \$132 million in net revenues for the year. Net revenues were lower due to increased interest expense. Actual net revenues were \$99 million, \$33 million or 25 percent lower than rate design. Both revenues and expenses were lower than projected; total operating revenues were \$116 million or 5 percent lower and total operating expenses were \$98 million or 5 percent lower than projected.

The 4 percent across-the-board increase in existing BPA rates effective in 1996 will help ensure that BPA will make its 1996 Treasury payment in full.

For 1997-2001, BPA has proposed to decrease its rates to preference customers an average 8.2 percent. Rates to direct-service industrial customers, which are tied to preference customer rates, would decline 12.7 percent. BPA proposes to give customers a five-year rate.

The 1996 rate proposal was designed to maximize BPA revenues in a declining-price wholesale power market. In a deregulated wholesale utility environment, BPA no longer can increase revenues by raising rates. Customers can and do choose other suppliers instead.

While the 1996 rate case is not yet complete, the strategy BPA chose appears to be working. Customers who had requested waivers or even announced they would leave BPA for other suppliers have in large part reconfirmed their commitment to BPA. These customers range from small rural electric cooperatives such as Inland Power and Light in eastern Washington, to major industrial customers such as Columbia Falls Aluminum in Montana.

Financing

To finance capital programs such as transmission system development, conservation, and fish and wildlife enhancement, BPA is authorized to borrow up to \$3.75 billion from the U.S. Treasury. At the end of 1995, BPA's debt in this category totaled \$2.56 billion. This is a decrease of \$53 million from 1994, because BPA paid back more debt in 1995 than it borrowed.

The U.S. Army Corps of Engineers and Bureau of Reclamation use federal appropriations for new construction and replacement investments at the dams they operate. These appropriations, like BPA's borrowings, are to be repaid to the Treasury by BPA. The total remaining to be paid at the end of the year was \$6.8 billion or \$36 million less than last year.

BPA owes another \$7.2 billion to non-federal sources for financing three Washington Public Power Supply System nuclear projects and several smaller generation and conservation investments. BPA backs bonds issued by others in the capital markets to finance these projects.

Due to the regulatory environment in which BPA establishes rates, as discussed further in Note 1 to the financial statements, certain costs may be deferred and expensed in future periods under Statement of Financial Accounting Standards No. 71 (SFAS 71) "Accounting for the Effects of Certain Types of Regulation." In order to defer incurred costs under SFAS 71, a regulated entity must have the statutory authority to establish rates which recover all costs and rates so established can be charged to and collected from customers.

SFAS 71 Assets
Sept. 30, 1995

| Asset | |
|--|---------------------|
| (thousands of dollars) | |
| Non-Federal Projects | |
| Conservation | \$ 70,366 |
| Delayed Construction/ Terminated Nuclear Facilities | 4,280,059 |
| Trojan Decommissioning Cost | 105,744 |
| Conservation | 715,104 |
| Fish and Wildlife | 110,204 |
| Total | \$ 5,281,477 |

The SFAS 71 assets reflect a decrease of \$21 million from the prior year. Amortization of these costs of \$156 million for the year ended Sept. 30, 1995, is reflected in the Statement of Revenues and Expenses.

Due to increasing competitive pressures, BPA may be required to seek alternative solutions in the future to avoid raising rates to a level that is no longer competitive. If BPA should establish market rates which are insufficient to recover incurred costs, SFAS 71 may no longer be applicable and any costs deferred under that standard would be expensed in the Statement of Revenues and Expenses.

In 1994, Oregon Senator Mark Hatfield proposed legislation that would refinance BPA's appropriated debt, reduce the federal debt and bring closure to persistent budgetary proposals to reform BPA's debt. This Administration-backed legislation is included in the Seven-Year Balanced Budget Reconciliation Act of 1995. It would increase the present value of BPA's debt-service payments by \$100 million and reduce the federal deficit by an estimated \$44 million. If passed, this legislation would bring to an end years of speculation about potential changes to the terms of BPA's debt to the Treasury. It will add substantial stability to BPA's revenue requirements, and simultaneously reduce the federal deficit.

BPA also continues to refinance all long-term debt as interest rates allow, although no debt was refinanced in 1995.

Standard and Poors and Moody's Investors' Service continue to maintain their respective AA and Aa rating on bonds backed by BPA, but in late summer of 1995, Fitch Investor Services downgraded its rating to AA-. The Fitch action occurred before new contracts were signed with the direct-service industrial customers and fish funding issues were resolved.

BPA's competitive success depends in part on its ability to manage financial risks. BPA is affected by changes in interest rates and by price risks associated with aluminum, natural gas and electricity commodities.

Like other utilities, BPA is exploring the potential of options and futures contracts to manage these risks and is putting policies and procedures in place for their use. The futures market in electric power by the New York Mercantile Exchange will create additional opportunities to manage electric power price risk through the use of financial instruments. These tools can enhance BPA's long-term competitiveness goals by reducing required cash reserves, reducing the volatility of future net revenue streams and enhancing the value of energy products sold by BPA.

Looking Forward

Industry Restructuring

The electric power industry in the United States has been based on vertically integrated monopolies serving specific, limited geographic areas. It is restructuring. Today's industry features new firms not limited to specific geographic areas, who provide generation and power system control services for utilities and large industrial users, using open access to high-voltage transmission.

This change was precipitated by the National Energy Policy Act of 1992, and was strongly reinforced in the spring of 1995 by a Notice of Proposed Rulemaking (NOPR) from the Federal Energy

Regulatory Commission (Commission) which requires high-voltage transmission owners to provide open transmission access to third parties on terms, prices and conditions comparable to those they charge themselves. The Commission NOPR further would require utilities to separate their generation and transmission functions, at least on an administrative basis. Industry watchers generally expect the Commission to confirm this direction in its final NOPR. BPA will begin to separate its transmission and power sales functions on an administrative basis in 1996, both in anticipation of the final Commission rule, and to separate cost accounting for transmission services and power sales under rates in effect in 1997.

BPA, as a wholesale transmission and power provider, has been in the forefront of adapting to the new, competitive environment. Its competitiveness project and business plan, both completed in 1995, laid the groundwork for reforming BPA to succeed in its new environment. This year, BPA has established a stable contractual, rate and financial framework that will allow it to continue to fulfill its public service mandates through the next several years while the industry changes.

BPA Customer Response

BPA's customers continue to be courted by alternate suppliers. BPA has responded by lowering its proposed power rates to meet the market, simplifying its contract requirements and procedures, and reorganizing itself around customer needs. As a result, BPA is holding its customer base. Future revenues from direct-service industries have been stabilized under five-year block sale agreements signed this year, contingent on the outcome of the rate case.

In the spring of 1995, BPA revamped its initial rate proposal to meet the declining price wholesale power market. BPA's rate proposal now offers a flat, five-year rate at prices competitive with those of other suppliers. In the next year, BPA will complete its 1996 rate case. New rates will go into effect on Oct. 1, 1996.

One issue to be resolved in 1996 will be the

treatment of potential stranded investments should significant loads leave BPA's system. BPA's goal is to continue to make this question academic by maintaining customer loads through competitive prices and services. BPA will offer its publicly owned utility customers a choice of continuing their existing power sales contracts through their expiration in 2001, or moving to new power sales contracts.

While BPA appears to be successfully retaining most of its existing customers, it is also venturing into new sales and new markets. Some examples: in 1995, BPA concluded a \$25 million, five-year surplus firm capacity contract with Portland General Electric. It welcomed Asotin County Public Utility District in Washington as a new BPA customer. New sales and energy exchanges with California municipalities also increased BPA revenues. BPA is meeting customer needs in the new open wholesale power market.

Legislative Initiatives

Recent steps in Congress have further enhanced BPA's long-term financial outlook. Provisions in 1996 appropriations legislation will allow BPA to sell power within the Northwest for resale by other utilities outside the Northwest for the first time, and will allow BPA to sell surplus power outside the Northwest with seven-year call-back provisions, rather than the previous 60-day energy and five-year capacity call-back requirements. These changes significantly expand BPA's marketing opportunities and potential revenues, and greatly increase the efficient use of surplus power due to water flushed through the system for fish needs.

At the same time, Congress stabilized financial requirements for the residential exchange, setting exchange benefits for 1997 at the 1996 level of \$145 million, and encouraging BPA and its customers to arrive at a five-year phase-out of the exchange. Congress also gave BPA authority to reduce its staff costs through voluntary separation incentives.

Together, these actions reinforce BPA's financial stability and ability to manage its sales and costs as the power industry restructures.

Transmission

BPA's high-voltage transmission grid has a long history of serving not just BPA but the entire Northwest, and indeed, the whole West Coast of the United States and Canada. Since the mid-1970s, BPA has provided wheeling for third parties over the federal transmission system using capacity excess to federal needs. BPA is modeling the terms and conditions under which it will make access to the federal transmission system available for future arrangements to comply with anticipated new rules from the Commission. Transmission tariffs reflecting these new terms and conditions will be available starting Oct. 1, 1996.

BPA has reduced its number of outages by 39 percent compared to the five-year average, and the duration of outages was down more than 3 percent.

At the same time, BPA cut transmission costs dramatically in 1995 as part of the agency's overall cost-cutting efforts to meet the wholesale power market. Transmission functions saw a reduction of in-house staffing and contract support equivalent to nearly 120 full-time employees. Transmission expense, internal services and capital investment budgets were reduced by an average \$58 million per year for 1996-2001. Transmission expenses for 1995 not only absorbed inflation but were slightly lower than in 1994. Future expense budgets allow only for inflation. BPA has canceled or delayed system development projects wherever possible, saving more than \$46.4 million average per year for 1996-2001.

Wherever possible, BPA is pursuing joint projects with other utilities. This fall, BPA and Puget Sound Power and Light agreed to joint ownership of capacity in expanded intertie capacity north to British Columbia. BPA is working with other utilities throughout the western United States and Canada to form regional transmission associations that will facilitate open transmission access on a broader scale.

Energy Resources

With completion this year of the Columbia River System Operation Review Environmental Impact

Statement and the recovery plan for salmon and steelhead listed under the Endangered Species Act, BPA has received new operating parameters for the hydroelectric resources it markets. The system has less year-round firm energy load carrying capability. It produces much more surplus energy in spring and early summer to support fish out-migration. But the uncertainties about future system requirements for fish and wildlife and other river operation purposes have been resolved. The new size and shape of the hydro system has been established.

While the Northwest has been re-examining its hydro base, other resource supplies also have changed. California now enjoys a long-term power surplus around 3,000 average megawatts. At the same time, natural gas resources from Canada continue to grow. These new resources, coupled with hydro system operation changes, open transmission access and deregulated generation supply have driven down the cost of energy on the short-term market. This makes it more cost-effective to supplement BPA's existing resources with short-term power purchases, rather than acquiring any new generating resources. BPA continues to work to reduce the cost of existing and new resource supplies.

BPA also expects to maintain a small surplus of firm energy over the next five years, based on changes in expected loads. In 1995, BPA withdrew from generating resource projects that are no longer needed or cost-effective. It also withdrew from an agreement in principle with Canada that would have paid Canada \$180 million for Canadian Entitlement benefits returned to Canada under the Columbia River Treaty. The terms had been based on a market price for energy which no longer exists. BPA continues to be open to negotiations with the Canadian government.

BPA retained its participation in some renewable resource projects, including a windfarm in Wyoming and a cogeneration project in central Oregon, both to support commercialization of these renewable resources and in response to customer interest in "green power products."

management's discussion & analysis

In the 1992 Energy Policy Act, the U.S. Army Corps of Engineers and the Bureau of Reclamation were given authority to receive funds directly from BPA for hydro project maintenance and improvements, rather than obtaining appropriations to be repaid by BPA. This direct-funding authority has made possible timely repairs that have added to power system capacity and reduced net costs to ratepayers, improving the efficiency of the federal hydroelectric system.

The Washington Public Power Supply System, BPA's other primary power source, is similarly working to reduce costs. Supply System projects WNP-1 and -3, which had been on hold for many years, were terminated in 1994 and preservation funding ended this year. The Supply System is striving to improve performance and reduce the operating costs of its remaining operating nuclear project, WNP-2. WNP-2 operated at 75 percent capacity in 1995, a plant record. The Supply System has committed to reduce the project's operating costs to 23 mills per kilowatt-hour by 1998.

BPA added 51 megawatts of energy conservation to its resource base in 1995. Meanwhile, the transition of energy conservation to a self-supporting business line is well under way. The General Services Administration contracted with BPA to provide energy audits of federal facilities in the region. One BPA pilot project, Energy Smarts, which is being marketed as an energy service, received one of five top national energy conservation awards from the Department of Energy.

Fish and Wildlife

BPA ratepayers have invested more than \$2 billion in fish and wildlife restoration since the 1980 passage of the Northwest Power Act. BPA's 1995 fish and wildlife costs came to \$400 million, including power purchases and reduced revenues.

Events in 1995 brought closure to two major uncertainties about the fish and wildlife program. The National Marine Fisheries Service issued its draft recovery plan for listed salmon and steelhead in the Columbia River Basin. The Northwest Power Planning Council amended its fish and wildlife program to be

consistent with the recovery plan, and amended its resident fish program to clarify requirements for those species.

Finally, the Administration, working closely with the Northwest congressional delegation, established a 10-year framework to stabilize fish and wildlife funding, within which BPA's fish and wildlife costs for the next six years average \$435 million a year. The agreement protects fish and wildlife in poor water years through a \$325-million cost contingency fund BPA may draw upon under poor water conditions or if additional court-ordered financial obligations drive BPA's fish and wildlife costs above the \$435 million a year level. This contingency fund, in the form of credits to BPA's Treasury payment, is money BPA ratepayers already have paid for fish mitigation due to impacts of nonpower uses of the federal dams, such as flood control, irrigation, navigation and recreation. The administration also will provide annual credits of about \$50 million to \$60 million for current fish and wildlife costs related to purposes of the dams other than power production.

These actions have stabilized BPA's fish and wildlife requirements.

Regional Review

The Northwest delegation, Northwest governors and numerous regional constituents have called for a re-examination of the region's power system.

The electric utility industry is a larger factor in the economic and environmental base of the Pacific Northwest than in most areas of the country, because it is based on an extensive, coordinated hydroelectric system. Given the scope of the changes which have already occurred in the industry and the resource base, and those changes anticipated in the next few years, such a regional review is highly appropriate. BPA looks forward to participating. The governors and Northwest Power Planning Council are designing the process.

Meanwhile, BPA continues to serve the Northwest with environmentally responsible, low-cost, highly reliable wholesale electric power.

statements of revenues & expenses

Federal Columbia River Power System
Sept. 30, 1995, 1994 & 1993

| | 1995 | 1994 | 1993 |
|--|---------------------|---------------------|---------------------|
| (thousands of dollars) | | | |
| Operating Revenues | | | |
| Sales of electric power: | | | |
| Publicly owned utilities | \$ 1,168,661 | \$ 1,203,708 | \$ 1,031,186 |
| Aluminum industry | 490,684 | 391,389 | 351,178 |
| Investor-owned utilities | 325,233 | 302,881 | 299,953 |
| Other power sales | 64,898 | 54,253 | 56,451 |
| Sales outside the Northwest | 132,060 | 76,461 | 75,262 |
| | <u>2,181,536</u> | <u>2,028,692</u> | <u>1,814,030</u> |
| Wheeling and other sales | 204,289 | 167,256 | 128,429 |
| Total operating revenues | <u>2,385,825</u> | <u>2,195,948</u> | <u>1,942,459</u> |
| Operating Expenses | | | |
| Operations and maintenance | 951,704 | 1,021,893 | 1,012,082 |
| Non-federal projects (Note 4) | 484,836 | 469,211 | 437,545 |
| Federal projects depreciation | 254,738 | 229,354 | 220,073 |
| Residential exchange (Note 5) | 198,186 | 159,876 | 209,994 |
| Total operating expenses | <u>1,889,464</u> | <u>1,880,334</u> | <u>1,879,694</u> |
| Net operating revenues | <u>496,361</u> | <u>315,614</u> | <u>62,765</u> |
| Interest Expense | | | |
| Interest on federal investment: | | | |
| Appropriated funds | 241,581 | 229,102 | 240,426 |
| Long-term debt | 180,215 | 171,902 | 159,027 |
| Allowance for funds used during construction (AFUDC) | (24,202) | (24,729) | (39,728) |
| Net interest expense | <u>397,594</u> | <u>376,275</u> | <u>359,725</u> |
| Net Revenues (Expenses) | 98,767 | (60,661) | (296,960) |
| Accumulated net expenses, Oct. 1 | (470,297) | (409,636) | (112,676) |
| Accumulated net expenses, Sept. 30 | <u>\$ (371,530)</u> | <u>\$ (470,297)</u> | <u>\$ (409,636)</u> |

The accompanying notes are an integral part of these statements.

balance sheets

Federal Columbia River Power System
As of Sept. 30, 1995 & 1994

Assets

| | 1995 | 1994 |
|--|--------------|--------------|
| (thousands of dollars) | | |
| Utility Plant (Notes 1 and 3) | | |
| Completed plant | \$10,324,561 | \$10,023,629 |
| Accumulated depreciation | (2,873,226) | (2,749,833) |
| | 7,451,335 | 7,273,796 |
| Construction work in progress | 414,283 | 479,164 |
| Net utility plant | 7,865,618 | 7,752,960 |
| Non-federal Projects (Notes 1 and 4) | | |
| Conservation | 70,366 | 48,172 |
| Hydro | 257,010 | 258,365 |
| Nuclear | 2,587,078 | 2,587,933 |
| Delayed construction/terminated | 4,280,059 | 4,364,533 |
| Total non-federal projects | 7,194,513 | 7,259,003 |
| Trojan Decommissioning Cost (Note 6) | 105,744 | 108,488 |
| Conservation, net of accumulated amortization of \$412,366 in 1995 and \$358,569 in 1994 (Notes 1 and 2) | 715,104 | 695,394 |
| Fish and Wildlife, net of accumulated amortization of \$35,769 in 1995 and \$27,271 in 1994 (Notes 1 and 2) | 110,204 | 86,216 |
| Current Assets | | |
| Cash | 227,617 | 238,610 |
| Accounts receivable | 56,254 | 43,771 |
| Accrued unbilled revenues | 102,986 | 97,077 |
| Materials and supplies, at average cost | 74,933 | 73,806 |
| Prepaid expenses | 184,742 | 180,835 |
| Total current assets | 646,532 | 634,099 |
| Other Assets | 166,567 | 82,715 |
| | \$16,804,282 | \$16,618,875 |

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Capitalization and Liabilities

| | 1995 | 1994 |
|---|--------------|--------------|
| (thousands of dollars) | | |
| Accumulated Net Expense (Note 1) | \$ (371,530) | \$ (470,297) |
| Federal Appropriations (Note 3) | 6,788,545 | 6,824,117 |
| Long-Term Debt, net of current portion (Note 2) | 2,363,400 | 2,410,500 |
| Non-Federal Projects Debt, net of current portion (Notes 1 and 4) | 7,037,448 | 7,141,126 |
| Trojan Decommissioning Reserve, net of current portion (Note 6) | 103,717 | 106,360 |
| Total capitalization and long-term liabilities | 15,921,580 | 16,011,806 |
| Commitments and Contingencies (Notes 6 and 7) | | |
| Current Liabilities | | |
| Current portion of long-term debt | 200,000 | 206,000 |
| Current portion of non-federal projects debt | 157,065 | 117,877 |
| Current portion of Trojan decommissioning reserve | 2,027 | 2,128 |
| Accounts payable | 245,902 | 226,305 |
| Employees' accrued leave | 16,738 | 14,553 |
| Total current liabilities | 621,732 | 566,863 |
| Deferred Credits | 260,970 | 40,206 |
| | \$16,804,282 | \$16,618,875 |

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The accompanying notes are an integral part of these statements.

statements of changes in capitalization & long-term liabilities

Federal Columbia River Power System

| | Accumulated Net Revenues (expenses) | Federal Appropriations | Long-Term Debt | Non-Federal Project Debt | Trojan Decommissioning Reserve | Total |
|--|---|---------------------------|-------------------|-----------------------------|--------------------------------------|--------------|
| (thousands of dollars) | | | | | | |
| Balance at Sept. 30, 1992 | \$ (112,676) | \$6,809,229 | \$1,905,573 | \$6,875,786 | \$ — | \$15,477,912 |
| Increase in federal appropriations: | | | | | | |
| Operations & maintenance | — | 126,800 | — | — | — | 126,800 |
| Construction | — | 83,350 | — | — | — | 83,350 |
| Repayment of federal appropriations: | | | | | | |
| Operations & maintenance | — | (126,800) | — | — | — | (126,800) |
| Construction | — | (25,263) | — | — | — | (25,263) |
| Increase in long-term debt | — | — | 650,000 | — | — | 650,000 |
| Repayment of long-term debt | — | — | (223,700) | — | — | (223,700) |
| Net increase in non-federal projects debt | — | — | — | 341,390 | — | 341,390 |
| Repayment of non-federal projects debt | — | — | — | (72,440) | — | (72,440) |
| Establishment of Trojan decommissioning reserve | — | — | — | — | 108,899 | 108,899 |
| Net expenses | (296,960) | — | — | — | — | (296,960) |
| Balance at Sept. 30, 1993 | \$ (409,636) | \$6,867,316 | \$2,331,873 | \$7,144,736 | \$ 108,899 | \$16,043,188 |
| Increase in federal appropriations: | | | | | | |
| Operations & maintenance | — | 133,288 | — | — | — | 133,288 |
| Construction | — | 94,165 | — | — | — | 94,165 |
| Repayment of federal appropriations: | | | | | | |
| Operations & maintenance | — | (133,288) | — | — | — | (133,288) |
| Construction | — | (137,364) | — | — | — | (137,364) |
| Increase in long-term debt | — | — | 530,527 | — | — | 530,527 |
| Repayment of long-term debt | — | — | (55,900) | — | — | (55,900) |
| Refinance of long-term debt | — | — | (190,000) | — | — | (190,000) |
| Net increase in non-federal projects debt | — | — | — | 203,097 | — | 203,097 |
| Repayment of non-federal projects debt | — | — | — | (88,830) | — | (88,830) |
| Trojan decommissioning reserve | — | — | — | — | (411) | (411) |
| Net expenses | (60,661) | — | — | — | — | (60,661) |
| Balance at Sept. 30, 1994 | \$ (470,297) | \$6,824,117 | \$2,616,500 | \$7,259,003 | \$ 108,488 | \$16,337,811 |
| Increase in federal appropriations: | | | | | | |
| Operations & maintenance | — | 130,934 | — | — | — | 130,934 |
| Construction | — | 64,682 | — | — | — | 64,682 |
| Repayment of federal appropriations: | | | | | | |
| Operations & maintenance | — | (130,934) | — | — | — | (130,934) |
| Construction | — | (100,254) | — | — | — | (100,254) |
| Increase in long-term debt | — | — | 325,000 | — | — | 325,000 |
| Repayment of long-term debt | — | — | (378,100) | — | — | (378,100) |
| Net increase in non-federal projects debt | — | — | — | 28,996 | — | 28,996 |
| Repayment of non-federal projects debt | — | — | — | (93,486) | — | (93,486) |
| Trojan decommissioning reserve | — | — | — | — | (2,744) | (2,744) |
| Net revenues | 98,767 | — | — | — | — | 98,767 |
| Balance at Sept. 30, 1995 | \$ (371,530) | \$6,788,545 | \$2,563,400 | \$7,194,513 | \$ 105,744 | \$16,280,672 |

The accompanying notes are an integral part of these statements.

statements of cash flows

Federal Columbia River Power System

For the years ended Sept. 30, 1995, 1994 & 1993

| | 1995 | 1994 | 1993 |
|--|------------|-------------|--------------|
| (thousands of dollars) | | | |
| Cash from Operating Activities | | | |
| Net revenues (expenses) | \$ 98,767 | \$ (60,661) | \$ (296,960) |
| Expenses (income) not requiring cash: | | | |
| Depreciation | 192,443 | 173,456 | 170,535 |
| Amortization | 62,295 | 55,898 | 49,538 |
| Amortization of non-federal projects AFUDC | 93,486 | 88,830 | 72,440 |
| Gain on settlement of WNP-3 litigation | (24,202) | (24,729) | (39,728) |
| — | — | — | (16,702) |
| (Increase) decrease in: | | | |
| Receivables and unbilled revenues | (18,392) | (39,896) | 15,817 |
| Materials and supplies | (1,127) | 2,140 | (5,559) |
| Prepaid expenses | (3,907) | 12,222 | (53,999) |
| Increase (decrease) in: | | | |
| Accounts payable | 19,597 | 37,342 | (41,807) |
| Employees' accrued leave | 2,185 | 192 | (1,077) |
| Other | 136,912 | (24,782) | 11,388 |
| Cash provided by (used for) operating activities | 558,057 | 220,012 | (136,114) |
| Cash from Investment Activities | | | |
| Investment in: | | | |
| Utility plant | (280,899) | (246,211) | (400,280) |
| Conservation | (73,507) | (113,488) | (97,910) |
| Fish and Wildlife | (32,486) | (20,487) | (17,338) |
| Cash used for investment activities | (386,892) | (380,186) | (515,528) |
| Cash from Borrowing and Appropriations | | | |
| Increase in federal appropriations: | | | |
| Operations and maintenance | 130,934 | 133,288 | 126,800 |
| Construction | 64,682 | 94,165 | 83,350 |
| Repayment of federal appropriations: | | | |
| Operations and maintenance | (130,934) | (133,288) | (126,800) |
| Construction | (100,254) | (137,364) | (25,263) |
| Increase in long-term debt | 325,000 | 530,527 | 650,000 |
| Repayment of long-term debt | (378,100) | (55,900) | (223,700) |
| Refinance of long-term debt | — | (190,000) | — |
| Payment of non-federal debt | (93,486) | (88,830) | (72,440) |
| Cash (used for) provided by borrowing and appropriations | (182,158) | 152,598 | 411,947 |
| Decrease in cash | (10,993) | (7,576) | (239,695) |
| Beginning cash balance | 238,610 | 246,186 | 485,881 |
| Ending cash balance | \$ 227,617 | \$ 238,610 | \$ 246,186 |

The accompanying notes are an integral part of these statements.

1. Summary of General Accounting Policies

The Federal Columbia River Power System (FCRPS) includes the accounts of the Bonneville Power Administration (BPA) which purchases, transmits, and markets power, and the accounts of the Pacific Northwest generating facilities of the U.S. Army Corps of Engineers and the Bureau of Reclamation for which BPA is the power marketing agency. Each entity is separately managed and financed, but the facilities are operated as an integrated power system with the financial results combined under the FCRPS title. Costs of multipurpose Corps and Reclamation projects are assigned to specific purposes through a cost allocation process. Only the portion of total project costs allocated to power is included in these statements.

FCRPS accounts are maintained in accordance with generally accepted accounting principles and the uniform system of accounts prescribed for electric utilities by the Federal Energy Regulatory Commission (Commission). FCRPS accounting policies also reflect specific legislation and executive directives issued by U.S. government departments (BPA is a unit of the Department of Energy; Reclamation is part of the Department of Interior; and the Corps is part of the Department of Defense). FCRPS properties and income are tax-exempt.

Regulatory Authority

FCRPS power rates must be confirmed and approved by the Commission.

Revenues and Net Revenues

Operating revenues are recorded on the basis of service rendered, which includes estimated unbilled revenues. BPA's rates are established in accordance with several statutory directives. Rates proposed by BPA are subjected to an extensive formal review process, after which they are established by BPA and reviewed by the Commission. The Commission's review is limited to three standards set out in the Northwest Power Act. The Commission reviews BPA's rates for all firm power, for nonfirm energy sold within the region and for transmission service under such statutory standards that include a requirement that these rates be sufficient to assure repayment of the federal investment in the FCRPS over a reasonable number of years after first meeting BPA's other costs.

After final Commission approval, BPA's rates may be reviewed by the United States Court of Appeals for the Ninth Circuit. Action seeking such review must be filed within 90 days of the final Commission decision. The Commission and the Court of Appeals may either confirm or reject a rate proposed by BPA. It is the opinion of BPA's General Counsel that, if a rate were rejected, it would be remanded to BPA for reformulation. By contract, BPA has agreed that rates for the sale of power pursuant to its present contracts may not be revised on less than nine month's notice and may not be increased more than once in a 12-month period.

The Commission has approved on an interim basis BPA's rates for fiscal year 1996 which increased average rates by approximately 4 percent.

Because BPA is a U.S. government power marketing agency, net revenues over time are committed to repayment of the U.S. government investment in the FCRPS and the payment of certain irrigation costs as discussed in Note 6.

Utility Plant

Utility plant is stated at original cost. Cost includes direct labor and materials, payments to contractors, indirect charges for engineering, supervision and similar overhead items and an allowance for funds used during construction. The costs of additions major replacements, and betterments are capitalized. Repairs and minor replacements are charged to operating expense. The cost of utility plant retired, together with removal costs and less salvage, is charged to accumulated depreciation when it is removed from service.

Allowance for Funds Used During Construction

The allowance for funds used during construction (AFUDC) constitutes interest on the funds used for utility plant under construction. AFUDC is capitalized as part of the cost of utility plant and results in a non-cash reduction of interest expense. While cash is not realized currently from this allowance, it is realized under the rate-making process over the service life of the related property through increased revenues resulting from higher plant in-service and higher depreciation expenses. AFUDC is based on the monthly construction work in progress (CWIP) balance. A portion of CWIP as stated on the balance sheets represents preliminary study and investigation costs to which AFUDC is not attributed.

AFUDC capitalization rates are stipulated in the Congressional acts authorizing construction for certain generating projects (2.5 percent to 7.57 percent in 1995, 2.5 percent to 7.85 percent in 1994, and 2.5 percent to 8.2 percent in 1993). Capitalization rates for other construction approximate the cost of borrowing from the U.S. Treasury (7.25 percent in 1995, 7.125 percent in 1994, and 7.9 percent in 1993).

Depreciation and Amortization

Depreciation of utility plant is computed on the straight-line method based on estimated service lives of the various classes of property, which average 45 years for transmission and 75 years for generation. Engineering studies in 1995 resulted in revising generation lives from 85 years reported in prior years to the current estimate of 75 years. The additional depreciation was \$8.5 million. Amortization of conservation and fish and wildlife is computed on the straight-line method based on estimated service lives, which are 20 years for conservation and 15 years for fish and wildlife.

Non-Federal Projects and Related Debt

BPA has agreed to acquire all or part of the generating capability of five nuclear power plants. BPA has also acquired all of the output of three hydro projects. BPA has agreed to fund debt service on bonds issued to finance three conservation projects sponsored by BPA. The non-federal projects will be amortized as such costs are scheduled to be recovered in rates.

Retirement Benefits

FCRPS employees belong to either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). FCRPS and employees contribute to the systems. Both are contributory pension plans. Retirement benefit expense under CSRS is equivalent to 7 percent of eligible employee compensation and under FERS is variable based upon options chosen by the participant but does not exceed 24.2 percent of eligible employee compensation. Retirement benefits are payable by the U.S. Treasury and not by the FCRPS.

Cash

For purposes of reporting cash flows, cash includes cash in the BPA fund and unexpended appropriations of Reclamation and the Corps. Cash paid for interest was \$397 million in 1995, \$377 million in 1994, and \$362 million in 1993.

Non-cash transactions include changes in non-federal projects and non-federal projects debt, other than debt-service payments made by BPA and amortizations of non-federal assets of \$29 million in 1995, \$203 million in 1994 and \$341 million in 1993, the establishment of a current liability of \$20 million and long-term liability of \$60 million related to accruals for terminated construction on non-federal generation projects in 1995, and the establishment of the Trojan decommissioning reserve of \$109 million in 1993.

notes to financial statements

Financial Instruments

All significant financial instruments of the FCRPS were recognized in the Balance Sheet as of Sept. 30, 1995. The carrying value reflected in the Balance Sheet approximates fair value for the FCRPS's financial assets and current liabilities. The fair values of long-term liabilities are discussed in the respective footnotes.

2. Long-Term Debt

To finance its capital programs, BPA is authorized by the Federal Columbia River Transmission System Act to issue to the U.S. Treasury up to \$3.75 billion of interest-bearing debt with terms and conditions comparable to debt issued by U.S. government corporations. A portion (\$1.25 billion) of the \$3.75 billion is reserved for conservation and renewable resource loans and grants. At Sept. 30, 1995, \$661.2 million of this reserved amount and \$1,902.2 million of other borrowings were outstanding. The average interest rate of the BPA's borrowings from the U.S. Treasury exceeds the rate which could be obtained currently. As a result, the fair value of the BPA long-term debt, based upon discounting future cash flows using rates offered by the United States Treasury as of Sept. 30, 1995, for similar maturities exceeds carrying value by approximately \$164 million or 5.9 percent. BPA's policy is to refinance debt that is callable when associated benefits exceed costs. The table on page 35 reflects the terms and amounts of long-term debt.

3. Federal Appropriations

Construction and replacement of Corps and Reclamation generating facilities are financed through annual federal appropriations. Annual appropriations are also made for their operation and maintenance costs, although these are repaid by BPA to the U.S. Treasury by the end of each fiscal year. BPA transmission construction and operations and maintenance costs were also financed by appropriations before the Federal Columbia River Transmission System Act in 1974.

Interest rates on the appropriated funds range from 2.5 percent to 8.5 percent (the weighted average rate was 3.6 percent in 1995, 3.5 percent in 1994 and 1993). The rates are set by law, administrative order pursuant to law, or administrative policies.

Federal appropriations relating to generating projects and the transmission system are repaid to the U.S. Treasury within 50 and 45 years, respectively, from the time each facility is placed in service.

If, in any given year, revenues are not sufficient to cover all cash needs, including interest, any deficiency becomes an unpaid annual expense. Interest is accrued on the unpaid annual expense until paid. This must be paid from subsequent years' revenues before any repayment of federal appropriations can be made.

Federal Appropriations Term Repayments(a)

| (thousands of dollars) | |
|------------------------|--------------|
| 1996 | \$ — |
| 1997 | — |
| 1998 | 37,199 |
| 1999 | 45,099 |
| 2000 | 25,292 |
| 2001+ | 6,680,955 |
| | \$ 6,788,545 |

a) Includes payments on historic replacements but excludes planned future replacements and irrigation assistance.

The fair value of the federal appropriations debt, based upon the rate BPA could currently obtain through borrowings from the U.S. Treasury, is below the carrying value. This is because the majority of the federal appropriations were obtained at times when lower rates were in effect.

The table above shows the term repayments on the remaining federal appropriations as of Sept. 30, 1995.

notes to financial statements

Federal Columbia River Power System Long-Term Debt (a)

Bonds

| Issue Date | First Call Date | Maturity Date | Interest Rate | Construction and Fish & Wildlife | Conservation | Cumulative Total |
|------------------------|-----------------|---------------|---------------|----------------------------------|--------------|------------------|
| (thousands of dollars) | | | | | | |
| March 1986 | none | 1996 | 8.15% | \$ 100,000 | \$ — | \$ 100,000 |
| March 1986 | none | 1996 | 8.15% | — | 50,000 | 150,000 |
| May 1991 | none | 1996 | 7.95% | 50,000 | — | 200,000 |
| April 1992 | none | 1997 | 7.00% | 50,000 | — | 250,000 |
| April 1992 | none | 1997 | 7.00% | 28,300 | — | 278,300 |
| July 1992 | none | 1997 | 5.80% | — | 80,200 | 358,500 |
| October 1992 | none | 1997 | 6.05% | 50,000 | — | 408,500 |
| May 1994 | 1995 | 1998 | 7.10% | — | 50,000 | 458,500 |
| May 1989 | none | 1999 | 8.95% | 25,000 | — | 483,500 |
| May 1989 | none | 1999 | 8.95% | 75,000 | — | 558,500 |
| August 1992 | none | 2000 | 6.60% | 107,800 | — | 666,300 |
| January 1995 | 1996 | 2001 | 8.35% | 55,000 | — | 721,300 |
| September 1989 | none | 2002 | 8.65% | — | 66,000 | 787,300 |
| July 1992 | 1997 | 2007 | 7.14% | — | 100,000 | 887,300 |
| August 1992 | 1997 | 2007 | 7.25% | 107,700 | — | 995,000 |
| February 1993 | 1998 | 2008 | 6.95% | 20,000 | — | 1,015,000 |
| July 1989 | none | 2009 | 8.55% | — | 40,000 | 1,055,000 |
| August 1995 | 2000 | 2010 | 7.20% | 35,000 | — | 1,090,000 |
| October 1992 | 1997 | 2012 | 8.05% | — | 50,000 | 1,140,000 |
| February 1993 | 1998 | 2013 | 7.40% | — | 50,000 | 1,190,000 |
| August 1993 | 1998 | 2013 | 6.75% | — | 40,000 | 1,230,000 |
| January 1994 | 1999 | 2014 | 6.75% | — | 50,000 | 1,280,000 |
| May 1995 (b) | 2000 | 2015 | 7.50% | 35,000 | — | 1,315,000 |
| May 1995 | 2000 | 2015 | 7.50% | — | 85,000 | 1,400,000 |
| July 1995 | 2000 | 2025 | 7.70% | 50,000 | — | 1,450,000 |
| August 1995 | 2000 | 2025 | 7.70% | 65,000 | — | 1,515,000 |
| January 1990 | 2000 | 2030 | 9.25% | 50,000 | — | 1,565,000 |
| April 1992 | 1997 | 2032 | 8.80% | 150,000 | — | 1,715,000 |
| July 1992 | 1997 | 2032 | 8.13% | 150,000 | — | 1,865,000 |
| October 1992 | 1997 | 2032 | 8.35% | 100,000 | — | 1,965,000 |
| February 1993 | 1998 | 2033 | 7.80% | 130,000 | — | 2,095,000 |
| April 1993 | 1998 | 2033 | 7.50% | 100,000 | — | 2,195,000 |
| August 1993 | 1998 | 2033 | 6.95% | 110,000 | — | 2,305,000 |
| October 1993 | 1998 | 2033 | 6.85% | 108,400 | — | 2,413,400 |
| October 1993 | 1998 | 2033 | 6.85% | 50,000 | — | 2,463,400 |
| January 1994 | 1999 | 2034 | 7.05% | 50,000 | — | 2,513,400 |
| May 1994 | 1999 | 2034 | 8.20% | 50,000 | — | 2,563,400 |
| | | | | \$ 1,902,200 | \$ 661,200 | 2,563,400 |
| | | | | | | (200,000) |
| | | | | | | \$ 2,363,400 |

Less current portion

(a) The weighted average interest rate was 7.6 percent on outstanding long-term debt as of Sept. 30, 1995 and 1994 respectively. All the construction, conservation, fish and wildlife, and Corps/Reclamation direct funding bonds are term bonds.

(b) Corps/Reclamation direct funding.

4. Non-Federal Projects

BPA has acquired all or part of the generating capability of five nuclear power plants. The contracts to acquire the generating capability of the projects, referred to as "net-billing agreements," require BPA to pay all or part of the annual projects budgets, including debt service, whether or not the projects are completed. BPA has also acquired all of the output of the Idaho Falls, Cowlitz Falls and Wasco hydro projects. BPA has agreed to fund debt service on EWEB, Emerald and CARES bonds issued to finance conservation programs sponsored by BPA.

BPA recognizes expenses for these projects based upon total project cash funding requirements reflected in project budgets that are adopted by BPA and the Washington Public Power Supply System (72 percent of Hanford Generating Project, 100 percent of WNP-1 & -2, 70 percent of WNP-3), Eugene Water and Electric Board (30 percent of Trojan), City of

Idaho Falls, PUD No. 1 of Lewis County, Northern Wasco County Peoples Utility District, Conservation and Renewable Energy System, Emerald People's Utility District, and the City of Tacoma.

Operating expense for the projects is included in operations and maintenance in the accompanying Statements of Revenues and Expenses.

Following restoration of the Supply System's bond rating in late 1988, BPA and the Supply System developed a refunding plan to refinance outstanding high-interest rate net-billed bonds. By the end of fiscal year 1994, twelve advance refunding sales were completed.

In total \$8.3 billion of refunding bonds were issued to refinance \$6.9 billion of previously outstanding bonds. These advance refundings reduced the cash requirements pursuant to the project budgets BPA is required to pay under the net-billing agreements by \$106.7 million in fiscal 1993, \$124.1 million in 1994, and \$127.9 million in 1995 from 1989 levels.

Additionally the structure of the advance refundings allowed the use of

cash reserves held by the bond trustee to further reduce the project budgets for fiscal 1993 and 1994. This resulted in \$58.2 million and \$11.5 million of lower project budgets for fiscal 1993 and 1994 respectively. Cash reserves were not available to reduce project budgets in fiscal 1995.

In summary, non-federal project expense included in the Statement of Revenues and Expenses was reduced by \$164.9 million, \$135.6 million, and \$127.9 million for fiscal 1993, 1994, and 1995, respectively, relating to the above factors. The table above shows future principal payments required for non-federal projects total \$7.2 billion.

As discussed, BPA is required to pay a portion of the respective non-federal projects annual budgets, including debt service, which are established by the respective asset owners. The fair value of all Supply System debt exceeds recorded value by \$120.9 million or 1.8 percent based on discounting the future cash flows using interest rates for which similar debt could be issued at Sept. 30, 1995. All other non-federal projects debt approximates fair value as stated.

Non-Federal Project
Debt Repayments

(thousands of dollars)

| | |
|-------|---------------------|
| 1996 | \$ 157,065 |
| 1997 | 167,720 |
| 1998 | 172,992 |
| 1999 | 264,351 |
| 2000 | 284,819 |
| 2001+ | 6,147,566 |
| | <u>\$ 7,194,513</u> |

5. Residential Exchange

As provided for in the Pacific Northwest Electric Power Planning and Conservation Act of 1980, Section 5(c), BPA entered into residential exchange contracts with several electric utilities. These contracts allow each utility to sell to BPA its qualified residential and irrigation load at the average system cost of the utility's resources. In exchange, BPA sells to the utilities electric power for their residential and irrigation loads at BPA's priority firm power rate. Purchases and sales of electric power by BPA during fiscal years 1995, 1994 and 1993 under these contracts are shown in the table above.

Residential Exchange

| | 1995 | 1994 | 1993 |
|---------|------------------------|-------------------|-------------------|
| | (thousands of dollars) | | |
| Expense | \$1,006,910 | \$ 962,498 | \$ 919,078 |
| Revenue | (808,724) | (802,622) | (709,084) |
| Net | <u>\$ 198,186</u> | <u>\$ 159,876</u> | <u>\$ 209,994</u> |

6. Commitments and Contingencies
Irrigation Assistance

Legislation requires that FCRPS net revenues be used to pay the U.S. Treasury for costs allocated to irrigation of certain Pacific Northwest projects that are determined to be beyond the ability of the irrigation water users to repay. The first irrigation assistance payment from power net revenues is currently planned to be made in 1997, and cumulative payments could ultimately total \$827 million. Although such costs may be paid by power ratepayers, these costs are for the benefit of the water users and are not a regular operating cost of the power program. Accordingly, these costs will be reflected in the financial statements if paid.

Net-Billing Agreements

BPA has agreed with the Supply System that, in the event any participant shall be unable for any reason, or shall refuse, to pay to the Supply System any amount due from such participant under its net-billing agreement for which a net-billing credit or cash payment to such participant has been provided by BPA, BPA will be obligated to pay the unpaid amount in cash directly to the Supply System, unless payment of such unpaid amount is made in a timely manner pursuant to the net-billing agreements.

Nuclear Insurance

BPA is a member of the Nuclear Electric Insurance Limited established to provide insurance coverage for business interruption and/or extra expense resulting from an accidental outage at a member's nuclear site, and excess property damage and decontamination liability. Under its business interruption and/or extra expense insurance coverage, BPA could be subject to a maximum assessment of \$4.6 million in the event of a member's replacement power loss exceeding reserves and reinsurance. Under its property and decontamination coverage, BPA could be subject to a maximum assessment of \$8.9 million in the event of a member insured loss exceeding the reserves and reinsurance.

As a separate requirement, BPA is liable under the Nuclear Regulatory Commission's indemnity for public liability coverage under the Price-Anderson Act. In the event of a nuclear incident, BPA could be subject to a retrospective assessment of \$79.3 million for WNP-2 and \$23.8 million for Trojan limited to an annual maximum of \$10 million for WNP-2 and \$3 million for Trojan.

Decommissioning Costs

In March 1995, the Supply System submitted a site restoration plan to the state of Washington's Energy Facility Site Evaluation Committee (EFSEC) which complied with EFSEC's requirement to remove the assets and restore the sites by minimal hazard to the public. EFSEC approved the Supply System's plan in June 1995. EFSEC's approval recognized that

uncertainty still exists as to the exact details of the proposed plan; accordingly, EFSEC's conditional approval provided for additional reviews once the details of the plan are finalized. As part of submitting the restoration plan to EFSEC, the Supply System has accepted one outside bid for site restoration which estimated the cost of site restoration for WNP-1 at \$46 million and for WNP-3 at \$36 million. The FCRPS is required to fund decommissioning of those projects. The Supply System expects to initiate a competitive bidding process before the final restoration plan is implemented. The Supply System has sufficient capacity in unexpended bond funds to adequately cover decommissioning costs at the above estimated amounts.

The obligation for decommissioning is reflected in the total non-federal projects debt liabilities and non-federal projects assets for WNP-1 and -3.

Decommissioning costs are charged to operations over the operating life of a project. An external decommissioning sinking fund for costs is being funded monthly, as payments are made pursuant to the net-billing agreement, for WNP-2. The sinking fund is expected to provide for decommissioning at the end of the project's operating life in accordance with NRC requirements. Sinking fund requirements for WNP-2 are based on an estimate of decommissioning cost, and assumes a 40-year project life.

The estimated decommissioning sum of expenditures for WNP-2 is \$403 million (1987 dollars). Payments to the sinking fund for the years ended Sept. 30, 1995, 1994 and 1993 were approximately \$3 million per year. The sinking fund balance at Sept. 30, 1995 is \$30 million.

In January 1993, the Portland General Electric board of directors formally notified BPA of its intent to terminate the operation of the Trojan plant. PGE's rate filing in November 1993 with the Oregon Public Utility Commission included an estimated decommissioning liability of \$401 million (in 1993 dollars) which has been revised as of Sept. 30, 1995 to \$425 million based on site specific studies. BPA's 30-percent share of the estimated liability of \$128 million, net of the decommissioning trust fund balance of \$14.9 million and actual expenditures through Sept. 30, 1995, has been included in the accompanying Balance Sheet. Contributions to the decommissioning trust fund are made pursuant to the net-billing agreement for the plant through 2023 and were approximately \$2 million for each of the years ended Sept. 30, 1994 and 1993. The Trojan Decommissioning Plan calls for prompt decontamination with delayed demolition of non-radiological structures. Funding requirements will be greater in the early years of decommissioning and then will decrease significantly. These greater early funding requirements have altered the decommissioning trust fund contributions for 1995. In 1995 and the next five years, funding for the Trojan decommissioning trust fund is being directly applied to the decommissioning expenses. Once prompt decontamination is completed, funding of the trust will resume at a lower contribution level to pay for the delayed demolition. The decision to terminate the plant is not expected to result in the acceleration of debt-service payments. BPA will continue to recover its share of Trojan's costs through rates.

Decommissioning costs are included in operations and maintenance expense in the Statements of Revenues and Expenses.

Environmental Cleanup

The Ross Complex in Vancouver, Wash., has been identified as a superfund site. In addition, there are other sites where BPA has been or may be identified as a potential responsible party. Costs associated with cleanup are not expected to be material to the FCRPS financial statements.

Endangered Species Act

Actions related to the Endangered Species Act are adding to BPA's costs. These expenses are expected to recur and increase. These additional costs will be recovered through future rate increases.

7. Litigation

Involving the Washington Public Power Supply System (Supply System)

In the current year litigation relating to the Washington Public Power Supply System's Washington Nuclear Plant-1 and WNP-3 was settled. The settlement amount the FCRPS was required to pay was \$53 million and was paid entirely out of excess construction disposition funds generated from the sale of bonds for WNP-3 and proceeds from asset disposals from WNP-1. Since the WPPSS has direct financial control and ownership of such funds and assets, there was no significant financial impact on the FCRPS related to the settlement of such litigation in the current year.

Involving the Tenaska Washington Partners, II L.P.

In fiscal 1995 the Tenaska Washington Partners, II L.P. (Tenaska) and Chase Manhattan Bank (Chase) filed suit against Bonneville for breach of contract and lost revenues. Currently, Bonneville, Tenaska and Chase are in binding arbitration to resolve the matter. Bonneville believes that the factual and legal assertions by Tenaska in support of its \$1.055 billion claim are without merit. However, Bonneville believes that the arbitration could result in a net award for incurred costs from the Tenaska and Chase cases in excess of \$60 million. There are defenses available to Bonneville that could result in a lesser net award. Bonneville's minimum liability for this matter has been reflected in Other Liabilities and Other Assets on the balance sheet at Sept. 30, 1995.

Other Matters

Certain other claims, suits and complaints have been filed or are pending against entities of FCRPS. In the opinion of BPA General Counsel and management for those entities, the actions are either without merit or involve amounts which are not material to the FCRPS financial statements.

Selected Quarterly Information (Unaudited)

| 3 Months Ended | Dec. 31 | March 31 | June 30 | Sept. 30 |
|-------------------------|------------------------|-------------|-------------|--------------|
| | (thousands of dollars) | | | |
| 1995 | | | | |
| Operating revenues | \$ 639,348 | \$ 624,629 | \$ 560,160 | \$ 561,688 |
| Operating expenses | 497,132 | 418,433 | 473,166 | 500,733 |
| Net interest expenses | 102,301 | 101,373 | 96,577 | 97,343 |
| Net revenues (expenses) | \$ 39,915 | \$ 104,823 | \$ (9,583) | \$ (36,388) |
| 1994 | | | | |
| Operating revenues | \$ 607,095 | \$ 600,457 | \$ 485,307 | \$ 503,089 |
| Operating expenses | 441,972 | 426,441 | 459,638 | 552,283 |
| Net interest expenses | 97,450 | 98,773 | 79,761 | 100,291 |
| Net revenues (expenses) | \$ 67,673 | \$ 75,243 | \$ (54,092) | \$ (149,485) |
| 1993 | | | | |
| Operating revenues | \$ 513,288 | \$ 561,482 | \$ 431,412 | \$ 436,277 |
| Operating expenses | 422,801 | 569,848 | 420,338 | 466,707 |
| Net interest expenses | 82,978 | 81,979 | 94,920 | 99,848 |
| Net revenues (expenses) | \$ 7,509 | \$ (90,345) | \$ (83,846) | \$ (130,278) |

BPA's net revenues are normally higher in the first and second quarters of the fiscal year than in the third and fourth. In fall and winter, loads grow to serve Northwest heating needs. In warmer weather, loads decline and BPA spends more in yearly maintenance.

schedule of amount and allocation of plant investment

Federal Columbia River Power System
As of Sept. 30, 1995

Schedule A

| | Commercial Power | | | Irrigation (unaudited) | | | Total Irrigation |
|---|---------------------|---------------------|-------------------------------|------------------------|---|-------------------------------|---------------------|
| | Total Plant | Completed Plant | Construction Work-In Progress | Total Commercial Power | Returnable From Commercial Power Revenues | Returnable From Other Sources | |
| (thousands of dollars) | | | | | | | |
| Bonneville Power Administration | | | | | | | |
| Transmission Facilities | \$ 4,700,367 | \$ 4,426,226 | \$ 274,141 | \$ 4,700,367 | \$ — | \$ — | \$ — |
| Bureau of Reclamation | | | | | | | |
| Boise | 110,929 | 11,119 | 2,725 | 13,844 | 24,141 | 41,274 | 65,415 |
| Columbia Basin | 1,900,331 | 1,089,518 | 10,668 | 1,100,186 | 564,700 | 171,772 | 736,472 |
| Hungry Horse | 131,325 | 104,172 | 1,850 | 106,022 | — | — | — |
| Minidoka-Palisades | 343,615 | 14,727 | 41,950 | 56,677 | 10,333 | 66,813 | 77,146 |
| Yakima | 195,640 | 6,355 | 315 | 6,670 | 12,389 | 127,682 | 140,071 |
| Total Bureau Projects | 2,681,840 | 1,225,891 | 57,508 | 1,283,399 | 611,563 | 407,541 | 1,019,104 |
| Corps of Engineers | | | | | | | |
| Albeni Falls | 41,128 | 37,790 | 725 | 38,515 | — | — | — |
| Bonneville | 1,241,373 | 819,969 | 24,593 | 844,561 | — | — | — |
| Chief Joseph | 596,241 | 557,511 | 491 | 558,002 | — | 226 | 226 |
| Cougar | 62,268 | 20,292 | — | 20,292 | — | 3,271 | 3,271 |
| Detroit-Big Cliff | 67,774 | 41,310 | — | 41,310 | — | 5,113 | 5,113 |
| Dworshak | 364,094 | 305,428 | 324 | 305,752 | — | — | — |
| Green Peter-Foster | 90,283 | 50,013 | 6 | 50,019 | — | 6,217 | 6,217 |
| Hills Creek | 49,032 | 17,493 | 126 | 17,619 | — | 4,577 | 4,577 |
| Ice Harbor | 190,803 | 139,971 | 337 | 140,308 | — | — | — |
| John Day | 634,441 | 464,692 | 10,671 | 475,363 | — | — | — |
| Libby | 567,948 | 428,285 | 1,971 | 430,256 | — | — | — |
| Little Goose | 252,018 | 206,143 | 4,334 | 210,477 | — | — | — |
| Lookout Point-Dexter | 102,613 | 47,817 | 2,348 | 50,165 | — | 1,505 | 1,505 |
| Lost Creek | 150,489 | 27,097 | — | 27,097 | — | 2,186 | 2,186 |
| Lower Granite | 404,105 | 330,593 | 312 | 330,905 | — | — | — |
| Lower Monumental | 270,400 | 226,747 | 844 | 227,591 | — | — | — |
| McNary | 355,252 | 280,586 | 1,397 | 281,983 | — | — | — |
| The Dalles | 344,701 | 294,137 | 3,377 | 297,514 | — | — | — |
| Columbia River Fish Bypass | 222,351 | 169,425 | 30,778 | 200,203 | — | — | — |
| Lower Snake | 209,296 | 207,145 | — | 207,145 | — | — | — |
| Total Corps Projects | 6,216,610 | 4,672,444 | 82,634 | 4,755,078 | — | 23,095 | 23,095 |
| Irrigation Assistance at 12 Projects | | | | | | | |
| having no power generation | 201,307 | — | — | — | 157,166 | 44,141 | 201,307 |
| Total Plant Investment | 13,800,124 | 10,324,561 | 414,283 | 10,738,844 | 768,729 | 474,777 | 1,243,506 |
| Repayment Obligation Retained | | | | | | | |
| by Columbia Basin Project | 4,639 | 2,836 (a) | — | 2,836 | 1,803 | — | 1,803 |
| Investment in Teton Project (b) | 79,107 | — | 7,269 | 7,269 | 56,573 | 3,681 | 60,254 |
| Total | \$13,883,870 | \$10,327,397 | \$ 421,552 | \$10,748,949 | \$ 827,105 | \$ 478,458 | \$ 1,305,563 |

(a) Amount represents joint transferred to Bureau of Sports Fisheries and Wildlife. This is included in other assets in the accompanying balance sheets.

(b) The \$7,269,000 commercial power portion of the Teton project is included in other assets in the accompanying balance sheets. Teton amounts exclude interest totalling approximately \$2.2 million subsequent to June 1976 which was charged to expense.

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Schedule A (continued)

| | Non-reimbursable (unaudited) | | | | | Percent Returnable from Commercial Power Revenues |
|---|------------------------------|-------------------|-------------------|-------------------|-------------------|---|
| | Navigation | Flood Control | Fish and Wildlife | Recreation | Other | |
| (thousands of dollars) | | | | | | |
| Bonneville Power Administration | | | | | | |
| Transmission Facilities | \$ — | \$ — | \$ — | \$ — | \$ — | 100.00% |
| Bureau of Reclamation: | | | | | | |
| Boise | — | 31,670 | — | — | — | 34.24% |
| Columbia Basin | 1,000 | 56,125 | 5,841 | 154 | 553 | 87.61% |
| Hungry Horse | — | 25,303 | — | — | — | 80.73% |
| Minidoka-Palisades | — | 64,567 | 2,573 | 20,228 | 122,424 | 19.50% |
| Yakima | — | 903 | 47,464 | — | 532 | 9.74% |
| Total Bureau Projects | 1,000 | 178,568 | 55,878 | 20,382 | 123,509 | 70.66% |
| Corps of Engineers: | | | | | | |
| Albeni Falls | 183 | 236 | — | 2,194 | — | 93.65% |
| Bonneville | 393,460 | — | — | 1,289 | 2,062 | 68.03% |
| Chief Joseph | — | — | — | 4,035 | 33,978 | 93.59% |
| Cougar | 545 | 38,160 | — | — | — | 32.59% |
| Detroit-Big Cliff | 230 | 21,121 | — | — | — | 60.95% |
| Dworshak | 9,556 | 34,361 | — | 14,425 | — | 83.98% |
| Green Peter-Foster | 366 | 30,353 | — | 1,658 | 1,670 | 55.40% |
| Hills Creek | 624 | 26,212 | — | — | — | 35.93% |
| Ice Harbor | 47,521 | — | — | 2,974 | — | 73.54% |
| John Day | 99,522 | 21,508 | — | 11,639 | 26,409 | 74.93% |
| Libby | — | 96,199 | 870 | 9,986 | 30,637 | 75.76% |
| Little Goose | 34,882 | — | — | 4,055 | 2,604 | 83.52% |
| Lookout Point-Dexter | 753 | 49,678 | — | 512 | — | 48.89% |
| Lost Creek | — | 53,044 | 24,349 | 30,184 | 13,629 | 18.01% |
| Lower Granite | 52,611 | — | — | 12,747 | 7,842 | 81.89% |
| Lower Monumental | 39,570 | — | — | 2,822 | 417 | 84.17% |
| McNary | 68,448 | — | — | 4,821 | — | 79.38% |
| The Dalles | 45,089 | — | — | 2,076 | 22 | 86.31% |
| Columbia River Fish Bypass | 22,148 | — | — | — | — | 90.04% |
| Lower Snake | 2,151 | — | — | — | — | 98.97% |
| Total Corps Projects | 817,659 | 370,872 | 25,219 | 105,417 | 119,270 | 76.49% |
| Irrigation Assistance at 12 Projects | | | | | | |
| having no power generation | — | — | — | — | — | 78.07% |
| Total Plant Investment | 818,659 | 549,440 | 81,097 | 125,799 | 242,779 | 83.39% |
| Repayment Obligation Retained | | | | | | |
| by Columbia Basin Project | — | — | — | — | — | 100.00% |
| Investment in Teton Project | — | 9,151 | — | 2,433 | — | 80.70% |
| Total | \$ 818,659 | \$ 558,591 | \$ 81,097 | \$ 128,232 | \$ 242,779 | 83.38% |

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To the Administrator of
Bonneville Power Administration,
United States Department of Energy:

In our opinion, the accompanying balance sheets and the related statements of revenues and expenses, changes in capitalization and long-term liabilities and of cash flows present fairly, in all material respects, the financial position of the Federal Columbia River Power System (FCRPS) at September 30, 1995 and 1994, and the results of its operations, changes in capitalization and long-term liabilities and its cash flows for each of the three years in the period ended September 30, 1995, in conformity with generally accepted accounting principles. These financial statements are the responsibility of FCRPS's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in note 7 to the financial statements, litigation related to the allocation of certain costs among Washington Public Power Supply System nuclear projects was resolved in fiscal 1995. The resolution of such litigation did not have a significant impact on the FCRPS financial statements.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Amount and Allocation of Plant Investment as of September 30, 1995 (Schedule A), is not a required part of the basic financial statements. The information entitled Commercial Power in Schedule A has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Portland, Oregon
December 15, 1995

Basis for Financial Reporting

BPA prepares financial statements for the FCRPS to report its financial condition as if it were a public utility. The financial statements are independently audited by Price Waterhouse LLP, independent accountants, in accordance with generally accepted auditing standards. Power rates are based on the FCRPS revenue requirement study. The financial statements show historical results, and the revenue requirement study shows projected costs to be recovered from rates. The revenue requirement study is prepared consistent with BPA's statutory obligation to set rates to recover all costs of acquiring, conserving and transmitting electric power, including timely repayment of the federal investment in the FCRPS, and all other costs incurred by the Administrator pursuant to law. Costs include operation and maintenance, non-federal projects debt service, federal interest and recovery of the federal investment.

Revenue Requirement Study

The revenue requirement study demonstrates repayment of federal investment and it reflects revenues and costs consistent with the 1993 Wholesale Power and Transmission rate Filing. The federal Energy Regulatory Commission granted final approval for proposed rates on June 20, 1994 for fiscal years 1994 and 1995 (67 FERC 61,351).

Repayment Demonstration

BPA is required by Public Law 89-448 to demonstrate that reimbursable costs of the FCRPS will be returned to the U.S. Treasury from BPA net revenues within the period prescribed by law. BPA is required to make a similar demonstration for the costs of irrigation projects which are beyond the ability of the 22 irrigation water users to repay. These requirements are met by conducting power repayment studies which produce schedules of payments at the proposed rates to demonstrate repayment of principal within the allowable repayment period.

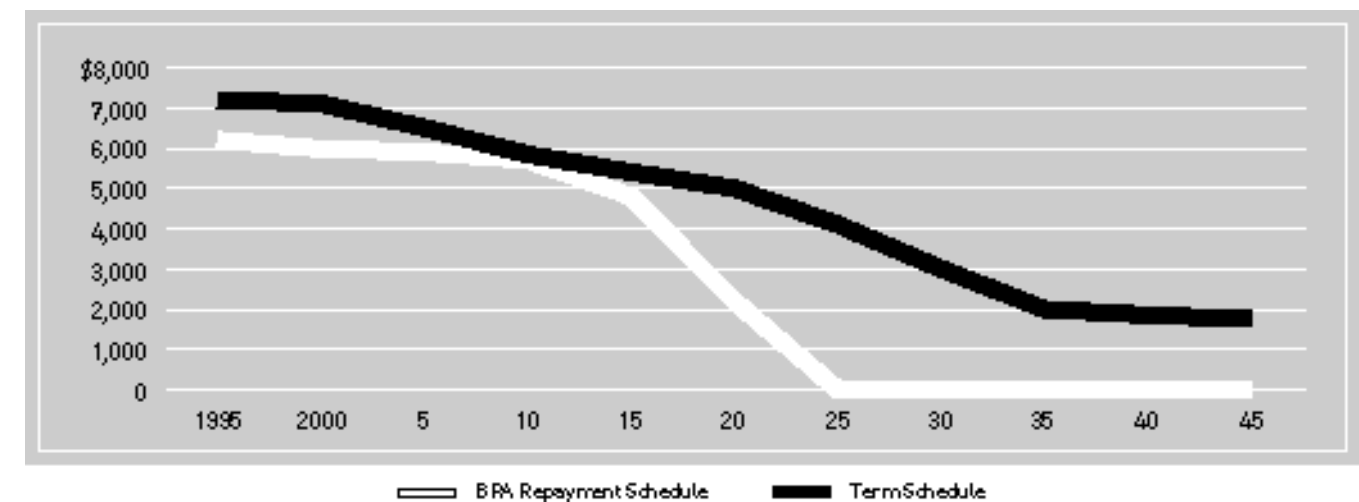
Since 1985, BPA has prepared separate repayment demonstrations for generation and transmission in accordance with an order issued by the Commission on Jan. 27, 1984 (26 FERC 61,096).

Repayment Policy

BPA's repayment policy is reflected in its revenue requirements and rate levels. This policy requires that FCRPS revenues be sufficient to:

1. Pay the cost of obtaining power through purchase and exchange agreements (non-federal projects).
2. Pay the cost of operating and maintaining the power system.
3. Pay interest on and repay outstanding bonds issued to the Treasury to finance transmission system

Unrepaid Federal Generation Investment (Includes future replacements)
(millions of dollars)



federal repayment

construction, conservation, and fish and wildlife projects.

4. Pay interest on the unrepaid investment in power facilities financed with appropriated funds. (Federal hydroelectric projects are all financed with appropriated funds, as were BPA transmission facilities constructed before 1978.)
5. Pay, with interest, any outstanding deferral.
6. Repay the power investment in each federal hydroelectric project within 50 years after going into service (except for the Chandler project, which has a legislated repayment period of 66 years).
7. Repay each increment of the investment in the BPA transmission system financed with appropriated funds within the average service life of the transmission facilities (45 years).
8. Repay the investment in each replacement at a federal hydroelectric project within its service life.
9. Repay construction costs at federal reclamation projects which are beyond the ability of the irrigators to pay, and are assigned for payment from commercial power net revenues, within the same period available to the water users for making payments. These periods range from 40 to 66 years, with 50 years being applicable to most of the irrigation payment assistance.

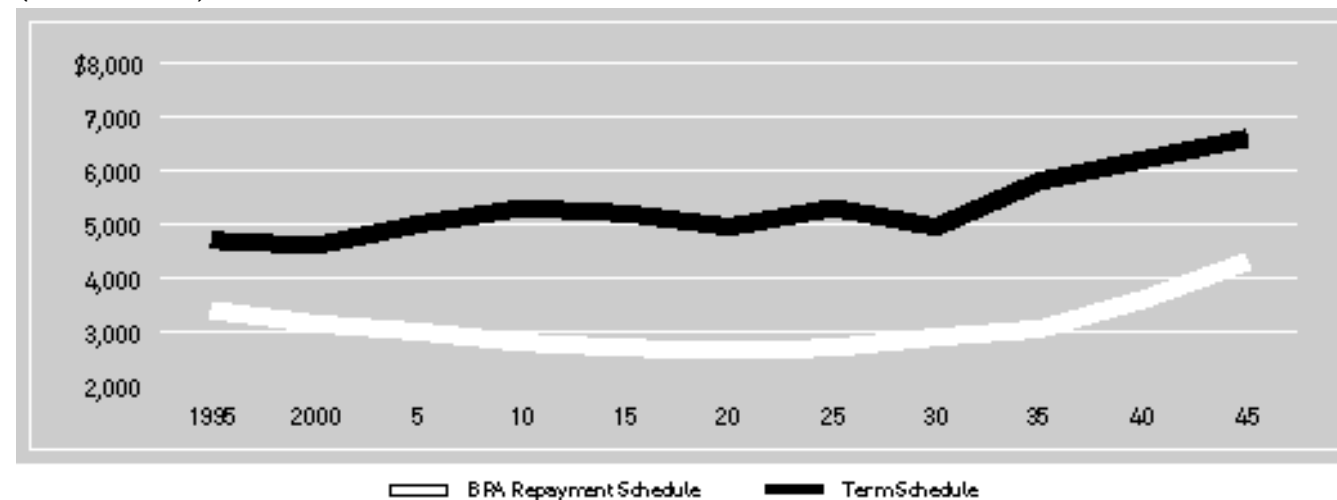
Investments bearing the highest interest rate will be repaid first, to the extent possible, while still completing repayment of each increment of investment within its prescribed repayment period.

Repayment Obligation

BPA's rates must be designed to collect sufficient revenues to return the reimbursable power costs of each FCRPS investment and each irrigation assistance obligation within the time prescribed by law. However, total irrigation assistance payments cannot require an increase in the BPA power rate level. In the absence of a specific legislated period, the costs must be returned within 50 years from the date the investment is capable of producing revenue or within the investment's average service life, whichever is less. If existing rates are not likely to meet this requirement, BPA must reduce costs, adjust its rates, or both.

By comparing the unrepaid investment resulting from BPA's repayment schedule with the allowable unrepaid investment resulting from a "term schedule" on a year-by-year basis it is demonstrated that the federal investment is repaid within the time allowed. A term schedule represents a repayment schedule whereby each investment would be repaid in total in the year it is due.

Unrepaid Federal Transmission Investment (Includes future replacements)
(millions of dollars)



federal repayment

Reporting requirements of Public Law 89-448 are met so long as the unrepaid FCRPS investment and irrigation assistance resulting from BPA's repayment schedule is less than or equal to the allowable unrepaid investment in each year. While the comparison is illustrated by graphs representing total FCRPS generation and total FCRPS transmission investment, the actual comparison is performed on an investment-by-investment basis.

Repayment of FCRPS Investment

The graphs for Unrepaid Federal Generation and Transmission Investment on pages 43 and 44 illustrate that unrepaid investment resulting from BPA's generation and transmission repayment schedules is less than the allowable unrepaid investment. This demonstrates that BPA's rates are sufficient to recover all reimbursable costs of FCRPS investments on or before their due dates.

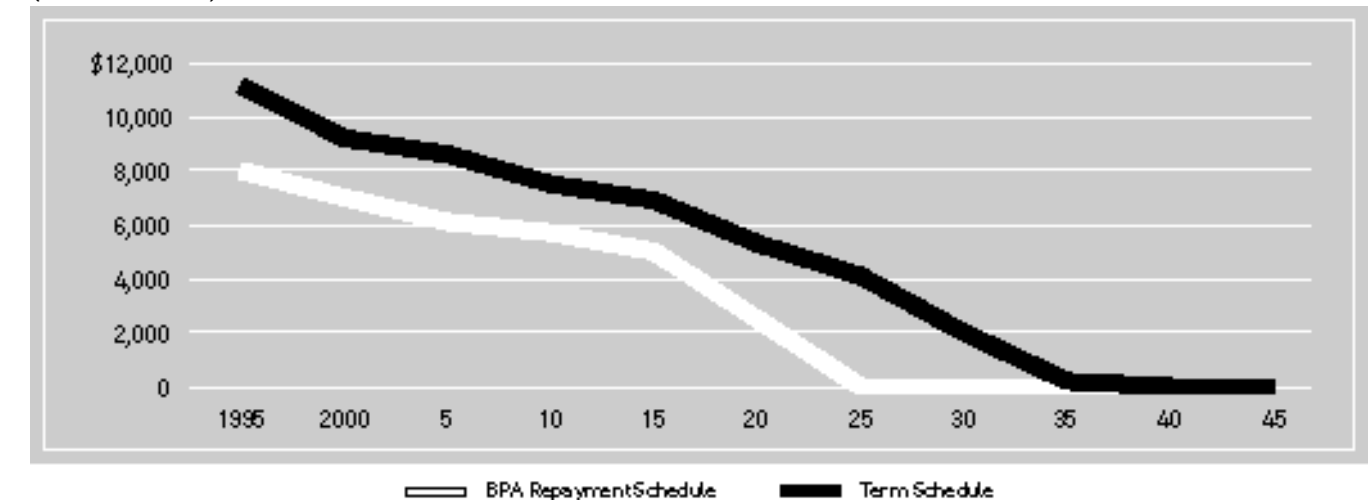
The term schedule lines in the graphs show how much of the investment can remain unpaid in accordance with the repayment period for the generation and transmission components of the FCRPS. The BPA repayment schedule lines show how much of the investment remains to be repaid according to BPA's repayment schedules. In each year, BPA's repayment schedule is ahead of the term schedule.

This occurs because BPA plans repayment both to comply with investment due dates and to minimize costs over the 45- or 50-year repayment period. Costs are minimized by repaying highest interest-bearing investments first, to the extent possible. Consequently some investments are repaid before their due dates, while assuring that all other investments are repaid by their due dates. These graphs include forecasts of future system replacements necessary to maintain the existing FCRPS generation and transmission facilities.

The Unrepaid Federal Investment graph below displays the total planned unrepaid FCRPS investment compared to allowable total unrepaid FCRPS investment omitting future system replacements. This demonstrates that the FCRPS investment expected through fiscal year 1995 is scheduled to be returned to the U.S. Treasury within the 45- or 50-year repayment period and ahead of due dates.

If, in any given year, revenues are not sufficient to cover all cash needs, including interest, any deficiency becomes an unpaid annual expense. Interest is accrued on the unpaid annual expense until paid. This must be paid from subsequent years' revenues before any repayment of federal appropriations can be made.

Unrepaid Federal Investment (Excludes future replacements)
(millions of dollars)



sales of electric power

Federal Columbia River Power System
For the year ended Sept. 30, 1995

Northwest Municipalities

| Customer | Capacity Sales | | Energy Sales | |
|----------------------------------|----------------|------------------|-------------------|-------------------|
| | MW | Revenue | MWh | Revenue |
| (thousands of dollars) | | | | |
| Albion, Idaho | 7 | \$ 31 | 3,080 | \$ 62 |
| Ashland, Ore. | 362 | 1,498 | 161,357 | 3,230 |
| Bandon, Ore. | 134 | 555 | 57,935 | 1,158 |
| Blaine, Wash. | 120 | 495 | 63,145 | 1,267 |
| Bonnars Ferry, Idaho | 106 | 437 | 37,016 | 781 |
| Burley, Idaho | 233 | 962 | 117,322 | 2,338 |
| Canby, Ore. | 244 | 1,012 | 107,799 | 2,178 |
| Cascade Locks, Ore. | 41 | 163 | 19,491 | 371 |
| Centralia, Wash. | 410 | 1,698 | 167,882 | 3,443 |
| Cheney, Wash. | 210 | 869 | 101,658 | 2,042 |
| Chewelah, Wash. | 48 | 200 | 23,469 | 471 |
| Cons. Irrig. Dist., Wash. | 4 | 15 | 1,369 | 26 |
| Coulee Dam, Wash. | 34 | 145 | 15,482 | 315 |
| Declo, Idaho | 8 | 32 | 3,366 | 68 |
| Drain, Ore. | 48 | 198 | 22,907 | 455 |
| Eatonville, Wash. | 44 | 187 | 20,262 | 410 |
| Ellensburg, Wash. | 343 | 1,419 | 171,490 | 3,423 |
| Eugene, Ore. | 2,641 | 10,768 | 1,474,926 | 28,011 |
| Fircrest, Wash. | 88 | 363 | 40,190 | 813 |
| Forest Grove, Ore. | 367 | 1,478 | 177,146 | 3,550 |
| Heyburn, Ore. | 182 | 755 | 111,270 | 2,208 |
| Idaho Falls, Idaho | 1,208 | 5,003 | 568,122 | 11,430 |
| McCleary, Wash. | 81 | 333 | 34,645 | 692 |
| McMinnville, Ore. | 1,363 | 5,602 | 588,283 | 12,551 |
| Milton, Wash. | 109 | 451 | 52,926 | 1,066 |
| Milton-Freewater, Ore. | 148 | 572 | 67,920 | 1,367 |
| Minidoka, Idaho | 2 | 9 | 939 | 19 |
| Monmouth, Ore. | 138 | 568 | 60,717 | 1,222 |
| Plummer, Idaho | 76 | 312 | 31,885 | 639 |
| Port Angeles, Wash. | 1,152 | 4,797 | 648,928 | 12,990 |
| Richland, Wash. | 1,427 | 5,914 | 632,129 | 12,591 |
| Rupert, Idaho | 169 | 703 | 80,664 | 1,617 |
| Seattle, Wash. | 194 | 567 | 1,695,204 | 33,560 |
| Soda Springs, Idaho | 49 | 200 | 23,646 | 474 |
| Springfield, Ore. | 1,623 | 6,722 | 850,743 | 16,967 |
| Steilacoom, Wash. | 89 | 369 | 39,047 | 793 |
| Sumas, Wash. | 34 | 143 | 17,627 | 351 |
| Tacoma, Wash. | 2,689 | 10,575 | 1,724,364 | 32,946 |
| Troy, Mont. | 31 | 127 | 14,642 | 295 |
| Vera Irrig. Dist., Wash. | 379 | 1,573 | 177,874 | 3,577 |
| WPPSS, Wash. | 73 | 300 | 37,830 | 761 |
| Total Municipalities (41) | 16,708 | \$ 68,120 | 10,246,697 | \$ 202,528 |

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sales of electric power

Federal Columbia River Power System
For the year ended Sept. 30, 1995

Public Utility Districts

| Customer | Capacity Sales | | Energy Sales | |
|--|----------------|-------------------|-------------------|-------------------|
| | MW | Revenue | MWh | Revenue |
| (thousands of dollars) | | | | |
| Asotin | 1 | \$ 4 | 239 | \$ 5 |
| Benton County | 3,095 | 12,819 | 1,421,487 | 26,661 |
| Central Lincoln | 2,579 | 10,680 | 1,381,935 | 27,496 |
| Chelan County | 199 | 100 | 482 | 9 |
| Clallam County | 1,225 | 4,714 | 512,552 | 9,644 |
| Clark County | 6,635 | 27,544 | 3,336,655 | 67,174 |
| Clatskanie | 1,446 | 5,988 | 883,848 | 17,443 |
| Columbia River | 538 | 2,073 | 279,265 | 5,155 |
| Cowlitz County | 5,863 | 24,116 | 4,375,653 | 83,023 |
| Douglas County | 168 | 77 | — | — |
| Emerald | 892 | 3,432 | 392,378 | 7,242 |
| Ferry County | 233 | 898 | 112,898 | 2,101 |
| Franklin County | 1,363 | 5,645 | 655,714 | 12,277 |
| Grant County #2 | 727 | 564 | 344,780 | 6,169 |
| Grays Harbor | 1,913 | 7,919 | 976,322 | 19,588 |
| Kittitas County | 95 | 356 | 41,256 | 748 |
| Klickitat | 617 | 2,387 | 301,731 | 5,477 |
| Lewis County | 1,357 | 5,226 | 722,139 | 13,503 |
| Mason County #1 | 135 | 524 | 59,610 | 1,118 |
| Mason County #3 | 1,185 | 4,563 | 542,942 | 10,169 |
| Northern Wasco County | 564 | 2,334 | 262,501 | 5,238 |
| Okanogan County | 573 | 2,173 | 359,283 | 6,991 |
| Pacific County#2 | 638 | 2,643 | 283,048 | 5,694 |
| Pend Oreille County | 470 | 1,948 | 274,750 | 5,459 |
| Skamania | 241 | 928 | 106,497 | 1,993 |
| Snohomish County | 8,220 | 34,022 | 4,834,663 | 91,770 |
| Tillamook | 854 | 3,290 | 382,001 | 7,083 |
| Wahkiakum County | 84 | 321 | 36,120 | 675 |
| Whatcom County | 276 | 1,141 | 173,849 | 3,400 |
| Total Public Utility Districts (29) | 42,186 | \$ 168,429 | 23,054,598 | \$ 443,305 |

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sales of electric power

Federal Columbia River Power System
For the year ended Sept. 30, 1995

Cooperatives

| Customer | Capacity Sales | | Energy Sales | |
|--------------------------------|----------------|---------|--------------|---------|
| | MW | Revenue | MWh | Revenue |
| (thousands of dollars) | | | | |
| Alder Mutual Light | 7 | \$ 27 | 3,094 | \$ 58 |
| Benton Rural Electric Assn. | 787 | 3,022 | 362,786 | 6,443 |
| Big Bend Co-op | 846 | 3,225 | 402,216 | 5,766 |
| Blachly-Lane Co-op | 318 | 1,253 | 138,499 | 2,618 |
| Central Electric Co-op | 1,075 | 4,139 | 443,147 | 7,971 |
| Clearwater Power Co. | 392 | 1,514 | 171,186 | 2,945 |
| Columbia Basin Co-op | 216 | 827 | 101,711 | 1,747 |
| Columbia Power Co-op | 60 | 232 | 27,284 | 474 |
| Columbia Rural Electric Assn. | 444 | 1,713 | 206,742 | 2,967 |
| Consumers Power | 800 | 3,084 | 347,022 | 6,419 |
| Coos-Curry Electric Co-op | 702 | 2,702 | 297,703 | 5,512 |
| Douglas Electric Co-op | 303 | 1,164 | 134,289 | 2,483 |
| East End Mutual Electric | 42 | 165 | 18,360 | 319 |
| Elmhurst Mutual P&L | 537 | 2,224 | 243,440 | 4,943 |
| Fall River Electric Co-op | 383 | 1,470 | 161,796 | 2,572 |
| Farmers Electric Co. | 10 | 36 | 3,940 | 78 |
| Flathead Electric Co-op | 427 | 1,643 | 192,370 | 3,541 |
| Glacier Electric Co-op | 300 | 1,158 | 157,464 | 2,900 |
| Harney Electric Co-op | 401 | 1,537 | 217,199 | 3,400 |
| Hood River Electric Co-op | 201 | 837 | 102,477 | 2,077 |
| Idaho Co. L&P Co-op | 83 | 307 | 38,323 | 713 |
| Inland P&L | 1,133 | 4,363 | 502,882 | 9,382 |
| Kootenai Electric Co-op | 535 | 2,058 | 251,733 | 4,679 |
| Lakeview L&P | 569 | 2,357 | 289,146 | 5,795 |
| Lane Electric Co-op | 496 | 1,931 | 211,262 | 3,966 |
| Lincoln Electric Co-op - Mont. | 235 | 911 | 108,223 | 2,010 |
| Lincoln Electric Co-op - Wash. | 199 | 759 | 97,850 | 1,389 |
| Lost River Electric Co-op | 124 | 475 | 55,409 | 868 |
| Lower Valley P&L | 1,068 | 4,117 | 490,785 | 9,190 |
| Midstate Electric Co-op | 639 | 2,459 | 289,825 | 5,142 |
| Missoula Electric Co-op | 331 | 1,274 | 156,268 | 2,867 |
| Modern Electric Water Co-op | 402 | 1,666 | 203,751 | 4,061 |
| Nespelem Valley Electric Co-op | 92 | 358 | 40,377 | 710 |
| Northern Lights | 452 | 1,748 | 206,299 | 3,840 |
| Ohop Mutual Light Co. | 130 | 498 | 55,650 | 1,047 |
| Okanogan County Co-op | 89 | 338 | 40,109 | 742 |
| Orcas P&L | 339 | 1,308 | 153,132 | 2,873 |
| Oregon Trail Electric | 1,198 | 4,615 | 552,825 | 10,174 |
| Pacific NW Generating Co. | 15 | 62 | 1,850 | 35 |
| Parkland Light & Water | 207 | 857 | 101,525 | 2,053 |
| Peninsula Light Co. | 1,009 | 4,178 | 454,739 | 9,201 |

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sales of electric power

Federal Columbia River Power System
For the year ended Sept. 30, 1995

Cooperatives (continued)

| Customer | Capacity Sales | | Energy Sales | |
|--------------------------------|----------------|------------------|-------------------|-------------------|
| | MW | Revenue | MWh | Revenue |
| (thousands of dollars) | | | | |
| Raft River Electric Co-op | 347 | \$ 1,321 | 176,170 | \$ 2,396 |
| Ravalli Electric Co-op | 230 | 884 | 100,879 | 1,834 |
| Riverside Electric Co. | 36 | 141 | 14,424 | 254 |
| Rural Electric Co. | 177 | 711 | 83,021 | 1,508 |
| Salem Electric | 722 | 2,991 | 362,887 | 7,229 |
| Salmon River Co-op | 531 | 2,046 | 268,253 | 4,952 |
| South Side Electric Lines | 91 | 356 | 39,761 | 627 |
| Surprise Valley Electric | 246 | 954 | 120,660 | 2,040 |
| Tanner Electric | 105 | 405 | 47,156 | 882 |
| Umatilla Electric Co-op | 1,191 | 4,666 | 638,554 | 10,421 |
| Unity P&L | 164 | 660 | 74,909 | 1,312 |
| Vigilante Electric Co-op | 235 | 902 | 111,438 | 1,802 |
| Wasco Electric Co-op | 177 | 685 | 81,727 | 1,458 |
| Wells Rural | 1,078 | 4,288 | 597,446 | 12,121 |
| West Oregon Co-op | 150 | 576 | 68,868 | 1,276 |
| Total Cooperatives (56) | 23,076 | \$ 90,197 | 10,820,841 | \$ 196,082 |

Federal Agencies

| Customer | Capacity Sales | | Energy Sales | |
|-----------------------------------|----------------|-----------------|------------------|------------------|
| | MW | Revenue | MWh | Revenue |
| (thousands of dollars) | | | | |
| U.S. Department of Energy | 554 | \$ 2,297 | 324,340 | \$ 6,491 |
| U.S. Bureau of Mines | 14 | 56 | 4,707 | 95 |
| U.S. Air Force | 119 | 494 | 60,284 | 1,195 |
| U.S. Bureau of Reclamation | — | — | 137,071 | 531 |
| U.S. Bureau of Indian Affairs | 561 | 2,215 | 241,253 | 4,365 |
| U.S. Navy | 831 | 3,432 | 418,443 | 8,313 |
| U.S. Army Corps of Engineers | 28 | 116 | — | — |
| Total Federal Agencies (7) | 2,107 | \$ 8,610 | 1,186,098 | \$ 20,990 |

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sales of electric power

Federal Columbia River Power System
For the year ended Sept. 30, 1995

Investor-Owned Utilities

| Customer | Capacity Sales | | Energy Sales | |
|---|----------------|------------------|------------------|-------------------|
| | MW | Revenue | MWh | Revenue |
| (thousands of dollars) | | | | |
| Colockum Transmission Co. | 228 | \$ 105 | — | \$ — |
| Idaho Power Co. | — | — | 182,431 | 2,043 |
| Montana Power Co. | — | — | 658,858 | 28,866 |
| Pacific Power & Light Co. | 13,613 | 77,408 | 1,694,314 | 39,065 |
| Portland General Electric Co. | 1,847 | 6,759 | 2,631,643 | 60,015 |
| Puget Sound P&L Co. | 845 | 387 | 1,997,070 | 65,551 |
| Washington Water Power | 790 | 3,214 | 1,138,333 | 41,820 |
| Total Investor-Owned Utilities (7) | 17,323 | \$ 87,873 | 8,302,649 | \$ 237,360 |

Aluminum Industry

| Customer | Capacity Sales | | Energy Sales | |
|------------------------------------|----------------|-------------------|-------------------|-------------------|
| | MW | Revenue | MWh | Revenue |
| (thousands of dollars) | | | | |
| Alcoa | 874 | \$ 4,836 | 551,142 | \$ 10,172 |
| Columbia Aluminum Co. | 2,989 | 17,911 | 2,343,078 | 44,226 |
| Columbia Falls Aluminum Co. | 3,333 | 19,900 | 2,556,090 | 46,027 |
| Intalco Aluminum Co. | 3,608 | 21,617 | 2,955,681 | 55,748 |
| Kaiser Aluminum | 5,657 | 33,453 | 4,114,755 | 74,564 |
| Northwest Aluminum Co. | 1,640 | 9,829 | 1,360,049 | 26,396 |
| Reynolds Metals Co. | 3,950 | 23,647 | 2,847,597 | 51,695 |
| Vanalco, Inc. | 2,633 | 15,777 | 1,919,588 | 34,886 |
| Total Aluminum Industry (8) | 24,684 | \$ 146,970 | 18,647,980 | \$ 343,714 |

Other Industries

| Customer | Capacity Sales | | Energy Sales | |
|-----------------------------------|----------------|------------------|------------------|------------------|
| | MW | Revenue | MWh | Revenue |
| (thousands of dollars) | | | | |
| ACPC, Inc. | 14 | \$ 64 | 5,332 | \$ 144 |
| Atochem N. America | 955 | 4,866 | 664,349 | 12,429 |
| Georgia Pacific Corp. | 309 | 1,559 | 224,050 | 4,166 |
| Gilmore Steel | 3 | 17 | 1,316 | 26 |
| Nickel Joint Venture | 448 | 2,228 | 236,707 | 4,077 |
| Oregon Metallurgical | 161 | 822 | 106,384 | 2,015 |
| Port Townsend Paper | 158 | 802 | 112,114 | 2,083 |
| Stewart Elsner/Camp High Cliff | — | — | 1 | — |
| Total Other Industries (8) | 2,048 | \$ 10,358 | 1,350,253 | \$ 24,940 |

Total Sales Northwest (156) 128,132 \$ 580,557 73,609,116 \$ 1,468,919

sales of electric power

Federal Columbia River Power System
For the year ended Sept. 30, 1995

Outside Northwest

| Customer | Capacity Sales | | Energy Sales | |
|--|----------------|------------------|------------------|-------------------|
| | MW | Revenue | MWh | Revenue |
| (thousands of dollars) | | | | |
| Anaheim, Calif. — Public | 120 | \$ 684 | 6,890 | \$ 58 |
| Arizona Public Service — Public | — | — | 147,150 | 1,472 |
| B.C. Power Export — Public | 6 | 18 | 1,487,894 | 15,124 |
| Burbank, Calif. — Public | 360 | 2,259 | 173,049 | 4,464 |
| Cominco, Ltd., B.C. — Investor | 420 | 130 | 70,906 | 779 |
| El Paso Electric Co-op — Public | — | — | 27,210 | 327 |
| Electric Clearinghouse, Inc. — Investor | — | — | 2,019 | 26 |
| Enron — Investor | — | — | 125 | 596 |
| Glendale, Calif. — Public | 160 | 997 | 110,423 | 2,247 |
| Hetch Hetchy Water Power — Public | — | — | 2,394 | 36 |
| Illinova — Investor | — | — | 20,800 | 374 |
| Lassen Municipal Utility District — Public | — | — | 1,837 | 31 |
| LG&E Power Marketing Inc. — Investor | — | — | 550 | 6 |
| Los Angeles, Calif. — Public | — | — | 596,518 | 5,399 |
| Louis Dreyfus — Investor | — | — | 40,000 | 720 |
| Metropolitan Water District — Public | — | — | 3,420 | 23 |
| MSR Public Power Agency — Public | 1,200 | 7,466 | 440,990 | 14,752 |
| Modesto Irrigation District — Public | — | — | 14,794 | 191 |
| Nevada Power Co. — Investor | — | — | 2,590 | 35 |
| No. California Power Agency — Public | 20 | 57 | 10,385 | 130 |
| Pacific Gas & Electric Co. — Investor | 400 | 1,456 | 721,230 | 8,546 |
| Palo Alto — Public | — | — | 35,400 | 646 |
| Pasadena, Calif. — Public | 102 | 678 | 80,326 | 1,398 |
| Public Service of Colorado — Investor | — | — | 477 | 3 |
| Public Service New Mexico — Public | — | — | 100 | 1 |
| Redding, Calif. — Public | — | — | 668 | 12 |
| Riverside, Calif. — Public | 119 | 678 | 685 | 7 |
| Sacramento, Calif. — Public | 200 | 1,004 | 405,896 | 5,796 |
| Salt River Project — Public | — | — | 17,848 | 220 |
| San Diego Gas & Electric — Investor | — | — | 452,252 | 4,476 |
| Santa Clara, Calif. — Public | — | — | 18,809 | 193 |
| Sierra Pacific Power Co. — Investor | — | — | 12,718 | 103 |
| So. Calif. Edison Co. — Investor | — | — | 1,818,767 | 47,811 |
| State of California — Public | — | — | 3,582 | 47 |
| Tucson Electric Power — Investor | — | — | 17,244 | 86 |
| Turlock Irrigation District — Public | — | — | 4,415 | 56 |
| Vernon, Calif. — Public | 40 | 140 | 31,158 | 302 |
| Total Outside Northwest (37) | 3,147 | \$ 15,567 | 6,781,519 | \$ 116,493 |

Sales of Electric Power (193) 131,279 \$ 596,124 80,390,635 \$ 1,585,412

BPA officers

Randy Hardy
Administrator/Chief Executive Officer

Jack Robertson
Deputy Administrator/Deputy Chief Executive Officer

Sue Hickey
Chief Operating Officer

Jim Curtis
Group Vice President for Financial Services

Steve Hickok
Group Vice President for Sales & Customer Service

George Bell
Group Vice President for Transmission Services

Alexandra Smith
Group Vice President for Environment, Fish & Wildlife

Walt Pollock
Group Vice President for Marketing, Conservation & Production

Harvey Spigal
Group Vice President for Legal Services

Ed Sienkiewicz
Group Vice President for Corporate Services

Steve Wright
Vice President, Washington, D.C. Liaison

Vickie Vanzandt
Vice President for Engineering Services

Fred Johnson
Vice President for Transmission Field Services

Terry Esvelt
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Judi Johansen
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BPA profile:

Congress created the Bonneville Power Administration in 1937 to market and transmit the power produced at Bonneville Dam.

Today BPA markets the power from 29 federal dams and one non-federal nuclear plant in the Pacific Northwest, and has built one of the largest and most reliable transmission systems in the United States. The dams and the electrical system are known as the Federal Columbia River Power System.

BPA's service area includes Oregon, Washington, Idaho, western Montana and small parts of Wyoming, Nevada, Utah, California and eastern Montana. BPA sells wholesale power to public and private utilities, as well as to some large industries. Bonneville also sells or exchanges power with utilities in California and Canada.

As part of its mission, BPA is responsible for encouraging conservation and acquiring additional energy resources sufficient to meet the future needs of its utility customers.

BPA also funds the region's efforts to protect and rebuild fish and wildlife populations in the Columbia River Basin.

BPA is a nonprofit entity and its programs are funded by Northwest ratepayers.



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DOE/BP-2800