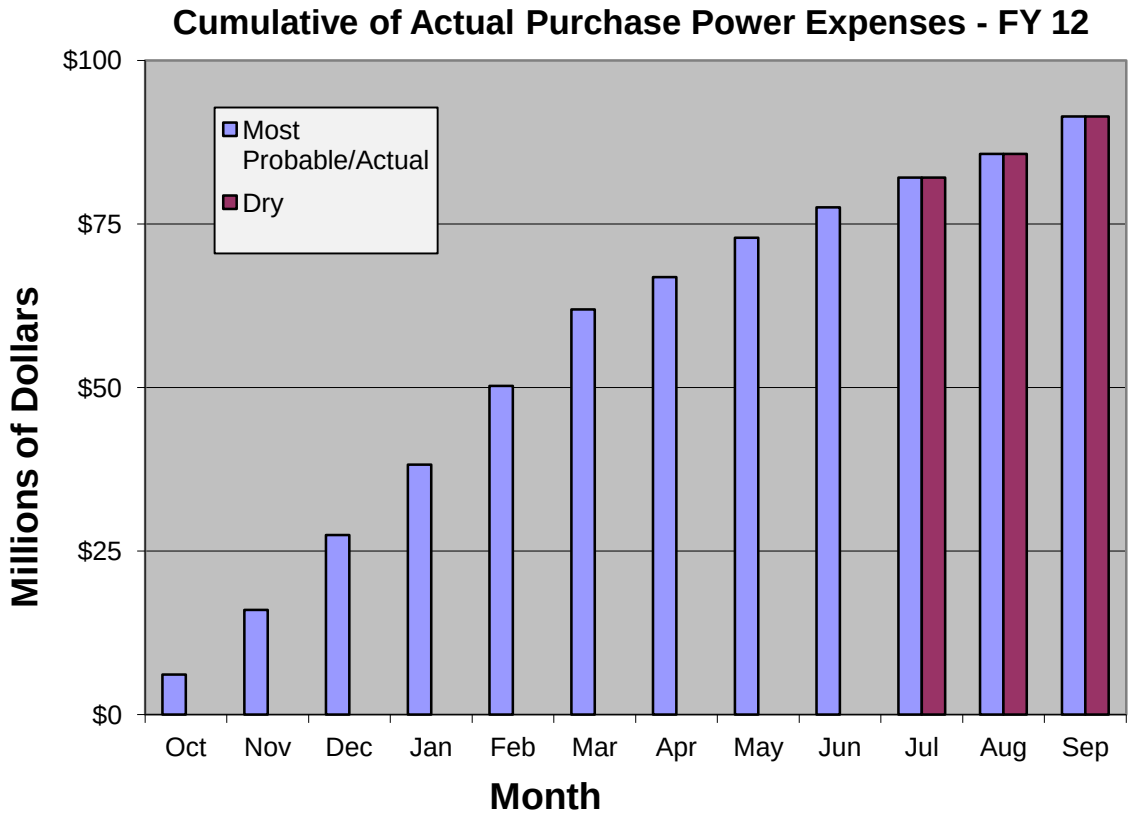
Hydro Conditions
and
Purchase Power Monthly Outlook
July 31, 2012

Western Summary

- The most probable forecast of net generation for FY 2012 is 27,036 Gigawatthours (GWh) or 98 percent of average. October through June generation was 102 percent of average.
- The lower level forecast of generation for FY 2012 is 26,909 GWh or 98 percent of average.
- The purchased power for FY 2012 is expected to be approximately 1,855 GWh.
- The average price for purchase power across all hydro projects and off-peak and on-peak periods is expected to be $49/MWh. This price compares to $59/MWh last year.
- Purchase power expenses for FY 2012 are forecast to be approximately $91 million.
- October through June purchases totaled over $77.5 million – compared to $86 million for the same period last year.



Upper Great Plains Region

Storage: The snow water content in the mountain snowpack in the Missouri River Basin upstream of Canyon Ferry has essentially melted out. Due to the lack of normal spring precipitation, streamflows into Canyon Ferry dropped to 69 percent of average during June. The July 1water supply forecast indicates the July runoff into Canyon Ferry is expected to equal 149,700 acre-feet (52% of average). With storage in Canyon Ferry currently at the top of the joint-use pool, releases out of Canyon Ferry to the Missouri River below Holter Dam are expected to be maintained at or above the desired fishery flow of 4,100 through the rest of the year.

Streamflows into Bighorn Lake during June declined to 54% of average. Based on the July 1 water supply forecast and the planned releases out of Boysen and Buffalo Bill Reservoirs, the July runoff into Bighorn Lake is expected to equal 103,000 acre-feet (36% of average).

As of July 15, 2012, the storage level at Canyon Ferry was 1849,398 acre feet and the active conservation pool is 97.8% full. Storage at Yellowtail is 946,918 acre feet and the active conservation pool is 92.8% full.

COE Runoff: Warmer and drier than normal conditions in the upper Missouri River basin are reflected in the July runoff forecast, which indicates below normal runoff for the remainder of 2012.

Bird peaking is in full operation at Garrison and Ft.Randall.

Estimated generation for 2012 dipped slightly and now estimated to be 9,769 GWh. Normal is 10,000.

Snow pack The following is the latest and final snow pack report for the next few months. The June 1 forecasted runoff for calendar year 2012 has been lowered to 22.2 MAF. This runoff would be 89% of normal runoff. As of June 1, 2012, the mountain snowpack in the reach above Fort Peck is 87% of the average snowpack for this date. Mountain snowpack in the reach between Fort Peck and Garrison is 70% of the average snowpack for this date. The mountain snowpack above Fort Peck peaked on April 9 at 97% of the normal April 15th peak. The mountain snowpack in the reach between Fort Peck and Garrison peaked on March 22nd at 88% of the normal April 15th peak.

FY Generation: The six main stem power plants generated 950 million kilowatt hours of electricity in June. Total energy production for 2012 was earlier forecasted to reach 14.1 billion kWh, but has been reduced to around 11.1 billion KWh. The long-term average is approximately 10 billion kWh.

Purchase Power: With the summer heat temperatures on the rise, prices have increased to about $20 off peak and $40 on peak, with some hours in the 70s.

Rocky Mountain Region

The Loveland Area Projects (LAP) reside in both the Upper Missouri and Upper Colorado basins. Hydrologic conditions can vary from one river basin and watershed to another. The three LAP watersheds are the Bighorn River Basin in Wyoming, the North Platte River Basin in Colorado and Wyoming, and the headwaters of the Colorado River Basin in Colorado.

Severe to extreme drought conditions persist in all three river basins due to low snowmelt runoff and a lack of seasonal precipitation. Heavy water demands have now drawn down the overall LAP reservoir storage to below average and to lower than it was at this time last year. Reservoir inflows were well below average in May and June and are forecast to be well below average for the remainder of the summer. The latest National Weather Service forecast calls for temperatures in the August through October period to be more likely above normal in Colorado and southeastern Wyoming with equal chances of being above or below normal in northwestern Wyoming. Precipitation is just as likely to be above normal as below normal in Wyoming and most of Colorado while more likely to be above normal in southwestern Colorado.

LAP Water Conditions At-A-Glance

	Reservoir Storage 1,000 acre-feet			Actual Reservoir Inflow To-Date 1,000 acre-feet			Most Probable Reservoir Inflow 1,000 acre-feet (April - July)		
	end of June	average	% of average	October - June	average	% of average	July forecast	average	% of average
CBT	719.2	821.9	**88%**	352.9	572.2	**62%**	276.1	595.0	**46%**
North Platte	1,819.7	1,860.5	**98%**	555.6	934.9	**59%**	275.1	770.0	**36%**
Bighorn	2,213.4	2,197.3	**101%**	1,117.4	1,313.4	**85%**	839.2	1,409.7	**60%**
TOTAL	4,752.3	4,879.7	**97%**	2,025.9	2,820.5	**72%**	1,390.4	2,774.7	**50%**

Net At Plant Generation Projections (GWh)

	Most Probable Case median inflow			Reasonable Minimum Case lower decile inflow			Reasonable Maximum Case upper decile inflow		
	July projection	average	% of marketed	July projection	average	% of marketed	July projection	average	% of marketed
Winter 11-12	583.8	726.2	**80%**	583.8	726.2	**80%**	583.8	726.2	**80%**
Summer 12	1,214.9	1,211.1	**100%**	1,206.7	1,211.1	**100%**	1,243.1	1,211.1	**103%**
TOTAL 2012	1,798.7	1,937.3	**93%**	1,790.5	1,937.3	**92%**	1,826.9	1,937.3	**94%**

LAP generation was well below average from October through April, above average in May, and near average in June. LAP generation is now expected to be below average in July and near average in August and September. Reclamation does not plan to curtail Adams Tunnel imports and associated CBT generation in August as a means to improve the water clarity of Grand Lake this year. There will be no reservoir spills and associated plant bypasses with surplus generation this summer.

Colorado River Storage Project Management Center

The total storage volume for the CRSP main stem reservoirs is 20,216,000 acre feet, which is about 65 percent of the total main stem reservoir storage capacity. Main stem reservoir inflows for the most recent historical month (June, 2012) were about 20 percent of average. Lake Powell elevation currently is about 3,632 feet, 68 feet from maximum reservoir level. The elevation peaked for the water year in May at 3637 feet and has been dropping ever since. The current runoff forecast for April through July, 2012 into Lake Powell is about 2.0 million acre feet or 28% of average.

Projected SLCA/IP net generation for Fiscal Year 2012 is 5,601 GWh as compared to 5,937 GWh based on the long-term historical average generation.

Estimated purchase power expenses for firming during the fiscal year 2012 are about $19.6 million as compared to about $14.5 million based on long–term median historical releases. Purchase power availability in the region is abundant and purchase prices are low compared to the recent past, which is helping to reduce firming purchase costs. However, electricity costs are rising with the summer heat.

Desert Southwest Region

Current Aggregate Storage (Mead, Mohave & Havasu): 15.477 MAF (15.837 MAF May-2012), 21.204 MAF (61-Year Historical Avg).

The Lake Mead end of June 2012 elevation was 1,115.84 ft. (3.54 ft. lower than end of May 2012 elevation), or about 103.8 ft. below full storage elevation of 1,219.64 ft. and 65.84 ft. above the minimum generation elevation for Hoover of 1,050 ft.

Lake Mead's elevation peaked at 1,134.18 ft in January of WY 2012 (18.14 ft. above the WY 2011 peak elevation of 1,116.04 ft.), and is projected to drop to a minimum elevation of 1112.95 ft. in September of WY 2012, a maximum fluctuation in lake elevation of 21.23 ft.

The Lake Powell operational tier for WY 2012 is the Equalization Tier. Total releases from Lake Powell are projected to be 9.463 MAF for WY 2012 (actual of 12.518 MAF for WY 2011). The projected 2012 April – July unregulated inflow into Lake Powell is 28% of average (actual of 162% of average for 2011).

Basin Snow Pack and Precipitation: DSW hydrology is mostly dependent on the Colorado River Basin snow pack and precipitation above Lake Powell. The WY 2012 year-to-date precipitation is currently 72% of average.

Lower Basin Runoff: The lower basin tributary inflow into Lake Mead for June 2012 was 8 KAF. The projected side inflow into Lake Mead for WY2012 is 627 KAF which represents a 46% decrease from last year's actual of 1,157 KAF, and represents 48% of the normal annual side inflow of 1.3 MAF.

Forecast WY12 Generation: 5,367 GWh compared to 5,652 GWh (Historical Average). The projected Hoover and Parker-Davis generation for WY 2012 is 95% of the average historical generation.

Wholesale Power Market Conditons: The June market prices in the Desert Southwest averaged about $29/MWh firm on-peak, $17/MWh firm off-peak compared to $26/MWh firm on-peak, $17/MWh firm off-peak for the previous month.

Sierra Nevada Region

The total storage of the four major CVP reservoirs is 7.778 million-acre-feet, compared to 9.728 MAF last year. Accumulated inflow for the water year-to-date is 82 percent of the 15-year average for Trinity, 71 percent for Shasta, 88 percent for Folsom and 90 percent for Melones.

The Northern Sierra Eight Station index averages slightly more than 50 inches of precipitation per water year. We are currently at 41.50 inches or 81 percent of average. This water year started out with October recorded precipitation totaling 3.91 inches, which is above average for that month. November recorded precipitation totaled 2.69 inches, or less than 50 percent of average. December came in at 0.32 inches, making it one of the fifth worst since 1921. January ended at 85 percent of its monthly average. February ended at 3.0 inches, which is only 36 percent of average. March ended at 235 percent of its monthly average. April ended at 165 percent of its monthly average, while May ended at 23 percent. June averages nearly 1 inch and we ended at 114 percent of average. We've even had some precipitation this month. We are at 0.20 inches or 116 percent of average for July.

The snowpack is assumed to reach its peak April 1st. Therefore, snow water equivalents are reported as a percentage of this average. As of April 1st, the North was at 77 percent, the Central at 51 percent and the South at 38 percent of this average. As of June 14th, there is no snowpack left. The Sacramento River Index (SRI) forecast of water supply based upon May 1st conditions is "critical" for the 90 percent exceedence and "dry" for the 50 percent exceedence case. The State of California bases water year type declarations on May 1st conditions at the 50 percent exceedence level of the Sacramento Valley 40-30-30 (SVI) which at 6.9 makes this year is "below normal." This index takes carryover storage into account unlike the SRI.

The average projection of net generation is again taken from the latest modeling using the update to our customers' "Green Book." This average, at 3.34 GWh, is less than the 3.63 GWh from the CVPIA PEIS planning studies. Under the Post 2004 Marketing Plan, net generation, after Project Use load, First Preference Customer load and sub-control area reserve requirement, becomes the Base Resource which is allocated among the Base Resource, Variable Resource and Full Load Service Customers. This past fiscal year ended at 109 percent of that average. Reclamation forecasts are based upon March 1st conditions, which were based upon water supply forecasts of "critical" for the 90 percent exceedence and "critical" for the 50 percent exceedence. These forecasts would be 93 percent and 94 percent of this "Green Book" average net generation. Reclamation is at nearly maximum pumping from the Delta, but generation remains high and Base Resource also remains high.