

 Quarterly Financial Report2<sup>nd</sup> Quarter  
2007

## Management's Discussion & Analysis

### General

The Federal Columbia River Power System (FCRPS) combines the accounts of the Bonneville Power Administration (BPA), the accounts of the Pacific Northwest generating facilities of the U.S. Army Corps of Engineers (Corps) and the Bureau of Reclamation (Reclamation) and the operation and maintenance costs of the U.S. Fish and Wildlife Service for the Lower Snake River Compensation Plan Facilities. Northwest Infrastructure Financing Corporation (NIFC), a "Special Purpose Corporation," is consolidated with BPA.

BPA was created by an act of Congress in 1937 to market electric power from the Bonneville Dam located on the Columbia River and to construct facilities necessary to transmit such power. Congress has since designated BPA to be the marketing agent for power from all of the federally owned hydroelectric projects in the Pacific Northwest. BPA, whose headquarters are located in Portland, Oregon, is one of four regional federal power marketing administrations within the U.S. Department of Energy. Many of BPA's statutory authorities are vested in the Secretary of Energy, who appoints, and acts by and through, the BPA administrator. Some other authorities are vested directly in the BPA administrator.

BPA's primary customer service area is the Pacific Northwest region of the United States, encompassing the states of Idaho, Oregon, Washington, parts of western Montana, and small parts of western Wyoming, northern Nevada, and northern California. BPA estimates the population of the 300,000 square mile service area is about 12 million people. Electric power sold by BPA accounts for about 40 percent of the electric power consumed within the region. BPA markets the majority of this power to over 100 publicly owned and cooperatively owned utilities for resale to consumers in the region. BPA also has contracts to sell power for direct consumption to a small number of companies (direct-service industries or DSIs) located in the region, although the contracted amount of service BPA provides to DSIs has diminished substantially relative to levels from the 1940s through the 1990s. BPA is required by law to exchange power with qualifying utilities to meet their residential and small farm electric power loads within the region. The operation of this program, referred to as the "Residential Exchange Program," may result in payments by BPA to the exchanging utilities if the applicable power rates for FCRPS power are lower than the utilities' respective average system cost of meeting their residential and small farm power loads. The primary participants in the Residential Exchange Program historically have been investor-owned utilities (IOUs) in the region.

The Transmission System Act placed BPA on a self financing basis, meaning BPA pays its costs from revenues it receives from the sale of power and the provision of transmission and other services. BPA sets rates at levels to ensure revenues recover BPA's costs, including certain payments to the U.S. Treasury. BPA's rates for the foregoing services are subject to approval by the Federal Energy

Regulatory Commission (FERC) on the basis that, among other things, they recover BPA's costs. BPA issues and sells bonds to the U.S. Treasury and uses the proceeds to fund certain activities established under federal law.

With the Energy Policy Act of 1992, BPA was required to provide open access, non-discriminatory transmission service to all requestors using pro forma tariffs as approved by the FERC. While BPA is a single legal entity, it conforms to FERC standards of conduct to ensure its transmission function does not discriminatorily advantage its merchant power function.

BPA's cash receipts from all sources, including from both its transmission and power marketing businesses, must be deposited in the BPA fund, which is a revolving fund account of the U.S. Treasury and which is available to pay BPA's costs. In accordance with the Transmission System Act, BPA must make expenditures from the BPA fund as included in annual budgets submitted to Congress, without further appropriation and without fiscal year limitation, but within such specific directives or limitations as may be included in appropriation acts, for any purpose necessary or appropriate to carry out the duties imposed upon BPA pursuant to law.

BPA is required to make certain annual payments to the U.S. Treasury. These payments are subject to the availability of net proceeds, which are gross cash receipts remaining in the BPA Fund after deducting all of the costs paid by BPA to operate and maintain the FCRPS other than those used to make payments to the U.S. Treasury for: the repayment of the federal investment in certain transmission facilities and the power generating facilities at federally owned hydroelectric projects in the Pacific Northwest; debt service on bonds issued by BPA and sold to the U.S. Treasury; repayments of appropriated amounts to the Corps and Reclamation for certain costs allocated to power generation at federally owned hydroelectric projects in the Pacific Northwest; and costs allocated to irrigation projects as are required by law to be recovered from power sales.

## Nonfederal Generation

BPA has acquired all of the generating capability of Energy Northwest's Columbia Generating Station (CGS) nuclear power plant. The contract to acquire the generating capability of the project requires BPA to pay all or part of the annual project budget, including operating expenses and debt service. BPA also has acquired all of the output of the Cowlitz Falls hydro project and pays all operating expenses and debt service. BPA recognizes expenses for these projects based upon total project cash funding requirements. The nonfederal generation assets in the Combined Balance Sheets are amortized as the principal on the outstanding bonds is repaid.

## Rates

During the rate period from fiscal year 2002 to 2006, BPA had three Cost Recovery Adjustment Clauses (CRACs) in its power rates that were designed to collect additional power revenues to ensure BPA had sufficient funds to meet its obligations, including repayment to the U.S. Treasury. The three CRACs were a Load-Based (LB) CRAC, a Financial-Based (FB) CRAC, and a Safety Net (SN) CRAC.

The LB CRAC was a percentage rate adjustment and was based on BPA's costs to purchase power to meet load obligations. Because BPA acquires some portions of this power in a highly volatile market, it was not possible to forecast accurately the cost of purchasing this power over the entire five-year rate period. Accordingly, the LB CRAC was designed to be responsive to changes in the market price of power and to reflect the change in prices in the fixed power purchase contracts. It was reset every fiscal year-to-date to recover the anticipated augmentation costs to meet load which could not be recovered with the base rates. The FB CRAC triggered if forecast accumulated power net revenues fell below a threshold value for a particular year. The SN CRAC was designed to raise rates if a payment to the U.S. Treasury or other creditor was missed, or if the administrator projected a 50 percent probability that such a payment might be missed in the then-current fiscal year.

Under BPA's proposed rates effective Oct. 1, 2006, these CRACs have been replaced with a single CRAC mechanism, a Dividend Distribution Charge and the NFB Emergency Surcharge for qualifying within-year adjustments.

## Customers

BPA sells power (energy and capacity) and related services to four main types of customers: Northwest publicly owned utilities, Direct-Service Industries, Northwest Investor-Owned Utilities, and other regional and extra regional customers. BPA also sells relatively small amounts of power to several federal agencies within the region. The revenue derived from these customers provides BPA with a large portion of the funds needed to pay its costs. BPA sells transmission and related services under open access tariffs to a broad variety of power generators, including wind generators, marketers, and power purchasers.

### *Sales within the Northwest Region*

#### Northwest Publicly Owned Utilities

Qualifying public utility districts, municipalities, and consumer-owned electric cooperatives within the region are entitled to a statutory preference and priority in the purchase of available FCRPS power. By law, these customers have what is referred to as "public preference." They are eligible to purchase power at BPA's priority firm rate for most of their loads. As a group, publicly owned utilities constitute BPA's largest customer base in terms of number, megawatt-hour sales, and revenues.

## Direct-Service Industries

BPA is not required to do so, but may offer to sell power for direct consumption to a limited number of existing DSIs within the region. Beginning with the current rate period that began Oct. 1, 2006, BPA no longer delivers power to the DSIs but instead provides the DSIs monetary benefits to be used for their power purchases.

## Northwest Investor-Owned Utilities

BPA also sells firm and surplus power to Northwest IOUs. This is power not sold under the public preference priority rate. BPA also sells peaking capacity to one Northwest IOU. As part of its Subscription strategy, BPA entered into certain agreements, as amended, with the Northwest IOUs in settlement of BPA's statutory obligation to provide benefits under the Residential Exchange Program for specified periods that began Oct. 1, 2001.

Revenues from Northwest IOUs fluctuate with stream flows in the Columbia River Basin. Stream flows directly impact the amount of surplus firm power available for sale, the costs of generating power with alternative fuels, and ultimately the price BPA can obtain for these sales.

## *Sales outside the Northwest Region*

BPA sells some surplus firm power to various extra-regional buyers and in-region marketers which is in excess of what is needed to serve firm load obligations in the region. Revenues from these sales fluctuate with stream flows in the Columbia River Basin. Stream flows directly impact the amount of surplus power available for sale, the costs of generating power with alternative fuels, and ultimately the price BPA can obtain for these sales.

## *Bookouts*

BPA's revenues from electricity sales and total operating expenses reflect Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board (FASB) guidance (referred to herein as "EITF 03-11"). Both revenues and expenses associated with non-trading energy activities that are "booked out" (settled other than by the physical delivery of power) are reported on a "net" basis in both operating revenues and purchased power expense. The accounting treatment under EITF 03-11 has no effect on net revenue, cash flows or margins.

## *Transmission*

Transmission revenues are primarily earned from long-term take-or-pay contracts but can fluctuate based upon a number of factors including the amount of unused transmission line capacity available to sell as well as weather and hydro conditions. BPA's Transmission Services is required to provide transmission service to generators and marketers under the same open access tariffs it uses to serve BPA's Power Services and other Transmission Services customers.

## Other Revenues

Derivative mark-to-market accounting adjustments and other power miscellaneous revenues are included in this category.

## U.S. Treasury Credits for Fish

The Northwest Electric Power Planning and Conservation Act obligated BPA to make expenditures for fish and wildlife protection, mitigation, and enhancement for both power and non-power purposes, on a reimbursement basis. The Northwest Power Act also specified that consumers of electric power, through their rates for power services “shall bear the costs of measures designed to deal with adverse impacts caused by the development and operation of electric power facilities and programs only.” Section 4(h)(10)(C) of the Northwest Power Act was designed to ensure that the costs of mitigating these impacts are properly accounted for among the various purposes of the hydroelectric projects. In the early 1990s, BPA, the U.S. Treasury and the Office of Management and Budget agreed to a crediting mechanism whereby BPA reduces its cash payments to the U.S. Treasury by an amount equal to the mitigation measures funded on behalf of the non-power purposes.

The Revenues by Customer Class table below summarizes revenues of electric power by customer, transmission, other revenues (including SFAS 133 derivative mark-to-market), and U.S. Treasury credits for fish for the 3 months ended March 31, 2007, and 2006.

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## Revenues by Customer Class

*Federal Columbia River Power System  
For the quarters ended March 31 — thousands of dollars*

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	<b>2007</b>	<b>2006</b>
Sales of electric power:		
Sales within the Northwest region		
Northwest publicly owned utilities	<b>\$ 540,511</b>	\$ 491,510
Direct-service industries	—	21,322
Northwest investor-owned utilities	<b>60,950</b>	137,190
Sales outside the Northwest region	<b>85,280</b>	174,145
Bookouts	<b>(18,647)</b>	(74,429)
Total sales of electric power	<b>668,094</b>	749,738
Transmission	<b>172,511</b>	157,034
Other revenues	<b>21,044</b>	(11,499)
U. S. Treasury credits for fish	<b>19,023</b>	14,717
Total operating revenues	<b>\$ 880,672</b>	\$ 909,990

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# Results of Operations

## *Net Revenues*

The Federal Columbia River Power System earned net revenues of \$200 million for the three months ended March 31, 2007, as reported below in the Combined Statements of Revenues and Expenses. By comparison, net revenues were \$209 million for the three months ended March 31, 2006. The decline in net revenues from the 2<sup>nd</sup> quarter of fiscal year 2006 is the result of \$29 million decreased operating revenues partially offset by a reduction of \$17 million operating expenses and net interest expense decreasing \$4 million from last year.

## *Operating Revenues*

Sales, revenues from electricity and transmission, for the three months ended March 31, 2007, were down \$69 million, or 8 percent from the same quarter last year. Power revenues decreased \$84 million. This decrease was primarily the result of expiring augmentation purchase power contracts. In the 2<sup>nd</sup> quarter of fiscal year 2006 the excess power from these contracts enabled BPA to sell surplus power. Most of these contracts expired at Sept. 30, 2006, and as a consequence, considerably reduced BPA's surplus power. To a lesser extent power revenues decreased due to lower stream flows during the 2<sup>nd</sup> quarter of fiscal year 2007. Transmission revenues increased \$15 million mainly due to increased sales under long-term point-to-point network contracts and larger load based sales due to colder temperatures in 2007 relative to last winter. Part of this increase is associated with revenues from Ancillary Services, which are bundled with the sale of transmission capacity needed to ensure efficient and reliable service. Additionally, reimbursable revenue for work done for others was higher in the 2<sup>nd</sup> quarter of this fiscal year than the comparable quarter last year.

The decreased sales were partially offset by the change in SFAS 133 derivative mark-to-market of \$35 million from the 2<sup>nd</sup> quarter of fiscal year 2006. This change did not impact the cash flows.

## *Operating Expenses*

In total, operating expenses decreased \$17 million, or 3 percent from the 2<sup>nd</sup> quarter of fiscal year 2006.

Operations and maintenance increased \$49 million, or 15 percent for the three months ended March 31, 2007, from the comparable period a year earlier. The increase was primarily a result of IOU Exchange Benefits payments. Through fiscal year 2006, IOU exchange benefits were mostly made to purchase back power to meet other firm power sales obligations and were allocated to augmentation power purchases. These augmentation power purchases were included in purchased power. In the current rate period beginning on Oct. 1, 2006, the IOU exchange benefits settlements are mostly monetary payments provided pursuant to the Northwest Power Act. These current payments are included

in operations and maintenance expenses. Although the nature of the payments has changed the total is approximately the same.

Also increasing O&M costs, although to a lesser extent, were increased Annual Budget Funding Requirements for operating the Columbia Generating Station nuclear plant. Columbia Generating Station nuclear plant budget requirements are higher than last year as both a maintenance outage and nuclear refueling are scheduled.

Purchased power decreased \$72 million, or 52 percent compared to the three months ended March 31, 2006. As discussed above, most augmentation power purchase contracts expired with the rate period ended Sept. 30, 2006. The decrease resulting from expired augmentation power purchase contracts was partially offset by increased short-term purchased power expense as a result of lower stream flows than the prior year.

Nonfederal projects increased \$5 million or 5 percent due to higher debt service expense for Energy Northwest. The increase is the result of planned payment scheduling for nonfederal debt within the total FCRPS debt portfolio. The overall objective of debt management actions is to achieve the optimal total debt portfolio. The portfolio includes Federal appropriations, bonds issued to the U. S. Treasury, and nonfederal projects debt. Portfolio management causes nonfederal debt to fluctuate between years.

Federal projects depreciation and amortization increased \$2 million, or 2 percent reflecting amortization for Columbia River Fish Mitigation measures beginning Oct. 1, 2006.

### *Interest Expense*

Net interest expense for the three months ended March 31, 2007, decreased \$4 million, or 6 percent, compared to the same period a year ago.

Interest on bonds issued to the U.S. Treasury decreased \$7 million as the income earned on BPA's cash account at the U.S. Treasury increased with higher cash balances. BPA reports interest expense on bonds issued to the U.S. Treasury net of the interest income earned.

Lower interest expense was partially offset by a slight decrease in allowance for funds used during construction as a result of the completion of a large BPA transmission project, the Schultz Wautoma transmission line in 2006.

# Liquidity and Capital Resources

## *Operating Activities*

Cash provided by operating activities of the FCRPS decreased \$194 million to \$521 million for the fiscal year-to-date ended March 31, 2007, compared to \$714 million for the fiscal year-to-date ended March 31, 2006.

The change in operating cash flow primarily reflects the changes in net revenues and differences in the timing of collecting receivables and payments of accounts payable and accrued liabilities. Prepaid expenses decreased due to a change to direct payments by BPA for Energy Northwest costs. Beginning the 3<sup>rd</sup> quarter of 2006 receipts from participating BPA utility customers flow to BPA rather than Energy Northwest. As a result of direct payment, prepaid expenses for Energy Northwest at March 31, 2007, were zero compared to \$113 million at March 31, 2006.

## *Investment Activities*

Cash used for investment activities of the FCRPS decreased \$48 million to \$126 million for the fiscal year-to-date ended March 31, 2007, primarily from proceeds from the Spectrum Relocation Fund (SRF), when compared to the fiscal year-to-date ended March 31, 2006.

The National Telecommunications and Information Administration Organization Act provided for reallocation from federal use to nonfederal use of specific telecommunications frequencies. BPA had invested in telecommunications equipment using frequencies specified in the Act during the course of constructing and operating the FCRPS generation and transmission facilities. The Commercial Spectrum Enhancement Act created the SRF to provide a centralized and streamlined funding mechanism through which federal agencies are permitted to offset costs associated with relocating their radio communications systems from displaced spectrum bands. During the 2<sup>nd</sup> quarter of fiscal year 2007, BPA received approximately \$49 million for this purpose. These funds are expected to be used for construction and replacement of telecommunications facilities and equipment over the next several years. As such the receipts are reflected as a source of investing cash.

## *Financing Activities*

Cash provided by financing activities of the FCRPS was \$39 million for the fiscal year-to-date ended March 31, 2007, compared to \$40 million for the fiscal year-to-date ended March 31, 2006.

The small change was the result of new Federal construction appropriations declining to \$43 million for the fiscal year-to-date ended March 31, 2007, compared to \$53 million for the fiscal year-to-date ended March 31, 2006, which was offset by increased bonds issued to the U.S. Treasury and a small increase in nonfederal debt repaid.



## Modified Net Revenues

Modified net revenues are net revenues after removing the effects of SFAS 133 and nonfederal debt management actions which differ from rate case assumptions. Management has determined modified net revenues are a better representation of the outcomes of normal operations during periods of debt management actions and fluctuations in derivative market prices.

The primary change in modified net revenues for the three months ended March 31, 2007, compared to the three months ended March 31, 2006, is due to expiring augmentation purchase power contracts and lower stream flows as described above under Operating Revenues. The table below demonstrates the calculation for modified net revenues.

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### Modified Net Revenues

*Federal Columbia River Power System  
For the quarters ended March 31 — thousands of dollars*

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	<b>2007</b>	<b>2006</b>
<b>Net Revenues</b>	<b>\$ 200,327</b>	\$ 208,628
SFAS 133 derivative mark-to-market	<b>(12,521)</b>	22,888
Nonfederal debt management actions	<b>(59,161)</b>	(67,625)
Modified net revenues	<b>\$ 128,645</b>	\$ 163,891

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## Additional Information

To see BPA's most recent annual report including audited financial statements, go to [www.bpa.gov/corporate/finance/a\\_report](http://www.bpa.gov/corporate/finance/a_report)

To see BPA's most recent press releases, go to [www.onlinepressroom.net/bonneville](http://www.onlinepressroom.net/bonneville)

For general information about BPA, refer to BPA's Home page at [www.bpa.gov](http://www.bpa.gov)

For information on Power Services, go to [www.bpa.gov/power](http://www.bpa.gov/power)

For information about hydro power or current hydrological information, go to [www.bpa.gov/power/pgf/hydrology/weekly.shtml](http://www.bpa.gov/power/pgf/hydrology/weekly.shtml)

For information on Transmission Services, go to [www.transmission.bpa.gov](http://www.transmission.bpa.gov)

# Federal Columbia River Power System

## Combined Balance Sheets

(Unaudited)

March 31,  
2007

September 30,  
2006

(thousands of dollars)

<u>Assets</u>		
<b>Federal utility plant</b>		
Completed plant	\$ 13,213,522	\$ 13,056,815
Accumulated depreciation	(4,778,985)	(4,652,107)
	<u>8,434,537</u>	<u>8,404,708</u>
Construction work in progress	752,864	795,151
Net federal utility plant	<u>9,187,401</u>	<u>9,199,859</u>
<b>Nonfederal generation</b>	<u>2,430,365</u>	<u>2,435,065</u>
<b>Current assets</b>		
Cash	1,658,121	1,225,075
Accounts receivable, net of allowance	115,585	137,179
Accrued unbilled revenues	241,353	247,418
Materials and supplies, at average cost	76,153	71,765
Prepaid expenses	24,937	21,453
Total current assets	<u>2,116,149</u>	<u>1,702,890</u>
<b>Other assets</b>		
Regulatory assets	6,003,228	6,217,712
Nonfederal nuclear decommissioning trusts	150,078	140,896
Deferred charges and other	113,617	101,024
Total other assets	<u>6,266,923</u>	<u>6,459,632</u>
Total assets	<u>\$ 20,000,838</u>	<u>\$ 19,797,446</u>
<b><u>Capitalization and Liabilities</u></b>		
<b>Capitalization and long-term liabilities</b>		
Accumulated net revenues	\$ 2,238,372	\$ 1,945,357
Federal appropriations	4,332,601	4,290,035
Bonds issued to U.S. Treasury	1,920,500	1,925,500
Nonfederal projects debt	6,275,064	6,284,379
Total capitalization and long-term liabilities	<u>14,766,537</u>	<u>14,445,271</u>
<b>Commitments and contingencies (See Note 7 to annual financial statements)</b>		
<b>Current liabilities</b>		
Federal appropriations	33,694	33,694
Bonds issued to U.S. Treasury	566,300	556,300
Nonfederal projects debt	231,299	230,879
Accounts payable and other current liabilities	411,583	369,597
Total current liabilities	<u>1,242,876</u>	<u>1,190,470</u>
<b>Other Liabilities</b>		
Regulatory liabilities	2,073,049	2,072,362
IOU exchange benefits	1,062,151	1,224,198
Nonfederal nuclear asset retirement obligations	173,000	169,300
Deferred credits	683,225	695,845
Total other liabilities	<u>3,991,425</u>	<u>4,161,705</u>
Total capitalization and liabilities	<u>\$ 20,000,838</u>	<u>\$ 19,797,446</u>

**Federal Columbia River Power System**  
**Combined Statements of Revenues and Expenses**

(Unaudited)

	Three Months Ended March 31,		Fiscal Year-to-Date Ended March 31,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	(thousands of dollars)			
<b>Operating revenues</b>				
Sales	\$ 833,601	\$ 902,991	\$ 1,617,603	\$ 1,721,922
SFAS 133 derivative mark-to-market	12,521	(22,888)	12,283	(55,857)
Miscellaneous revenues	15,527	15,170	32,166	26,239
U.S. Treasury credits for fish	19,023	14,717	37,548	36,181
<b>Total operating revenues</b>	<b>880,672</b>	<b>909,990</b>	<b>1,699,600</b>	<b>1,728,485</b>
<b>Operating expenses</b>				
Operations and maintenance	373,460	324,491	746,897	614,966
Purchased power	67,444	139,596	179,203	295,879
Nonfederal projects	87,509	82,966	175,465	165,577
Federal projects depreciation and amortization	89,131	87,292	178,806	173,907
<b>Total operating expenses</b>	<b>617,544</b>	<b>634,345</b>	<b>1,280,371</b>	<b>1,250,329</b>
<b>Net operating revenues</b>	<b>263,128</b>	<b>275,645</b>	<b>419,229</b>	<b>478,156</b>
<b>Interest expense</b>				
Interest on federal investment				
Appropriated funds	48,622	47,893	99,007	95,945
Bonds issued to U.S. Treasury	16,494	23,698	33,757	50,642
Allowance for funds used during construction	(2,315)	(4,574)	(6,550)	(9,316)
<b>Net interest expense</b>	<b>62,801</b>	<b>67,017</b>	<b>126,214</b>	<b>137,271</b>
<b>Net revenues</b>	<b>\$ 200,327</b>	<b>\$ 208,628</b>	<b>\$ 293,015</b>	<b>\$ 340,885</b>

**Derivative instruments and hedging activities**

The SFAS 133 mark-to-market (MTM) amount is an "accounting only" (no cash impact) adjustment representing the MTM adjustment required by SFAS 133, as amended, for identified derivative instruments.

**Federal Columbia River Power System**  
**Combined Statements of Cash Flows**  
(Unaudited)

	Fiscal Year-to-Date Ended March 31,	
	<u>2007</u>	<u>2006</u>
	(thousands of dollars)	
<b>Cash provided by operating activities</b>		
Net revenues	\$ 293,015	\$ 340,885
Non-cash items:		
Federal projects depreciation and amortization	178,806	173,907
Amortization of capitalization adjustment	(32,452)	(32,452)
(Increase) decrease in:		
Receivables and unbilled revenues	27,659	(74,755)
Materials and supplies	(4,388)	486
Prepaid expenses	(3,484)	180,824
Decrease (increase) in:		
Accounts payable and other	41,986	44,695
Other	19,679	80,832
Cash provided by operating activities	520,821	714,422
<b>Cash used for investment activities</b>		
Investment in:		
Federal utility plant (including AFUDC)	(179,773)	(178,425)
Nonfederal projects	4,700	3,700
Transfer from Spectrum Relocation Fund	48,627	-
Cash used for investment activities	(126,446)	(174,725)
<b>Cash provided by and used for financing activities</b>		
Increase (repayment):		
Federal construction appropriations	42,566	53,035
Bonds issued to U.S. Treasury	5,000	(5,000)
Nonfederal debt	(8,895)	(7,710)
Cash provided by (used for) financing activities	38,671	40,325
Increase in cash	433,046	580,022
Beginning cash balance	1,225,075	651,740
Ending cash balance	\$ 1,658,121	\$ 1,231,762

# Federal Columbia River Power System

## Segment Reporting

(Unaudited)

Three Months Ended

March 31,

2007

	<u>Power</u>	<u>Transmission</u>	<u>Other</u>	<u>FCRPS</u>
	(thousands of dollars)			
Unaffiliated revenues	\$ 708,161	\$ 172,511	\$ -	\$ 880,672
Intersegment revenues	20,448	27,347	(47,795)	-
<b>Total operating revenues</b>	<b>728,609</b>	<b>199,858</b>	<b>(47,795)</b>	<b>880,672</b>
Unaffiliated expenses	499,357	68,033	(38,976)	528,414
Depreciation	43,922	45,208	-	89,130
Intersegment expenses	27,347	20,448	(47,795)	-
<b>Total operating expenses</b>	<b>570,626</b>	<b>133,689</b>	<b>(86,771)</b>	<b>617,544</b>
<b>Net operating revenues</b>	<b>157,983</b>	<b>66,169</b>	<b>38,976</b>	<b>263,128</b>
Interest expense	39,481	34,076	(10,756)	62,801
<b>Net revenues</b>	<b>\$ 118,502</b>	<b>\$ 32,093</b>	<b>\$ 49,732</b>	<b>\$ 200,327</b>

2006

	<u>Power</u>	<u>Transmission</u>	<u>Other</u>	<u>FCRPS</u>
	(thousands of dollars)			
Unaffiliated Revenues	\$ 752,956	\$ 157,034	\$ -	\$ 909,990
Intersegment Revenues	18,246	31,854	(50,100)	-
<b>Total operating revenues</b>	<b>771,202</b>	<b>188,888</b>	<b>(50,100)</b>	<b>909,990</b>
Unaffiliated expenses	522,330	73,514	(48,791)	547,053
Depreciation	44,610	42,682	-	87,292
Intersegment expenses	31,705	18,246	(49,951)	-
<b>Total operating expenses</b>	<b>598,645</b>	<b>134,442</b>	<b>(98,742)</b>	<b>634,345</b>
<b>Net operating revenues</b>	<b>172,557</b>	<b>54,446</b>	<b>48,642</b>	<b>275,645</b>
Interest expense	40,645	34,745	(8,373)	67,017
<b>Net revenues (expenses)</b>	<b>\$ 131,912</b>	<b>\$ 19,701</b>	<b>\$ 57,015</b>	<b>\$ 208,628</b>

# Federal Columbia River Power System

## Segment Reporting

(Unaudited)

Fiscal Year-to-Date Ended  
March 31,  
2007

	<u>Power</u>	<u>Transmission</u>	<u>Other</u>	<u>FCRPS</u>
	(thousands of dollars)			
<b>Unaffiliated Revenues</b>	\$ 1,360,838	\$ 338,762	\$ -	\$ 1,699,600
<b>Intersegment Revenues</b>	38,885	55,421	(94,306)	-
<b>Total operating revenues</b>	<u>1,399,723</u>	<u>394,183</u>	<u>(94,306)</u>	<u>1,699,600</u>
<b>Unaffiliated expenses</b>	1,045,835	133,640	(77,910)	1,101,565
<b>Depreciation</b>	89,292	89,514	-	178,806
<b>Intersegment expenses</b>	55,324	38,885	(94,209)	-
<b>Total operating expenses</b>	<u>1,190,451</u>	<u>262,039</u>	<u>(172,119)</u>	<u>1,280,371</u>
<b>Net operating revenues</b>	<u>209,272</u>	<u>132,144</u>	<u>77,813</u>	<u>419,229</u>
<b>Interest expense</b>	79,659	68,085	(21,530)	126,214
<b>Net revenues</b>	<u>\$ 129,613</u>	<u>\$ 64,059</u>	<u>\$ 99,343</u>	<u>\$ 293,015</u>

2006

	<u>Power</u>	<u>Transmission</u>	<u>Other</u>	<u>FCRPS</u>
	(thousands of dollars)			
Unaffiliated Revenues	\$ 1,419,522	\$ 308,963	\$ -	\$ 1,728,485
Intersegment Revenues	36,327	60,262	(96,589)	-
<b>Total operating revenues</b>	<u>1,455,849</u>	<u>369,225</u>	<u>(96,589)</u>	<u>1,728,485</u>
Unaffiliated expenses	1,022,253	141,613	(87,444)	1,076,422
Depreciation	88,609	85,298	-	173,907
Intersegment expenses	60,113	36,327	(96,440)	-
<b>Total operating expenses</b>	<u>1,170,975</u>	<u>263,238</u>	<u>(183,884)</u>	<u>1,250,329</u>
<b>Net operating revenues</b>	<u>284,874</u>	<u>105,987</u>	<u>87,295</u>	<u>478,156</u>
Interest expense	84,374	69,622	(16,725)	137,271
<b>Net revenues (expenses)</b>	<u>\$ 200,500</u>	<u>\$ 36,365</u>	<u>\$ 104,020</u>	<u>\$ 340,885</u>

### Operating Segments

In fiscal year 1997 BPA opted to implement FERC's open-access rulemaking and standards of conduct. FERC requires that transmission activities are functionally separate from wholesale power merchant functions and that transmission is provided in a nondiscriminatory open-access manner.

The FCRPS' major operating segments are defined by the utility functions of generation and transmission. Power Services represents the operations of the generation function, while the Transmission Services represents the operations of the transmission function. Power and Transmission Services are not separate legal entities.

Where applicable, "Other" represents items that are necessary to reconcile to the financial statements, which generally include shared activity and eliminations. Each FCRPS segment operates predominantly in one industry and geographic region: the generation and transmission for electric power in the Pacific Northwest.

The FCRPS centrally manages all interest expense activity. Since BPA has one fund with the U.S. Treasury, all cash and cash transactions are also centrally managed. Unaffiliated revenues represent sales to external customers for each segment. Intersegment revenues are eliminated.

### Major Customers

During fiscal 2007, and 2006, no single customer represented 10% or more of the FCRPS' revenues.