Public Power
North America
New Issue

Energy Northwest (WA)

Bonneville Power Administration

Ratings

New Issues

$116,685,000 Columbia Generating Station Elect. Rev. Bonds, Series 2009A-2	AA
$20,515,000 Columbia Generating Station Elect. Rev. Bonds, Series 2009B-2	AA
$68,680.000 Columbia Generating Station Elect. Rev. Bonds, Series 2009C-2	AA
$47,985,000 Project 1 Elect. Rev. Bonds, Series 2009A-1	AA
$1,450,000 Project 1 Elect. Rev. Bonds, Series 2009B-1 Taxable	AA
$119,480,000 Project 3 Elect. Rev. Bonds, Series 2009A-3	AA
$1,305,000 Project 3 Elect. Rev. Bonds, Series 2009B-3 Taxable	AA

Outstanding Debt

$1,900,000,000 Project 1 Bonds	AA
$2,400,000,000 Columbia Generating Station Bonds	AA
$1,900,000,000 Project 3 Bonds	AA

Outlook

Positive

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Key Utility Statistics — Bonneville Power Administration

(Fiscal Year Ended 6/30/08)

System Type	Wholesale
Population Served	12,000,000
Annual Revenues ($000)	3,036,618
Primary Fuel Source	Hydro
ENW DSC (x)	2.94
Total DSC (x)	1.14
Days Operating Cash	370
Equity/Capitalization (%)	17

Rating Rationale

- The Energy Northwest (ENW) bonds are secured by a payment obligation from the Bonneville Power Administration (BPA) — the key credit driver behind ENW's credit rating.
- BPA is the regional wholesale provider of electricity and transmission in the Pacific Northwest to a population of approximately 12 million through its 135 public utility customers.
- The rating upgrade reflects BPA's recent signature in December 2008 of long-term power supply contracts with all its preference customers, for fiscal years 2012–2028. The new contracts provide greater revenue stability in that they clarify and limit BPA's responsibility to purchase additional power for its customers' load requirements beyond what can be met by the existing federal system resources.
- BPA's financial results have improved sharply since the Western energy crisis (2000–2001), including the building of reserves to over $1.5 billion in fiscal 2008 up from $188 million in fiscal 2002. Although reserves are projected to decline in fiscal 2009, they are expected to remain at a healthy level for the foreseeable future.
- BPA's financial performance continues to be tied to hydroelectric variability and market electricity prices, given its reliance on secondary sales (or discretionary market sales based on surplus hydroelectric generation) for around 20% of total revenues. Reserves and rate adjustment mechanisms help to mitigate this variability, the cost/revenue implications of which are ultimately passed along to BPA's customers.
- BPA's access to additional capital had been an ongoing key credit concern. The recently passed economic stimulus legislation increased BPA's federal borrowing authorization to $7.7 billion from $4.45 billion, which provides significant additional flexibility going forward to fund BPA's capital needs.

What Could Trigger an Upgrade?

- BPA continues to work to put in place more certain contractual and pricing arrangements for the time period from 2012 to 2028 with customers that need BPA to procure supplemental resources on their behalf. Terms that support actual and timely cost recovery in these "Tier 2" contracts could allow for an upgrade in the ENW rating in the near term.
- Interim approval of the 2010–2011 BPA rate case by the Federal Energy Regulatory Commission (FERC) is expected by the fall of 2009, which will establish rates for the next two years. Initial estimates are that the new rate case will involve a rate increase to customers of approximately 9.4%.
- BPA's ability to effectively manage through a period of below-average hydroelectric availability coupled with historically low wholesale electricity prices could trigger an upgrade. BPA has revised downward its initial budgeted estimates of secondary revenues in fiscal 2009, which should prompt a rate increase for 2010–2011 and/or the use of reserves to buffer the financial impact.

Rating History

Rating	Action	Outlook/ Watch	Date
AA	Upgraded	Positive	3/04/09
AA–	Affirmed	Positive	3/07/08
AA–	Outlook Revision	Positive	3/09/08
AA–	Affirmed	Stable	3/12/04
AA–	Downgrade	Stable	3/12/03
AA	Watch Change	Watch Negative	9/9/02
AA	Affirmed	Stable	3/19/02
AA	Upgrade		5/3/00
AA–	Downgrade		8/17/95
AA	Affirmed		9/8/92

Credit Summary

ENW has 24 members, consisting of 20 public utility districts and the cities of Port Angeles, Richland, Seattle and Tacoma, Wash. ENW owns and operates the Columbia Generating Station (CGS, a 1,150 MW nuclear project located in Washington). BPA utilizes the energy from CGS as part of its overall power supply portfolio (about 10% of capacity) and is obligated to pay debt service on the ENW bonds. ENW also owns Project 1 and Project 3, non-operating nuclear projects for which BPA has repayment obligations as well as CGS.

BPA is the largest of the regional federal power marketing agencies within the Department of Energy (DOE). BPA was created by Congress in 1937 to market electric power from the BPA Dam. Congress has since designated BPA to market power from all of the federally owned hydro projects (31) in the Pacific Northwest. BPA sells electric power sold in a 300,000 square-mile service area and accounts for approximately 35% of the electric power consumed in the region. Total population served approximates 12 million. BPA's overall portfolio of resources from which it markets power is approximately 8,500 MW, estimated under low water conditions.

New Issue Details

ENW expects to issue approximately $376 million in bonds in the amounts indicated on the first page of this report. Bond proceeds from the series 2009C-2 bonds and the majority of the series 2009B-2 bonds will fund improvements at the CGS and the remaining bonds proceeds will refund outstanding bonds specific to each project and pay costs of issuance. Bonds are issued on behalf of a specific project (CGS or the non-operating nuclear projects — Project 1 and Project 3), but the bonds all enjoy BPA's pledge of payment if revenues from BPA's customers under the net billing agreements should be insufficient. The bonds are expected to price in a negotiated sale the week of March 23, 2009.

Recent Developments

20-Year Power Supply Contracts Signed

BPA's current power sales contracts with its customers expire in September 2011. BPA has been working with its customers to determine the terms of new long-term contracts that will begin on Oct. 1, 2011 (fiscal 2012). In December 2008, BPA signed new contracts with each of its 135 preference customers for the period from 2012 to 2028.

The culmination of this process provides a stable source of power sales to cover BPA's fixed costs and the contract terms are designed to reduce risk to BPA associated with meeting load growth requirements in the region. Instead, the new contracts limit BPA's role as a regional provider to the allocation of the existing federal system at cost based rates. Importantly, BPA will not be obligated to acquire additional generation and energy to meet growth beyond what can be met through its existing resources, unless specifically requested to do so by individual members at full cost. Also significant is the understanding that any decline in output or capacity in the federal system, including reductions resulting from operating constraints imposed by the Endangered Species Act that could change over time, will result in a corresponding reduction in power available for sale at what are known as "Tier 1" rates (see Rates section below). The new clarification of BPA's role and the Tiered Rates Methodology are credit positives for BPA but were also advocated by many of BPA's customers.

While the signed contracts govern the allocation of the federal system at cost based rates (known as Tier 1 rates), BPA and its customers are working on the development of supplemental contracts. The supplemental, or Tier 2 contracts, would allow customers to purchase additional power (above the allocation of federal power at Tier 1 rates) from BPA at their option. The Tier 2 rates will reflect the true incremental cost of the additional resources acquired for only those customers that subscribe for Tier 2 power, which is expected to provide timely cost recovery to BPA of costs incurred and price transparency to customers between the Tier 1 and Tier 2 products. The distinction between Tier 1 and Tier 2 rates is contemplated by policy makers to address regional goals of increased renewable energy and conservation. Tier 2 contracts are expected to be in place by the end of 2009 and should include defined purchase periods and notice requirements to provide BPA with adequate time to acquire resources for the requested loads.

Increased Federal Borrowing Capacity

BPA is authorized to issue and sell bonds directly to the U.S. secretary of treasury, but this authorization had been limited to $4.45 billion. BPA had $2.2 billion outstanding in treasury debt at the end of fiscal 2008. The borrowing cap was a real limitation given the amortization of the existing debt and BPA's capital needs. Preserving its federal borrowing authority capacity has been an ongoing consideration in BPA's overall capital funding plan. The recently enacted federal stimulus plan increased BPA's borrowing limit by $3.25 billion to $7.7 billion. This provides significant near- and medium-term relief to BPA's funding requirements related to its capital plan.

Energy Northwest

ENW is a municipal corporation and joint operating agency of the state of Washington. ENW operates different projects, including certain projects that are not supported by payments from BPA. The Columbia Generating Station and Project 1 and Project 3 costs are supported by the net billing agreements with ENW's members.

Management and Regulatory Oversight

BPA's authority is vested in the U.S. secretary of energy, who appoints and acts through the BPA power administrator. The Bonneville Fund (where BPA's revenues are deposited and from which its expenditures are paid) is a separate fund within the U.S. Treasury. Congress approves BPA's budget (as shown from the Bonneville Fund) as a component of the U.S. Treasury budget.

BPA's rates are regulated by the Federal Energy Regulatory Commission (FERC). FERC's regulatory oversight is based on a review to ensure that BPA's rates recover costs sufficient to repay its Treasury obligations.

BPA's Treasury obligations (just under $1 billion in fiscal 2008) are paid at the end of the fiscal year (Sept. 30) from net proceeds available in the Bonneville Fund after payment of operating expenditures. Payments due to the U.S. Treasury include the repayment of certain federal investments in transmission and power generation facilities, debt service on bonds issued by BPA and sold to the Treasury, repayments of expenditures incurred by the Corps of Engineers and Bureau of Reclamation for certain costs related to operation and maintenance of the federal hydroelectric projects, and certain costs of irrigation projects that are required to be recovered through power sales.

BPA Customers — Power Sales

The Northwest Power Act (1980) requires BPA to meet certain firm loads in the Pacific Northwest of various preference customers and regional investor-owned utilities (IOUs). Service to these customers is billed at BPA's lowest cost power rate (the PF rate). BPA does not have an obligation to meet all firm loads within the region nor does it have an obligation to provide service to direct service industrial customers. BPA does have an obligation to meet any load placed on it in the region, even those of the IOUs, but at a true rate, reflecting the marginal cost of acquiring power to meet that load.

Following the Western energy crisis in 2000–2001, BPA and its customers began a process in 2002 known as the "Regional Dialogue." The Regional Dialogue had two parts — the first part focused on the five-year period from 2006 to 2011 and the second part focused on the time period from 2012 to 2028. The first phase of the Regional Dialogue concluded in 2005 and shaped certain decisions regarding BPA's agreements and rates. The second phase of the Regional Dialogue is nearing completion and a significant step was the signing of power supply contracts with all of its preference customers in December 2008 for the period between 2012 and 2028.

Preference Customers

Power supply is offered to preference customers through three primary products:

1. Load Following (all or partial requirements) — BPA meets any and all requirements of the customer on a real-time basis. BPA incurs the risk of balancing its resources to meet real-time demand. In the case of partial requirements, BPA provides power that meets the net requirements beyond other owned resources of the customer. In the event of load loss, BPA will reduce the amount of power provided to the customer.
2. Block Power — Power is provided in firm amounts per month based on a customer's load profile. BPA incurs the risk of firming its resources to meet its monthly block power obligations, but if a customer's load is higher or lower than its fixed block amount from BPA, BPA is not financially or operationally responsible for meeting that load.
3. Slice of the System — The customer pays for and receives a percentage of the federal system based on critical water conditions. The customer takes the risk and receives the benefits of the variability of output of the system based on hydrology and operational performance. No customer is permitted to use the Slice product for more than 50% of its overall power supply from BPA.

BPA's current contracts with its preference customers are in effect through Sept. 30, 2011, for loads that range between 7,475 MW and 7,625 MW. Of this amount, approximately 1,600 average MW is sold as Slice of the System products, approximately 2,200 average MW is in the form of block sales, and the remainder (3,675 MW–3,825 MW) is in the form of full or partial requirement products. In addition to the loads of its preference customers, BPA has firm contractual and transfer obligations of another 1,050 MW–1,075 MW through 2011.

As described under Recent Developments, BPA recently signed contracts with its preference customers for the period 2012-2028. The same three products discussed above are contained in the upcoming contracts. BPA allocated slightly more of the federal system on a Slice basis. The slice product will account for 25% of the output of the federal system in the contracts that begin in 2012 as compared to current contracts that account for 22.6%. Generally, Fitch Ratings views the Slice product as providing greater insulation to BPA from cost pressure associated with firming power supply to its customers. Although BPA also foregoes the upside potential associated with surplus sales, greater stability in its expenses is viewed as a credit positive. The slight increases in Slice output in the new 2012 contracts is credit neutral.

Residential Exchange Program

The Northwest Power Act established a program (known as the residential exchange program) to extend the benefits of low-cost federal power to residential and small-farm customers in the region that are direct customers of IOUs. The program results in financial payments from BPA to regional IOUs, which in effect pass the cost benefit between BPA's cost of power and the IOUs' average cost of power along to the IOUs' residential and small farm customers.

The level of benefits provided to the six regional IOUs has been the subject of extensive debate among BPA and its preference customers and the subject of litigation. Based on the outcome of a court decision in 2007, BPA has made changes to the program. BPA has established a "lookback amount" of $679 million that was overpaid to the IOUs during fiscal years 2002–2006 and was overcollected from preference customers. From an accounting standpoint, a regulatory asset and regulatory liability has been created for the lookback amount that will be repaid to preference customers through 2015 from reduced financial benefits provided to the IOUs over the same time period. Fitch views this court decision and repayment mechanism as credit neutral given that it is not expected to impact BPA's net proceeds available for debt service, but instead appears to only shift costs between customer classes.

Direct Service Industrial (DSI) Customers

BPA has historically sold power, although not statutorily required to do so, to direct service industrial (DSI) customers in the region. These customers are predominantly aluminum smelting or processing facilities. In the past, DSI load was as high as 2,500 MW. However, most of the region's aluminum industry has ceased to operate. BPA currently only has contracts with three DSIs (from 2007 to 2011) for 577 MW.

BPA's power sales, and the price at which those sales are made, has been the subject of litigation over the past few years. A legal decision in December 2008 determined that BPA has the authority, but not the obligation, to continue making sales to these customers. However, the ruling determined that the price charged to the DSIs was too high. BPA is in the process of addressing this ruling. Although the litigation is ongoing, Fitch views the potential financial implications as something that will have a larger impact on rate equity between customer classes rather than bondholders. BPA is contemplating future contracts with the DSI customers (post 2011), should those entities continue to operate, but none have been signed at this time.

Power Supply

To meet its statutory obligations, BPA relies on various generation resources and power purchases (along with its extensive transmission system). These resources are referred to as the federal system and include federal investments in regional hydro projects. These projects were constructed and are operated by the Army Corp of Engineers or the Department of Reclamation. BPA also receives power from ENW's CGS, a 1,150 MW nuclear plant. Efforts are continuing to relicense the CGS by 20 years, from 2023 to 2043. The final application is scheduled to be submitted by Dec. 31, 2009.

BPA's resource planning focuses on need to develop sufficient firm energy resources to meet firm energy loads. For operational planning, BPA uses an assumption of "critical water." For 2009, BPA estimates that the total federal system will produce 8,550 MW of firm energy under low water conditions. However, the amount of energy that the federal system can produce varies on a number of conditions, (weather, rain, storage conditions, fish conservation, etc.). For ratemaking and financial planning purposes, BPA does consider the additional energy that would be generated for sale under average water conditions. In 2009, an average water year could produce another 2,050 MW, and wet water conditions could produce as much as 2,700 MW.

BPA expects the federal system to produce around 8,300 MW between 2009 and 2011. This is nearly sufficient to meet BPA's contractual obligations. A slight deficit (between 220 MW and 330 MW) exists under low water conditions. BPA will likely fill that gap with supplemental generation from the federal system if water conditions are better or market purchases.

Beginning in 2012, the new contracts anticipated to be developed in 2009 will determine how much supplemental power BPA will need to acquire or develop on behalf of its customers. The added cost of procuring these supplemental resources would be recovered from participating customers under the Tier 2 rate structure.

Environment, Fish and Wildlife Costs

BPA is required to protect, mitigate and enhance fish and wildlife resources to the extent they are affected by federal hydroelectric projects on the Columbia River and its tributaries. BPA's fish and wildlife costs fall into two main categories: direct costs and operational impacts. The agency estimates that the aggregate total of direct and replacement power purchase costs totaled approximately $602 million in fiscal 2008, and foregone power revenues were around $274 million. One-third of BPA's priority firm rate is for costs of fish and wildlife.

Operation of the federal system must be in compliance with the Endangered Species Act (ESA). The National Oceanographic and Atmospheric Administration Fisheries (NOAA Fisheries) establishes a "biological opinion" that governs the operations and environmental mitigation efforts in relation to the federal system. The biological opinion and the environmental impacts in the region are the subject of intense regional and political debate as well as litigation. The most recent biological opinion was issued in 2008 by the NOAA Fisheries, which preceded the previous 2004 opinion that had been invalidated by a court decision. The 2008 biological opinion calls for expanded improvements in fish passage and spill regimen to protect fish species on the Columbia River. Expanded capital improvements required by the 2008 biological opinion are projected to cost around $500 million, to be funded by BPA. Legal challenges to the 2008 biological opinion are pending in Oregon courts.

Important for the credit rating is that spending related to environmental matters are included in BPA cost-based rates to its customers and will be included in Tier 1 rates in the new contracts. Legal requirements for increased spending that may be imposed in the future will be included in future rate cases for full recovery. Escalating costs associated with environmental spending remain a credit consideration. However, the developing momentum behind carbon legislation that is likely to drive future thermal energy prices up throughout the U.S. is likely to preserve the competitive pricing of BPA's federal hydroelectric resources, even with additional environmental costs.

Transmission

The federal transmission system is composed of approximately 15,000 circuit miles of high-voltage transmission lines and more than 300 substations that are located in Washington, Oregon, Idaho and parts of Montana, Wyoming and Northern California. A southern inter-tie consists of three high-voltage alternating current (AC) transmission lines and one direct current (DC) transmission line that interconnect the electric systems of the Pacific Northwest and Pacific Southwest. The rated transfer capability of the southern inter-tie AC in the north-to-south direction is 4,800 MW of capacity, and in the south-to-north direction is 3,675 MW. The rated transfer capability of the DC line in both directions is 3,100 MW.

BPA operates its transmission business as a separate, self-supporting business line. Transmission rates are established independently from power rates, although they are subject to the same procedures and FERC oversight.

Rates

Rates are competitive nationally and generally in line with the region, given BPA's provision of service to much of the region. BPA's hydroelectric generation is generally competitive to market alternatives. The cost of BPA's power, which is essentially carbon free, is expected to become even more competitive as momentum builds in individual states and the country for legislation to mandate utilities' reduction of carbon emissions.

BPA's proposed rates are reviewed by FERC to ensure BPA's cost recovery. FERC reviews rates from the standpoint of the ultimate creditor to make sure revenues are sufficient to meet the Treasury payment (the final payment in the flow of funds). After FERC approval, rates may be reviewed by the U.S. Court of Appeals. Actions seeking such review must be filed within 90 days of a final FERC decision.

BPA has traditionally established rates for multiyear periods to provide cost stability to its customers, although it had mechanisms within the rate structure to adjust rates periodically if needed. It has been moving toward shorter periods of fixed rates, given the cost variability in the marketplace. The rate period from 2001 to 2006 established rates for a five-year period, followed by a three-year period (2007–2009), and BPA is designing its rate case for an upcoming two-year period (2010–2011). BPA has reduced its rates in 2009 (the final year of the 2007–2009 rate case) as a result of a court decision regarding its Residential Exchange Program. The rate for 2009 for full requirements preference customers is $26.90 per megawatt-hour.

BPA is beginning its rate case process of establishing rates for the 2010–2011 time frame. Early expectations are that power rates would not increase more than 10% from current levels. The new contracts post-2011 contemplate setting rates for two-year periods at a time.

Tiered Rates Methodology

The new contracts that begin in 2012 will include what BPA refers to as "tiered rates methodology." This methodology will allocate the output of the existing federal system resources as Tier 1 rates. These rates will recover costs relating only to operation of the federal system and certain net billed projects (such as CGS, and Nuclear Projects 1 and 3). Tier 1 rates will benefit from BPA's secondary sales of energy derived from the federal system. The allocation of the federal resources to preference customers at Tier 1 rates will be based on each customer's net requirements as a percentage of all preference customers calculated at the end of fiscal 2010 (Sept. 30, 2010).

Any portion of a customer's net requirements that is not met by Tier 1 rates will be billed at Tier 2 rates. Tier 2 rates will recover the marginal cost to BPA of acquiring resources to meet Tier 2 loads. Tier 2 rates will not receive any of the benefits/costs attributable to the federal system, which will be contained solely in the Tier 1 rates. BPA and its customers have indicated a preference for this type of price signal in order to accurately reflect the cost of load growth in the region. BPA expects to have a clear indication from its customers about the amount of Tier 2 load it will have by November 2009. Customers may elect to acquire their Tier 2 loads from other providers or develop their own resources. This may occur since the tiered rates methodology would indicate that BPA may not necessarily be providing Tier 2 resources at a cost advantage to any other provider. BPA anticipates developing a Tier 2 product of renewable resources in order to meet individual customer demands for renewable power.

Financials

BPA's finances have stabilized since the energy crisis. Reserves have improved as a result of rate increases and certain cost-cutting measures. Reserves reached a peak of over $1.5 billion at the end of fiscal 2008 and are expected to be lower in fiscal 2009 as a result of payment of certain residential exchange benefits that were put on hold in 2008 and the use of reserves to compensate for lower secondary revenues.

Despite the overall improvement in financial performance, BPA continues to face financial pressure related to lower-than-average hydrological conditions for the past two years and in fiscal 2009. Additionally, sustained low market electricity prices, driven lower by the overall weakened economic conditions and consequently low thermal energy prices, have resulted in less-than-anticipated secondary revenues. BPA's rate setting takes into account anticipated secondary sales. Secondary revenues derived from the portion of the federal system not allocated under Slice contracts are used to offset the rates paid by preference customers in the non-Slice products. Rates are established using extensive modeling of potential hydrological conditions but assume some level of secondary revenues based on water conditions and market prices. In a low water year, these revenues may likely be lower than projected, requiring a rate adjustment to customers. BPA has revised downward its initial budgeted estimates of secondary revenues in fiscal 2009, which could prompt a rate adjustment and/or the use of reserves to buffer the financial impact.

Fitch views the volatility inherent in a hydroelectric generation portfolio as a credit consideration that will likely continue to result in variability in BPA's financial performance. The financial impact to bondholders is partially mitigated by the implementation of the Slice contract for a portion of the system, which passes the risks and rewards of hydrological and market price volatility directly to the customers, and the rate adjustment mechanisms and healthy reserve levels that are used to manage the cost impacts.

BPA's coverage of all its obligations was sufficient with 1.14x debt service coverage in fiscal 2008. The direct pay agreements require payment to ENW prior to BPA's payments to the Treasury. Payment of ENW debt, which is paid prior to Treasury obligations, was 2.94x in fiscal 2008.

Debt

BPA has a significant debt burden with approximately $13 billion, consisting of:

- $6.5 billion ENW and other third-party debt.
- $2.2 billion Treasury debt.
- $4.3 billion federal appropriations repayment obligation.

BPA's debt/funds available for debt service (FADS) ratio was 9.0x at the end of fiscal 2008, which is above Fitch's median of 7.0x. The increase in BPA's federal borrowing authority provides additional debt capacity to fund BPA's ongoing capital needs.

Capital Plan

BPA has a five-year capital plan estimated at $3.8 billion. Most of the spending will consist of transmission system improvements designed to bring new generation resources on line (particularly wind generation being developed in the region) and construction to relieve congestion. BPA also anticipates capital spending in the areas of fish and wildlife as well as conservation and efficiency, and spending on the federal hydroelectric projects.

Security Provisions

The series 2009 bonds are payable on a subordinate basis to ENW's outstanding prior lien bonds. The prior lien resolution was previously closed. BPA is obligated to pay debt service on the ENW bonds (prior lien and revenue bonds) before any of its payments to the U.S. Treasury. BPA's obligations are not general obligations of the U.S. government and are not secured by the full faith and credit of the U.S. There is no debt service reserve account securing repayment of the 2009 bonds.

Direct Pay Agreements vs. Net Billing Agreements

BPA has net billing agreements with ENW that have historically required BPA's customers to pay their initial bills in each fiscal year directly to ENW until ENW's expenses related to the non-federal projects (both operating and debt-related) had been satisfied. BPA offered customers a "net billing credit," and then once the obligation to ENW was satisfied, customers began remitting their bills directly to BPA. This practice had been viewed as a credit strength in that the funds were sent directly to ENW and were typically collected in the first few months of the fiscal years.

In 2006, BPA and ENW entered into direct pay agreements, which allow BPA to pay ENW directly for the non-federal projects (CGS, Project 1 and Project 3) instead of BPA customers sending payments directly to ENW in the first few months of the fiscal year. The impact to BPA is more even revenue collections, particularly during the first few months of the fiscal year.

Financial Summary — Bonneville Power Administration

($000, Fiscal Years Ended Sept. 30)

	2008	2007	2006	2005
Cash Flow (x)				
Non-Federal Project DSC	2.94	4.28	5.08	4.72
Total DSC of Non-Federal and Treasury Obligations	1.14	1.23	1.38	1.16
Coverage of Full Obligations	1.13	1.21	1.34	1.14
Liquidity				
Days Cash on Hand	370	287	241	130
Days Liquidity on Hand	370	287	278	298
Leverage (%)				
Debt/Funds Available for Debt Service	9.0	8.9	7.8	9.9
Equity/Capitalization	17.0	15.0	13.0	9.0
Equity/Adjusted Capitalization	16.0	15.0	12.0	8.0
Other (%)				
General Fund Transfer/Total Revenue	0.0	0.0	0.0	0.0
Variable Rate Exposure/Capitalization	0.0	0.0	0.0	(3.0)
Income Statement				
Total Operating Revenues	3,036,618	3,268,640	3,419,369	3,268,083
Total Operating Expenses	2,064,312	2,231,364	2,209,136	2,212,389
Operating Income				
Adjustment to Operating Income for Debt Service Coverage	438,697	426,247	403,765	415,145
Funds Available for Debt Service	1,441,567	1,470,042	1,714,091	1,376,243
Total Annual Debt Service	1,262,731	1,198,469	1,240,091	1,185,326
Net Revenues	264,845	457,208	611,063	486,870
Modified Net Revenues[a]	157,400	217,000	445,000	126,000
Balance Sheet				
Unrestricted Funds	1,731,238	1,475,544	1,225,075	651,740
Restricted Finds	0	0	0	0
Total Cash	**1,731,238**	**1,475,544**	**1,225,075**	**651,740**
Total Debt	12,910,633	13,129,154	13,320,787	13,612,450
Equity and/or Retained Earnings	2,664,460	2,402,565	1,945,357	1,334,294

[a]Modified Net Revenues is a calculation done by Bonneville to reflect available cash flow after the payment of non-federal debt service and certain payments to the Treasury. The calculation does not include unrealized market to market adjustments.

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