MOODY'S
INVESTORS SERVICE

HIGH PROFILE NEW ISSUE

Energy Northwest

Bonneville Power Administration

Sale Details	
Revenues Bonds	Tax Exempt and Taxable Build America Bonds
Security:	Net billing agreements with BPA
Bond Amount:	$476 million
Sale Date:	February 2010
Use of Proceeds:	Refundings / New Money
Key Facts	
BPA Coverage of Non-Federal Project Debt Service, 2009	2.4x
BPA Wholesale Power Rate, 2010	2.9 cents/ kwh
Energy Northwest outstanding revenue bonds: Project 1, Columbia Nuclear and Project 3	$5.9 BN

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Rating Rationale

The Aaa rating on Energy Northwest revenue bonds is rooted in the legal arrangements between Energy Northwest and Bonneville Power Administration (BPA) that secure the bonds. BPA has strong business fundamentals including a strong financial position.

Strengths

- Event and court-tested net billing agreements obligate BPA (rated Aaa issuer rating) to ensure timely and sufficient revenues to pay debt service on Energy Northwest revenue bonds
- BPA has strong business fundamentals and is a U.S. Energy Department line agency
- BPA has 20-year power supply contracts with participants and strong financial liquidity

Challenges

- Significant hydrology and wholesale power market exposure
- Conflicting uses of Columbia River and environmental litigation or mandates
- Managing potential future load growth including transmission needs
- Extensive ratemaking process

Outlook

BPA has a stable outlook. The business fundamentals of BPA continue to be sound with strong financial reserves and competitive wholesale power rates

What Could Change the Rating-UP

Energy Northwest revenue bonds are at the highest rating of Aaa

What Could Change the Rating-DOWN

The rating could be lowered if there are federal constraints placed on BPA, if BPA's net billing agreement obligation is violated or if BPA's does not replenish its reserves over time.

Analysis

Moody's has assigned the credit rating of Aaa to Energy Northwest's sale of $476,690,000 (par amount) of revenue bonds including: $68,350,000 Project 1 Electric Revenue Refunding Bonds, Series 2010-A; $15,615,000 Columbia Generating Station Electric Revenue Refunding Bonds, Series 2010-B; $279,670,000 Project 3 Electric Revenue Refunding Bonds, Series 2010-A; $1,000,000 Project 1 Electric Revenue Refunding Bonds, Series 2010-B; $76,125,000 Columbia Generating Station Electric Revenue Bonds, Series 2010-C (Taxable Build America Bonds); $29,930,000 Project 3 Electric Revenue Refunding Bonds, Series 2010-B. The bonds are expected to be priced in February 2010. Moody's has also affirmed the Aaa rating on the outstanding Project No. 1 bonds; the Aaa rating on the outstanding Columbia Generating Station bonds and the Aaa rating on the outstanding Project No. 3 bonds.

Moody's has also affirmed the Aaa issuer rating on the Bonneville Power Administration.

The Aaa rating on Energy Northwest revenue bonds is rooted in the legal arrangements, principally in the net billing agreements between Energy Northwest and BPA that secure the bonds.

Legal Security: Event-and Court-Tested Net Billing Agreements with BPA Provide Strong Security to Energy Northwest Revenue Bonds

Bond security is the pledge of revenues including amounts derived from the net billing agreements with the United States Government, acting by and through the BPA Administrator. The bonds are not general obligations of the United States of America and are not secured by the full faith and credit of the United States of America. The BPA has made a clear and tested commitment to support the payment of the Energy Northwest Revenue bonds through the net billing agreements between Energy Northwest participants and BPA. The agreements have withstood more than 25 years of stressful circumstances, such as the legal challenges in the early 1980s to Nuclear Project 1, the Columbia Generating Station, and the Project 3 bonds brought about by the Project 4 and 5 bond defaults (Projects 4 and 5 were not backed by the BPA net billing agreements). Also, despite the termination of the construction of Projects 1 and 3, (the projects were formerly nuclear generation units that were expected to be constructed) the net billing agreements are still in force and debt service on those project bonds are being paid.

The net billing agreements obligate project participants, consisting of numerous public utility districts and municipal and electric cooperative utilities, to pay Energy Northwest a proportionate share of the Energy Northwest project's annual costs, including debt service, in accordance with each participant's purchase of project capability. BPA, in turn, is obligated to pay (or credit) the participants identical amounts by reducing amounts the participants owe for power and service purchased from BPA under their power-sales agreements. Even after project termination, such as in the case of Projects 1 and 3 (the construction of the nuclear units was terminated), the obligation for debt service is in effect until the Energy Northwest bonds are retired.

In 2007, Energy Northwest and BPA adopted a new direct pay agreement whereby Energy Northwest participants directly pay all costs to BPA rather than through Energy Northwest.

The US Court of Appeals for the Ninth Circuit affirmed in the City of Springfield v. WPPSS; 752 F.2d.1423, the legal authority of all participants to enter into the net billing agreements; the US

Supreme Court denied a petition for a writ of certiorari. The obligation of BPA and the participants is in force whether the projects are operable or terminated.

Most importantly and a source of significant credit strength , BPA has agreed, in the event of any insufficient payment by a participant, to pay the amount due in cash, directly, and in a timely manner. While the net billing agreements may be terminated prior to the maturity on the related net billed bonds, the obligation of the participant to pay their proportionate share of the debt service continues, as does the obligation of BPA to credit these payments or make a payment if in any event there was an insufficient payment by a participant.

Use of Bond Proceeds:

Most of the current offering is expected to be used to refund certain Energy Northwest revenue bonds maturing between 2010 through 2018 and pay related transaction costs. Proceeds from the approximately $76.1 million Taxable Build America Bonds is expected to be used to partially fund $91 million of capital expenditures at the Columbia nuclear facility in Fiscal Year 2011.

Background on BPA

In 1937, an act of Congress created BPA to market power from hydroelectric facilities constructed on the Columbia River. The Army Corps of Engineers and the Bureau of Reclamation operate the hydro projects. BPA is one of four regional power marketing agencies within the Department of Energy. Many of the statutory authorities of BPA are vested with the Secretary of Energy, who appoints and acts through the BPA administrator. BPA’s wholesale power rates are approved by the Federal Energy Regulatory Commission (FERC) to ensure full-cost recovery. Federal law requires BPA to meet specified energy requirements in the Northwest region. BPA is also required to implement conservation measures and to provide transmission services. The federal hydro projects also serve numerous purposes, including irrigation, navigation, recreation, municipal and industrial water supply, fish and wildlife protection, and power generation. The amount of power produced by the federal hydro generation units varies with annual precipitation and other weather conditions.

Credit Fundamentals

Strengths

» BPA benefits from U.S. Government support including the direct borrowing authority with the US Treasury ($7.7 billion) and the legal ability to defer its annual Treasury repayment if necessary to meet non-Federal debt service commitments (which includes Energy Northwest bonds) under the net billing agreements. BPA has established the planning policy of meeting a 95% probability over the next two years of making its U.S. Treasury payment on time which is a key strategy to ensure timely revenue bond debt service payment

» BPA's extensive hydroelectric system strongly anchors its firm competitive wholesale rate position relative to market based prices

» BPA's important role in the northwest region of the U.S. BPA owns and operates 75% of the bulk transmission system and markets low cost hydroelectric power amounting to 35% of the region's power

- BPA has strong liquidity including a line of credit with the U.S. Treasury, providing it with a substantial cushion against low hydro and power price environment
- 20-year power supply contracts with BPA public power electric utility customers is a positive factor

Challenges

- Significant exposure to hydrology risk and wholesale power markets contributes to cash flow volatility
- Extensive ratemaking process creates potential complications in timely rate recovery
- Conflicting uses of Columbia River, (flood control, irrigation, navigation, recreation, municipal and industrial water supply, fish and wildlife protection and power generation),can influence the ability of the system to meet load from federal system and contribute to additional costs
- Development of wind energy in the region has presented complicated transmission and load balancing issues

Key Rating Drivers

BPA's Status as a U.S. Energy Department Line Agency and its Relationship to the Federal Government are Important to the Credit Rating

While BPA's obligations do not benefit from the full faith and credit of the United States Government, BPA benefits from significant support from the US Government and strong interrelationships as shown below.

Borrowing Authority with US Treasury. BPA has authority to sell to the United States Treasury $7.7 billion principal amount of bonds, which benefited from a $3.25 billion increase in February 2009. At September 2009, BPA had $2.13 billion of outstanding borrowings with the US Treasury. The borrowed funds are to be primarily used to fund capital programs including $1.25 billion allocated for capital and environmental programs. As part of the $7.7 billion, BPA has a $750 million line of credit, which can be used to fund operating expenses.

Ability to Defer Payments to US Treasury. BPA is required by statute to defer its annual Treasury payments if funds are needed to meet its non-federal debt obligations like the Energy Northwest revenue bonds and thus BPA's US Treasury obligations are considered subordinated to BPA's obligations on the Energy Northwest net billed bonds. The deferral ability provides BPA a major source of financial flexibility under extreme situations though BPA has not deferred such payments since 1983.

Line Agency of US Department of Energy. BPA is not a government corporation but a traditional line agency that is part of the US Department of Energy. The Energy Northwest /BPA contracts are contractual obligations of the US, and are executed by the US Department of Interior. (See Springfield vs. WPPSS 564F Supp 90). The link between BPA and the federal government is further strengthened because BPA must submit annual budgets to Congress and the Department of Justice remains responsible for BPA litigation. There were no adverse proposals to BPA operations or finances contained in the President's budget proposed for Fiscal Year 2010. The Federal Energy Regulatory Commission (FERC) must confirm the electric rates established by BPA.

Powerful Political Constituencies. Due to the importance to the region BPA serves, there is significant northwest U.S. representation on key U.S. House and Senate committees that deal with legislation related to BPA. For example, several US senators from the Northwest are on the Senate Energy and Natural Resources Committee.

BPA Serves Important Public Policy Objectives. Since the creation of BPA, numerous statutes have been enacted to address issues involving BPA and the Northwest region. Among them are the Bonneville Project Act of 1937, The Flood Control Act of 1944, the 1974 Federal Columbia River Transmission System Act, the Pacific Northwest Electric Power Planning and Conservation Act of 1980, and the 1996 BPA Appropriations Refinancing Act. Each of these federal statutes include provisions that aid BPA's financial health while meeting broader public policy obligations.

In the 2001-2003 Pacific Northwest energy crisis, BPA demonstrated it had other federal financial liquidity tools that were available should there be an adverse situation. For example, in 2001, BPA used credits under Section 4(h)(10)c of the Northwest Power Act which relate to federal payment of fish and wildlife protection costs to reduce the actual cash payment to the U. S. Treasury. Without the credits, the power rate increase on customers would have been more significant. BPA identified sources of liquidity of over $1.5 billion to bridge any gaps due to short-term cash flow shortfalls.

Economic, Social, and Political Ramifications of A Failure of BPA. BPA provides 35% of the electric power in the Pacific Northwest, owns 75% of the bulk electric power transmission, and 80% of the transmission capacity of the Pacific Northwest-Pacific Southwest Intertie . BPA is also responsible for significant regional environmental protection programs as well as for coordinating river operations and certain treaty responsibilities with Canada. BPA funds 70% of the fish and wildlife mitigation and recovery efforts in the Columbia Basin. A BPA failure would have a far-reaching effect on the region, which would serve as an important incentive. In addition, as the Northwest region looks to diversify and add to its power resources, BPA is playing a major role in building new transmission lines to insure new wind generation constructed in the region can efficiently get to the regional marketplace.

Fundamentally Strong Underlying Assets and Competitive Power Costs

BPA markets energy to nearly 12 million people from 31 federally owned hydroelectric facilities constructed on the Columbia River. About 94% of generating capacity is from 12 projects. The facilities comprise more than 80% of BPA's firm power supply (See Figure 1). Power dispatched from Energy Northwest's Columbia Generating Station nuclear plant represents about 10% of BPA' total energy resources. Output of the federal hydro system is 11,078 average megawatts annually during median water conditions and 8,863 average megawatts annually under low water conditions. BPA's key business consists of power sales to public and private utilities for resale purposes.

FIGURE 1

Operating Federal System Projects for Operating Year 2010

PROJECT	INITIAL YEAR IN SERVICE	NO. OF GENERATIN G UNITS	JANUARY CAPACITY (PEAK MW)	MAXIMUM ENERGY (AMW)	MEDIAN ENERGY (AMW)	FIRM ENERGY (AMW)
United States Bureau of Reclamation (Reclamation) Hydro Projects						
Grand Coulee incl. Pump Turbine	1941	33	6,192	2,876	2,444	1,866
Hungry Horse	1952	4	379	154	104	83
Other Reclamation Projects		16	125	182	171	126
1. Total Reclamation Projects		53	6,696	3,212	2,719	2,075
United States Army Corps of Engineers (Corps) Hydro Projects						
Chief Joseph	1955	27	2,535	1,130	1,264	1,069
John Day	1968	16	2,484	1,182	1,089	796
The Dalles w/o Fishway	1957	24	2074	839	831	606
Bonneville	1938	20	1052	594	565	407
McNary	1953	14	1127	629	661	499
Lower Granite	1975	6	930	365	292	198
Lower Monumental	1969	6	923	382	318	197
Little Goose	1970	6	928	383	311	204
Ice Harbor	1961	6	693	225	236	171
Libby	1975	5	579	294	226	184
Dworshak	1974	3	445	285	203	149
Other Corps Projects		20	235	334	300	250
2. Total Corps Projects		153	14,005	6,642	6,296	4,730
3. Total Reclamation and Corps Projects (line 1 + line 2)		206	20,701	9,854	9,015	6,805
Non-Federally-Owned Projects						
Columbia Generating Station	1984	1	1,150	1,030	1,030	1,030
Other Non-Federal Hydro Projects		7	23	62	45	40
Other Non-Federal Projects		11	76	115	115	115
4. Total Non-Federally-Owned Projects		19	1,249	1,207	1,190	1,185
Federal Contract Purchases						
5. Total Bonneville Contract Purchases		0	1,004	873	873	873
Total Federal System Resources						
6. Total Federal System Resources (line 3 + line 4 + line 5)		225	22,954	11,934	11,078	8,863

Despite increased competition from alternative power sources and the increase in BPA's power rate, BPA's cost structure remains competitive as a result of the dominant and low-cost hydroelectric generation. In 2010, BPA's Full Requirement Power Rate is expected to be about $29/mwh. Historical averaged regional market prices in the region were around the $50/MWh range though prices in 2009 average around $30/MWh due to the recession and low natural gas prices. Moody's believes that the long-term fundamental strength of BPA's hydroelectric assets remains extremely strong especially given the potential for future CO2 regulation.

BPA and Regional Utilities Signed Power Supply Contracts for Beyond 2011

Under the Northwest Power Act, BPA has a statutory obligation to meet electric power loads in the Northwest region that are placed on BPA by electric power utilities. In December 2008, BPA executed new offtake contracts with 125 publicly owned and cooperatively owned utilities for power service from Fiscal Year 2012 through Fiscal Year 2028. The longer-term take-or-pay contracts are to establish greater longer-term certainty for both price and infrastructure development decisions. As part of the new offtake contracts, BPA has developed tiered rates so pricing signals can be incorporated into resource planning. Tier one rates would be for the power from the federal hydro system and tier two for augmentation if the utility contracts for any additional power resource needs.

Energy Northwest Columbia Generating Station Maintains Improved Operating Record

Energy Northwest operates the Columbia Generating Station, the 1,157 MW nuclear facility, which continues to have an overall improved performance record. In 2009, the nuclear facility generated 7,725 GWhs of energy and output from the Columbia Generating Station amounts to around 9.3% of BPA's energy resources. BPA dispatches all of the energy generated at the nuclear unit.

Of the original five planned nuclear units, the Columbia Generating Station is the only nuclear unit of the original five planned in operation with all the power economically dispatched by BPA. The 1,157 MW generating station has had an improving record with capacity factors over the last nine years ending December 2009 at around 87% compared to a low capacity factor of 71.8% since commercial start date. The Columbia Generating Station did incur four unplanned outages in Fiscal Year 2009 resulting in lost production estimated at roughly 418 GWhs, which represented a manageable 5% of total production.

In 2009, Columbia Generating Station's cost of production was around $48.24/MWh mainly due to a refueling outage. For Fiscal Year 2010, the cost of production at Columbia Generating Station is budgeted at $34/MWh.

The plant has had a relatively good safety-performance record with satisfactory ratings from both the Nuclear Regulatory Commission and the Institute of Nuclear Power Operations. Energy Northwest's operating license extends to 2023. The facility has sufficient spent fuel storage including capacity expansion through 2024. Energy Northwest's management is working on a proposal to request extension of the nuclear operating license by 20 years to 2043.

Energy Northwest expects to spend $82.5 million on capital improvements at Columbia Generating Station in fiscal year 2010 and $91 million in fiscal year 2011. The capital improvements at Columbia Generating Station include such items as computer system and security upgrades; plant fire detection system upgrade; plant license extension; replacement of the main condenser; replacement or rebuilt of various motors and pumps and other improvements.

Material Hydrology and Wholesale Price Risk Exposure Partially Mitigated by Strong Liquidity

BPA's financial results can be materially impacted by hydrology in the Columbia River Basin and wholesale power prices in the region since wholesale power sales represent roughly 20% of total revenues and contributed significant, but volatile cash flows to BPA. For example, in 2000/2001, extremely low hydro conditions led to BPA having to meet a portion of its load by buying power in the expensive wholesale market at the time necessitating a steep rate increase. From 2006 to 2008, BPA benefited from above average to average water levels and strong power prices that contributed to a high level of financial reserves totaling $1.646 billions at Fiscal Year 2008 (Figure 2 for historical regional prices and water flows).

FIGURE 2

Regional Power Prices and Water Flows

	MID COLUMBIA ON PEAK ($/MWH)	MID COLUMBIA OFF PEAK ($/MWH)	COLUMBIA RIVER RUNOFF AT GRAND COULEE
2004	45	39	80%
2005	63	50	86%
2006	51	38	106%
2007	56	44	102%
2008	65	52	95%
2009	36	28	79%

For Fiscal Year 2009, BPA ended with financial reserves approximately 17% lower albeit still strong at approximately $1.363 billion due to lower revenues caused by low wholesale prices and hydro in addition to higher operating costs. BPA's financial reserves at the end of Fiscal Year 2009 comprised of $1.117 billion in cash, $146 million in deferred borrowing form the US Treasury and $100 million of investments in U.S. Treasury securities. In Fiscal 2010, expected low hydro conditions and wholesale prices are likely to again contribute to a decrease in financial reserves to the low end of the $973 million to $1.19 billion range estimated by BPA. BPA separately has availability under the $750 million line of credit with the US Treasury to fund certain costs if necessary which was an increase from $300 million previously available. Weakening of BPA's financial reserves represents a manageable deterioration especially given the increase in the US Treasury line of credit and does not have implications to BPA or Energy Northwest's rating at this time. If BPA continues to substantially deplete its financial reserves after Fiscal Year 2010 and does not replenish it over time, BPA's rating could be negatively affected since BPA's financial reserves remain an important mitigant to both hydrology and wholesale price risk.

In addition to decreases in financial reserves, low hydrology and lower wholesale prices has also contributed to non-federal debt service coverage ratios dropping from a 2004-2008 average of 4.4 times to 1.9 times while total debt service coverage ratio (including US Treasury payments) decreased to 0.80 times from an average of 1.1 times according to Moody's calculations. Also contributing to a decline in non-federal debt service coverage ratio was a large increase in non-federal debt service to $501 million in Fiscal Year 2009 compared to $343 million in Fiscal Year 2007 (See Figure 3).

FIGURE 3

BPA Financial Performance

BONNEVILLE POWER ADMINISTRATION

FINANCIAL PERFORMANCE (FISCAL YEARS ENDED 9/30 $000) (1)

	2004	2005	2006	2007	2008	2009
Sales to NW public utilities	$1,737,895	$1,717,063	$1,711,889	$1,836,731	$1,504,637	1,673,237
Aluminum industry	92,424	82,454	80,021	0	405	0
Investor-owned utilities in NW	363,201	390,511	502,601	281,362	214,153	143,604
Sales outside NW	489,063	600,765	691,508	460,656	603,891	273,545
Wheeling and other sales	727,483	716,137	641,132	689,287	721,513	713,907
Other power sales	191,547	188,754	13,129	95,309	101,723	102,805
Total Net operating revenues(1)	3,197,911	3,268,083	3,419,369	3,268,640	3,036,618	2,870,284
O & M (including Corps/Reclamation O&M)	1,668,016	1,692,716	1,699,733	1,539,407	1,707,468	1,690,792
Residential exchange	125,915	144,073	157,157	340,170	-1,220	205,172
Cash Flow for Debt Service	1,403,980	1,431,294	1,562,479	1,389,063	1,330,370	974,320
Non-Federal and US Treasury Debt Service						
Net-billed debt service	222,779	267,373	315,016	319,383	457,847	461,888
Non-net billed debt service	25,696	24,167	22,611	23,938	21,646	39,479
Total nonfederal project debt service	248,475	291,540	337,627	343,321	490,557	501,367
U.S. Treasury payment (net of Corp and Reclamation O&M)	969,633	972,020	976,974	928,218	850,677	710,077
Total Debt Service Including Treasury	1,218,108	1,263,560	1,314,601	1,271,539	1,341,234	1,211,444
Financial Reserves and Debt Service Coverage						
Financial Reserves	636,000	554,000	1,193,000	1,463,000	1,646,000	1,357,000
Non-Federal Project Debt Service Ratio (BPA Reported)	6.5x	5.6x	5.3x	4.7x	3.2x	2.4x
Non-Federal Project Debt Service Ratio (Moody's)	5.7x	4.9x	4.6x	4.0x	2.7x	1.9x
Total Debt Service Coverage Ratio (Moody's)	1.2x	1.1x	1.2x	1.1x	1.0x	0.8x

(1) Net of bookouts

Extensive Ratemaking Process

BPA's ratemaking procedure involves an extensive process as laid out in the Northwest Power Act and could create complications and delays in timely recovery of BPA's costs. The Northwest Power Act contains specific ratemaking procedures, mandates justification and reasons in support of such rates and requires a hearing. The hearing provides an opportunity for third parties to refute or rebut material submitted by BPA or other parties and provides an opportunity for cross-examination. The BPA Administrator ultimately decides the rate based on the hearing record including all information submitted. Rates established by BPA may become effective only upon confirmation and approval by FERC. Furthermore, the US Ninth Circuit Court reviews all of BPA's ratemaking for conformance with all Northwest Power Act standards. Moody's notes that the BPA is required by law to propose rates to meet all its costs and that BPA proposes rates at levels whereby it can meet its US Treasury payments at a 95% confidence level based on its cash flows and reserves. Beginning with the Fiscal 2010-2011 Rate Case, BPA plans rate cases every two years, which is shorter than the prior 3-year rate case period.

That said, BPA has demonstrated willingness to raise rates in a difficult situation such as the power crisis of 2000-2001. Wholesale power rates were raised by more than 40% to manage the combination of the impact of drought conditions on hydro production and a large spike in power prices in the wholesale energy market. Subsequently wholesale rates have fallen and BPA remains very competitive within the region.

BPA is also able to make rate adjustments at beginning of the first year of the rate period and one time in the middle of the two-year rate period under the Cost Recovery Adjustment Clause (CRAC). CRAC permits a one-year increase in rates up to $300 million if accumulated net revenues are at or below a pre-determined threshold. The CRAC feature serves as an additional tool to reduce BPA's exposure to hydrology and wholesale price volatility. BPA can also add a surcharge if fish recovery costs are higher than budgeted. For the Fiscal Years 2007-2009, the CRAC trigger points equated to roughly $750 million in projected remaining reserves in the Bonneville Fund available attributed to BPA's Power Services operations. At Fiscal Year end 2009, reserves tied to Power Services represent almost half of BPA's total financial reserves. The CRAC trigger points proposed for power rates in the Fiscal Year 2010-2011 Rate Period equate to roughly zero projected remaining reserves in the Bonneville Fund available for risk attributable to Power Services operations. Moody's views the lower proposed threshold a weakening of the CRAC rate adjustment mechanism.

For Fiscal Year 2010-2011, BPA has proposed a NFB Adjustment, which would increase the CRAC adjustment cap if costs rise due to adverse events related to the litigation over the 2008 Columbia River System Biological Opinion (2008 Biological Opinion). Additionally, BPA has a related NFB Emergency Surcharge that would allow BPA to increase power rate levels at any time in the 2010-2011 Rate Period in order to recover certain costs tied to the 2008 Biological Opinion if the probability for payment to the US Treasury falls below 80%.

Conflicting Uses of Columbia River Including Fish and Wildlife Conservation Results in Major Costs for BPA

BPA faces conflicting uses of the Columbia River and environmental issues contribute significantly to BPA's costs. BPA is subject to the Endangered Species Act (ESA) and approximately fifteen fish species are affected by the operation of the federal dam system. For Fiscal Year 2009, BPA's fish and wildlife costs to meet ESA and non-ESA requirements totaled approximately $745 million. Included in the $745 million are direct costs including such items as fish hatcheries and indirect costs such as forgone revenues.

In May 2008, 2008 Biological Opinion sought major changes compared to prior biological opinions and implementation of the 2008 Biological Opinion with associated tribal and statement funding agreements could raise BPA's costs by $100 million per year over a ten year period. BPA estimates that rates would have to be increased by roughly 4% compared to Fiscal Year 2008. The 2008 Biological Opinion is currently subject to litigation.

Moody's notes that BPA was able to recover a portion of the Fish and Wildlife costs borne by the BPA from the US Treasury since a portion of the costs are allocated to non-power related federal purposes such as irrigation and flood control. For Fiscal Year 2009, BPA recovered $99 million, which was credited against payments owed to the US Treasury.

Debt List

Bonneville Power Administration Non-Federal Project Debt Outstanding As Of December 31, 2009

	RATING		AMOUNT OUTSTANDING	FINAL MATURITY
ENERGY NORTHWEST REVENUE BONDS				
Nuclear Project No.1	Aaa	$	1,821,165,000	7/1/2017
Columbia (Nuclear Project No.2)	Aaa	$	2,392,475,000	7/1/2024
Nuclear Project No.3	Aaa	$	1,729,005,000	7/1/2018
	Sub Total		5,942,645,000	
Lewis County PUD 1-Cowlitz Falls Project	Aaa	$	122,410,000	10/1/2024
Tacoma Conservation System Project Rev.	Aaa	$	8,180,000	12/1/2014
Northern Wasco County-McNary Dam	Aaa	$	22,785,000	12/1/2014
NIFC II	NR	$	90,001,000	7/1/2014
NIFC III	NR	$	200,001,000	1/1/2015
NIFC IV	NR	$	37,230,000	1/1/2016
Northwest Infrastructure Financing Corp.	Aaa	$	119,585,000	1/1/2034
Conservation and Energy Renewable System	Aaa	$	13,685,000	10/1/2014
	Total Bonds		6,556,522,000	

(1) Excluding Energy Northwest Nine Canyon Wind Project which is not secured by net-billing agreements

Rating History

NUCLEAR PROJECT NO. 1 (1):		NUCLEAR PROJECT NO. 3 (3)	
March 2004:	Aaa	March 2004:	Aaa
August 1996:	Aa1	August 1996:	Aa1
May 1990:	Aa	May 1990:	Aa
August 1989:	A	August 1989:	A
February 1985:	Withdrawn	February 1985:	Withdrawn
June 1983:	Suspended	June 1983:	Suspended
April 1983:	Baa	May l983:	Baa
May 1982:	A1	May l982:	A1
February 1982:	A1	February 1982:	Aa
September 1975:	Aaa	November l975:	Aaa

NUCLEAR PROJECT NO. 2 (2)			
March 2004:	Aaa	NUCLEAR PROJECTS NOS. 4 AND 5 (4):	
August 1996:	Aa1	June 1983:	Withdrawn
		June 1983:	Caa
May 1990:	Aa	January 1982:	Suspended
August 1989:	A	June 1981:	Baa1
February 1985:	Withdrawn	February l977:	A1
June 1983:	Suspended	(1) Not a BPA-backed obligation.	
June 1983:	Baa		
May 1983:	A1		
February 1982:	A1		
February 1975:	Aaa		

(1) Washington Public Power Supply System Project 1 was a partially constructed nuclear unit that Energy Northwest terminated. Energy Northwest has plans for demolition of the project and restoration of the site. Outstanding revenue bonds secured by net billing agreements with BPA.

(2) Columbia Generating Station (formerly Project 2) is an operating 1157 MW nuclear generation facility.

(3) Washington Public Power Supply System Project 3 was a partially constructed nuclear unit that was terminated by Energy Northwest. The site was transferred to the Grays Harbor PUD 1 and developed into a combustion turbine site. Outstanding revenue bonds secured by net billing agreements with BPA.

(4) Projects 4 and 5 terminated in 1982 and projects 4 and 5 bonds went into default on July 22, 1983. Revenue bonds were not backed by net billing agreements.

Moody's Related Research

Global Risk Perspective:

» Global Macro-Risk Scenarios 2010-2011 – On the Hook for Some Time Yet, January 2010 (122431)

Industry Outlook:

» U.S. Electric Utilities Face Challenges Beyond Near-Term, January 2010 (121717)

» Oil and natural gas outlook: Supply and demand pressures persist, January 2010 (122453)

Rating Methodologies:

» US Public Power Electric Utilities, April 2008 (106322)

» U.S. Municipal Joint Power Agencies, September 2006 (99024)

Special Comments

» U.S. Electric Utility Sector Weathers the Recession, November 2009 (121216)

» Carbon Risks Becoming More Imminent for U.S. Electric Utility Sector, March 2009 ()

» U.S. Electric Utilities See Some Clarity in Evolving Federal Energy Policies, February 2010 (123062)

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Report Number: 123364

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