

Summary:

Energy Northwest, Washington Bonneville Power Administration, Oregon; Wholesale Electric

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Credit Profile

Conservation and Renewable Energy Sys, Washington

Bonneville Pwr Admin, Oregon

Conservation & Renewable Energy Sys (Bonneville Pwr Admin) conserv proj

Long Term Rating AA/Watch Neg On CreditWatch Negative

Energy Northwest, Washington

Bonneville Pwr Admin, Oregon

Energy Northwest (Bonneville Pwr Admin) Sub Lien

Long Term Rating AA/Watch Neg On CreditWatch Negative

Bonneville Pwr Admin elec rev rfdg (Colu)

Unenhanced Rating AA(SPUR)/Watch Neg On CreditWatch Negative

Lewis Cnty Pub Util Dist #1, Washington

Bonneville Pwr Admin, Oregon

Lewis Cnty rev rfdg bnds (Bonneville Pwr Admin) (Cowlitz Falls Hydroelectric Proj) ser 2003 dtd 07/16/2003 due 10/01/2007-2012

Unenhanced Rating AA(SPUR)/Watch Neg On CreditWatch Negative

Rationale

Standard & Poor's Ratings Services has placed its ratings 'AA' on Energy Northwest (ENW), Wash.'s revenue bonds and the several nonfederal debt obligations that Bonneville Power Administration (BPA), Ore., pays as operating expenses of its electric system on CreditWatch with negative implications.

The placement reflects us placing our ratings on the U.S. federal government (AAA/Watch Neg/A-1+) on CreditWatch with negative implications on July 14, 2011.

BPA has entered agreements that we understand require it to treat debt service on these bonds as an operating expense, together with debt service on \$6.5 billion of additional nonfederal debt. Bonneville pays nonfederal debt ahead of servicing \$6.9 billion of federal debt. Although the bonds are subordinate ENW obligations, ENW covenanted to close the prior lien. Closed-lien, senior debt represents less than 8% of nonfederal debt.

BPA's nonfederal obligations include:

- \$5.9 billion of ENW revenue and refunding bonds;
- \$122.4 million of Public Utility District No. 1 of Lewis County, Wash., Cowlitz Falls Project bonds;
- \$119.6 million of Northwest Infrastructure Financing Corp. (Schultz-Wautoma project) bonds;
- \$22.8 million of Northern Wasco Public Utility District, Ore. (McNary Dam Project) bonds;

- \$13.7 million of conservation and renewable energy system bonds; and
- \$8.1 million of Tacoma, Wash., conservation system project bonds.

The 'AA' ratings on BPA reflect the application of our government-related entities criteria (GRE) to BPA. We believe that Bonneville's stand-alone credit profile is 'aa-' and there is a "moderately high" likelihood that the U.S. government would provide extraordinary support to it in financial distress. We base the latter view on our opinion of the "strong" link between the BPA and the federal government as well as the "important" federal role the agency plays in the Pacific Northwest. Our view of U.S. government support lifts the debt ratings above the stand-alone credit profile. Consequently, we believe that ratings on the nonfederal debt that Bonneville supports could decline if we lower our rating on the federal government.

Bonneville markets electricity generated at 31 federal hydroelectric projects; ENW's nonfederal, nuclear Columbia Generating Station; and several nonfederal small power plants. It also operates an extensive transmission system that facilitates power marketing activities. Its transmission system represents about 75% of the Pacific Northwest's transmission capacity.

The agency's federal debt includes bonds issued to the U.S. Treasury and federal appropriations that BPA must repay with interest. The nearly 1-to-1 ratio of nonfederal-to-federal debt facilitates what we consider sound debt service coverage of the nonfederal bonds as long as rates meet all financial obligations.

CreditWatch

Standard & Poor's will resolve this CreditWatch placement when it resolves its CreditWatch placement on the U.S. government.

Related Criteria And Research

- General Criteria: Enhanced Methodology And Assumptions For Rating Government-Related Entities, June 29, 2009
- USPF Criteria: Electric Utility Ratings, June 15, 2007

Ratings Detail (As Of July 15, 2011)		
Energy Northwest, Washington		
Bonneville Pwr Admin, Oregon		
Energy Northwest elec rev rfdg bnds ser 2005 A & taxable ser B dtd 05/26/2005 due 07/01/2008 2013-2018		
Long Term Rating	AA/Watch Neg	On CreditWatch Negative
Energy Northwest proj 1, Columbia Generating Sta, & proj 3 elec rfdg		
Long Term Rating	AA/Watch Neg	On CreditWatch Negative
Energy Northwest proj 1, Columbia Generating St, & proj 3 elec rev rfdg bnds (Bonneville Pwr Admin)		
Long Term Rating	AA/Watch Neg	On CreditWatch Negative
Energy Northwest (Bonneville Pwr Admin) proj 3 elec rev rfdg bnds var rate subseries F-1 (Bonneville Pwr Admin) ser 2008-F dtd 06/17/2008 due 07/01/20		
Long Term Rating	AA/Watch Neg	On CreditWatch Negative
Energy Northwest (Bonneville Pwr Admin) proj 3 elec rev rfdg bnds var rate subser F-2 (Bonneville Pwr Admin) ser 2008-F dtd 06/17/2008 due 07/01/2018		
Long Term Rating	AA/Watch Neg	On CreditWatch Negative

Ratings Detail (As Of July 15, 2011) (cont.)		
Energy Northwest (Bonneville Pwr Admin) rfdg rev bnds (Bonneville Pwr Admin-Nuclear Proj #1 & #3) ser 1993C dtd 09/01/1993 due 07/01/1996 1999 2002-20		
<i>Unenhanced Rating</i>	AA(SPUR)/Watch Neg	On CreditWatch Negative
Energy Northwest (Bonneville Pwr Admin) (MBIA) (AGM)		
<i>Unenhanced Rating</i>	AA(SPUR)/Watch Neg	On CreditWatch Negative
Energy Northwest (Bonneville Pwr Admin) (Nuclear Proj 1,2,3)		
<i>Long Term Rating</i>	AA/Watch Neg	On CreditWatch Negative
Energy Northwest (Bonneville Pwr Admin) (1,Columbia,3)		
<i>Long Term Rating</i>	AA/Watch Neg	On CreditWatch Negative
Bonneville Pwr Admin elec rev rfdg bnds ser 2005 A & taxable ser B dtd 05/26/2005 due 07/01/2008 2013-2018		
<i>Unenhanced Rating</i>	AA(SPUR)/Watch Neg	On CreditWatch Negative
Energy Northwest rfdg elec rev bnds (Bonneville Pwr Admin)		
<i>Unenhanced Rating</i>	AA(SPUR)/Watch Neg	On CreditWatch Negative
Energy Northwest (Bonneville Pwr Admin)		
<i>Unenhanced Rating</i>	AA(SPUR)/Watch Neg	On CreditWatch Negative
Energy Northwest (Bonneville Pwr Admin) (XL Capital Assurance Inc.)		
<i>Unenhanced Rating</i>	AA(SPUR)/Watch Neg	On CreditWatch Negative
Washington Pub Pwr Supp Sys (Nuclear Proj #3) rfdg rev bnds ser 93C dtd 9/23/93 due 7/1/2013 2014 2015 2017(CUSIP #939830RW7 RY3 RX5 RZ0)		
<i>Unenhanced Rating</i>	AA(SPUR)/Watch Neg	On CreditWatch Negative
Washington Pub Pwr Supp Sys (Nuclear Proj #3) (Bonneville Pwr Admin)		
<i>Unenhanced Rating</i>	AA(SPUR)/Watch Neg	Affirmed
Lewis Cnty Pub Util Dist #1, Washington		
Bonneville Pwr Admin, Oregon		
Lewis Cnty (Bonneville Pwr Admin) rev rfdg bnds (Cowlitz Falls Hydroelectric Proj) ser 2003 dtd 07/16/2003 due 10/01/2013-2024		
<i>Unenhanced Rating</i>	AA(SPUR)/Watch Neg	On CreditWatch Negative
Northern Wasco Cnty Peoples Util Dist, Oregon		
Bonneville Pwr Admin, Oregon		
Northern Wasco Cnty Peoples Util Dist (Bonneville Pwr Admin) (McNary Dam Fishway Hydroelec Proj)		
<i>Long Term Rating</i>	AA/Watch Neg	On CreditWatch Negative
Northwest Infrastructure Financing Corp., New York		
Bonneville Pwr Admin, Oregon		
Northwest Infrastructure Financing Corp. (Bonneville Pwr Admin) TRANs		
<i>Long Term Rating</i>	AA/Watch Neg	On CreditWatch Negative
Tacoma, Washington		
Bonneville Pwr Admin, Oregon		
Tacoma (Bonneville Pwr Admin) (Pub Util Lt Div Conserv Sys Proj)		
<i>Long Term Rating</i>	AA/Watch Neg	On CreditWatch Negative

Many issues are enhanced by bond insurance.

Summary: Energy Northwest, Washington Bonneville Power Administration, Oregon; Wholesale Electric

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