



**New Issue:** Northwest Infrastructure Financing Corp., OR

**MOODY'S ASSIGNS Aa1 CREDIT RATING TO NORTHWEST INFRASTRUCTURE FINANCING CORPORATION LEASE REVENUE BONDS**

**BONNEVILLE POWER ADMINISTRATION LEASE OBLIGATION FOR CRITICAL TRANSMISSION PROJECT FINANCING**

Municipality  
 OR

**Moody's Rating**  
**ISSUE**

**RATING**

Transmission Facilities Lease Revenue Bonds, Series 2004

Aa1

**Sale Amount** \$108,000,000

**Expected Sale Date** 02/18/04

**Rating Description** Transmission Facilities Lease Revenue Bonds, Series 2004

**Opinion**

NEW YORK, Feb 17, 2004 -- Moody's Investors Service has assigned the credit rating of Aa1 to the Northwest Infrastructure Financing Corporation's \$108,000,000 Transmission Facilities Lease Revenue Bonds, Series 2004 scheduled to price February 18. The bonds are being issued as limited, non-recourse obligations of the issuer payable solely from the trust estate which includes lease rental payments paid pursuant to a lease agreement with the United States of America, Department of Energy, acting through the Bonneville Power Administration. The bonds are not general obligations of the U.S. Government. The payments are made from the Bonneville Fund, which is a continuing federal appropriation available to meet all of Bonneville's cash obligations. The lease payments have a priority over all BPA payments to the U.S. Treasury. BPA has an absolute and unconditional obligation to make the lease rental payments.

The credit rating reflects the strong credit fundamentals of the Bonneville Power Administration; the importance of the asset being financed; and the third party lease mechanics.

Moody's considered the following factors in the assignment of the credit rating:

**BPA'S STRONG CREDIT FUNDAMENTALS SUPPORT CREDIT QUALITY OF LEASE**

The current offering is secured by the obligation of BPA to make lease payments to the trustee for this critical transmission project financing. BPA is a US Department of Energy line-agency and as such has strong ties to the federal government. The federal statutes which govern BPA well define its role in the Pacific Northwest. BPA and its service area have strong political representation in Congress with important energy committee assignments. BPA plays a significant role in the region's transmission including operating 75% of the bulk transmission system. BPA is a major marketer of low cost hydroelectric energy and power. In 2003, BPA marketed the more than 20,000 MWs of peak capacity of the federal system representing 40% of the region's generation.

In addition to the fundamental credit strengths derived from its federal relationship, BPA has managed its business operations proactively to position itself for potential deregulation threats and also during the 2000-2001 regional power crisis. While BPA faced enormous pressures during the crisis, its close management of its costs and use of various liquidity and rate tools aided its financial recovery. BPA has demonstrated its willingness to use its statutory rate authority to recover all of its costs.

The lease revenue payments are paid from the Bonneville Fund which is a continuing federal appropriation.

Since the lease payments have priority over BPA's payments to the US Treasury, coverage of the lease payments is significant. The annual lease payments relating to the current offering represents less than 1% of the Bonneville Fund cash flow. Also, statutory provisions which permit BPA to defer its payments to the US Treasury is another source of flexibility. BPA has made its US Treasury payment for 20 consecutive years and is now paying principal in advance of when it is due.

#### TRANSMISSION PROJECT'S IMPORTANCE TO THE REGION'S RELIABILITY IS A KEY RATING FACTOR

In response to the federal Office of Management and Budget's request to BPA to find alternative ways of financing transmission projects through third parties, the current offering is BPA's first financing to fund an important transmission project. The importance of the project is a key factor as it relates to the lease transaction credit quality. Moody's believes besides the legal requirement, BPA should meet its obligations in the lease given the importance of the project.

the project is the Schultz-Wautoma 500 KV transmission line project. The new line will be 64 miles and will add 400-600 megawatts of needed transmission transfer capacity to the center of BPA's electrical grid in central Washington. It is a major priority of BPA's plan to continue to improve the reliability of the region's power grid. The project will ease electricity flows in the heavily congested I-5 corridor and over the Intertie to California while increasing capacity in the Hanford area during the spring and summer months.

Under the Construction Agency Agreement, BPA will construct the project on behalf of the issuer. The project has all the required permits and is expected to be constructed in the Spring 2004 and energized in 2006.

#### BPA ABSOLUTE AND UNCONDITIONAL OBLIGATION CONTAINED IN LEASE AGREEMENT

BPA is required to make all lease rental payments in amounts more than sufficient to the Trustee for the term of the bonds. BPA's obligation to pay rent is absolute and unconditional. A review of the statutes indicates BPA has authorization to enter into such a transaction. BPA can suspend or terminate the operation of the project but BPA remains liable under the lease agreement. The Northwest Infrastructure Financing Corporation has assigned to the Trustee the right to receive lease payments; the issuer has waived the right to re-enter and take possession of the project; to sublease the project; to terminate the lease; or to preclude BPA from possession upon occurrence of a default under the agreement. There will be no security interest in the project in favor of the issuer. The issuer/lessor is the Northwest Infrastructure Financing Corporation, a single purpose Delaware corporation formed solely for the purpose of this transaction. The issuer/lessor has no source of income or assets. There is no recourse to issuer under any obligation, any covenant or agreement of the issuer.

#### BPA FINANCIAL STRENGTHS AND MANAGEMENT TESTED BY REGIONAL POWER CRISIS

BPA management has been aggressive at maintaining a financial condition that has preserved its operation independent from reliance on federal support. Financial stability has always been impacted by the effect that low water flows have had on hydroelectric generation. Wholesale power market deregulation, which saw extreme prices in 2000-2001, now also affect financial position as volatile prices are difficult to predict when the replacement resources are required. These budget swings require attention to cost containment and rate policy in a timely fashion. Moody's believes that BPA management has utilized its financial tools and attention to strategic planning that has allowed the agency to get through a difficult period. A significant rate increase and cost containment actions have permitted BPA to improve its cash reserves, meet its US Treasury payments, and maintain strong coverages on BPA's non-federal debt including its net billing obligations with Energy Northwest. BPA has also identified a defined set of liquidity sources beyond its cash reserves to protect against future downside risks. BPA's Slice product also has shifted some of the downside risk for low water levels to its customers.

A major uncertainty regarding BPA is post-2006, when its power supplier role beyond the federal hydro system will end. Regionwide discussion on the long term role of BPA has begun to take place.

#### Outlook

Moody's has assigned a stable credit outlook to the lease revenue bonds reflecting BPA's strong business fundamentals.

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