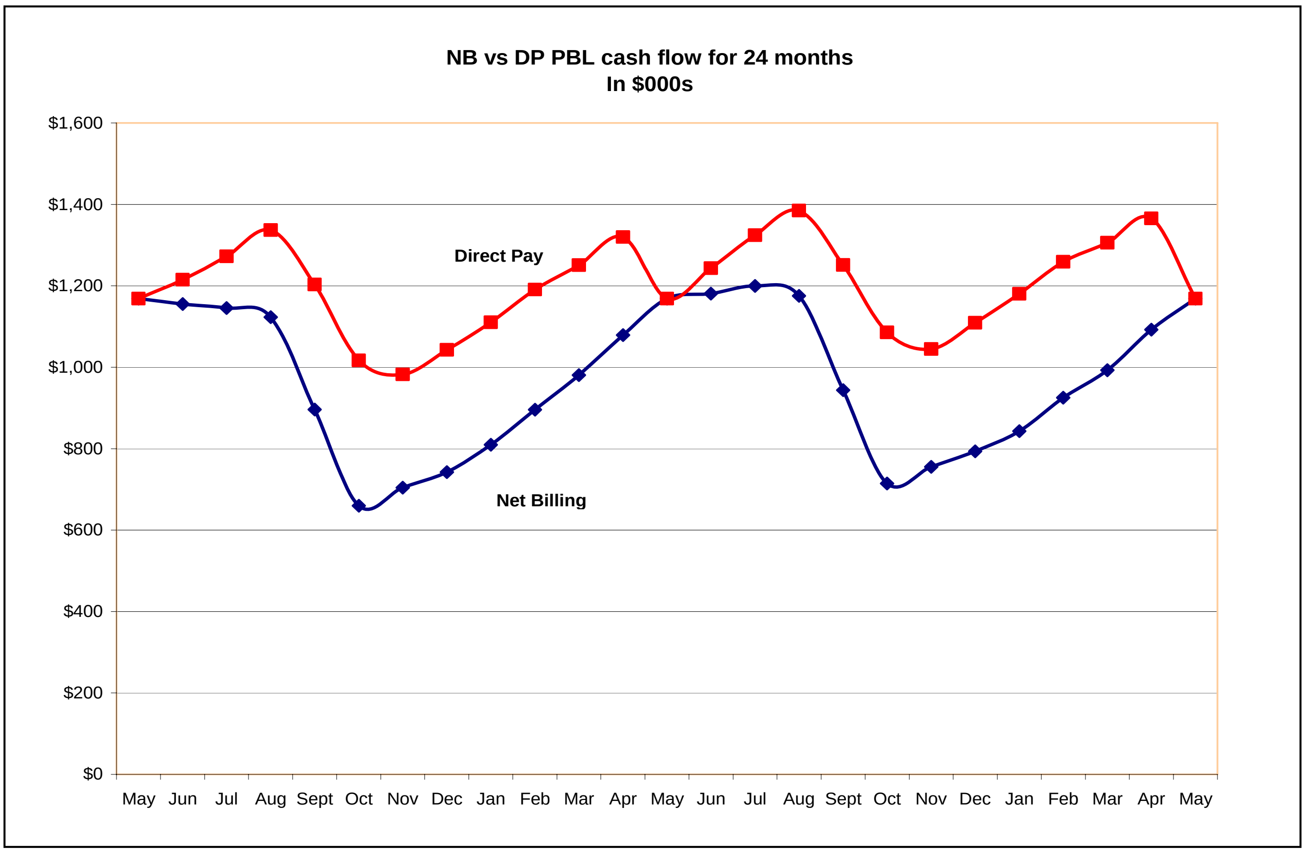
## Differences in Cash Flow between Net Billing and Direct Pay for Energy Northwest

Attached is a chart of Power Service's cash flow during a typical EN budget cycle, which goes from June through May. The chart was constructed out of data used during Power Services' 2007-2009 rate case. It shows the difference in cash flow timing between Direct Pay and Net Billing, assuming that all other things are equal. In particular it assumes the same revenue stream for both Direct Pay and Net Billing. (e.g. It assumes that power rates are the same for both scenarios. It may be recalled that instituting Direct Pay brought about a significant reduction in proposed Power Rates. One might view this chart as occurring after that rate reduction has taken effect, overlaying the Net Billing impact on this reduced revenue stream for illustrative purposes only.) One can see that as the budget cycle begins, much more cash flows into the Agency from Direct Pay, and that this cumulative difference in net cash inflow peaks around October and then begins to narrow. As the budget cycle progresses, the two cash balances converge until they come together in May when a large EN bond payment is made. This chart shows how Direct Pay did not create additional cash flow, but rather that it merely changed the timing of BPA's cash flow. It also implies that as BPA's EN debt service requirements increase in the May to June timeframe BPA's liquidity needs during that time will also increase. It will be this phenomenon that we will study further as we continue our VPP study.

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