

Quarterly Financial Report

2015 Second Quarter

Management's Discussion & Analysis

Profile

The Bonneville Power Administration (BPA) is a federal nonprofit power marketing administration based in the Pacific Northwest. Although BPA is part of the U.S. Department of Energy, it is self-funding and covers its costs by selling its products and services. BPA markets wholesale electrical power from 31 federal hydro projects in the Columbia River Basin, one nonfederal nuclear plant and several small nonfederal power plants. The dams are operated by the U.S. Army Corps of Engineers and the Bureau of Reclamation. About 30 percent of the electric power used in the Northwest comes from BPA. BPA's resources – primarily hydroelectric – make its power nearly carbon free.

BPA also operates and maintains about three-fourths of the high-voltage transmission in its service territory. BPA's service territory includes Idaho, Oregon, Washington, western Montana and small parts of eastern Montana, California, Nevada, Utah and Wyoming.

BPA promotes energy efficiency, renewable resources and new technologies that improve its ability to deliver on its mission. BPA also funds regional efforts to protect and enhance fish and wildlife populations affected by hydropower development in the Columbia River Basin.

BPA is committed to public service and seeks to make its decisions in a manner that provides opportunities for input from stakeholders. In its vision statement, BPA dedicates itself to providing high system reliability, low rates consistent with sound business principles, environmental stewardship and accountability.

General

The Federal Columbia River Power System (FCRPS) financial statements combine the accounts of BPA, the accounts of the Pacific Northwest generating facilities of the U.S. Army Corps of Engineers (Corps) and the Bureau of Reclamation (Reclamation), as well as the operations and maintenance costs of the U.S. Fish and Wildlife Service for the Lower Snake River Compensation Plan facilities. Consolidated with BPA are "Special Purpose Corporations" known as Northwest Infrastructure Financing Corporations (NIFCs), from which BPA leases certain transmission facilities.

FCRPS revenues are derived principally from the sale of power and transmission products and services. In 1937, the Bonneville Project Act created BPA and directed it to market federally produced hydroelectric power to customers, giving preference and priority in power sales to public bodies and cooperatives. The Act authorized BPA to provide, construct, operate, maintain and improve transmission facilities to deliver federal power at cost. BPA is obligated to meet its statutory and contractual load obligations to preference customers so they can meet their total retail



loads and load growth, minus their own nonfederal power supply. As an open access transmission service provider, BPA has an obligation to provide ancillary and control area services to support basic transmission services, including providing balancing reserves for interconnected renewable generation. BPA remains committed to providing non-discriminatory open access transmission after meeting statutory responsibilities to preference customers and others.

BPA's hydroelectric power supply depends on the amount and timing of precipitation in the Columbia River Basin and the shape, or timing, of the resulting runoff. For ratemaking purposes, BPA assumes runoff consistent with "critical water conditions," which yield historically low power generation. Federal power is designated to first meet preference customer loads. Power produced in excess of BPA's firm load obligations, if available, is considered by BPA to be surplus power and is sold in the Western Interconnection wholesale power markets. When generation is not sufficient to meet loads, BPA purchases power on the wholesale markets or acquires resources.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Rates

For the 2014-2015 rate period, BPA adopted a 9 percent average wholesale power rate increase and an 11 percent average transmission rate increase. The power rate increase stemmed from higher costs of operating and maintaining the federal hydroelectric system, higher costs to fund existing long-term agreements for the fish and wildlife mitigation program and reduced revenues from surplus power sales due to low market prices. The transmission rate increase was the first in six years and stemmed from both a growing construction program, driven by the need to repair and replace aging infrastructure, and from increased spending on mandatory compliance and security requirements. The rates took effect October 2013 and are effective through September 2015.

Power rates are constructed using BPA's Tiered Rate Methodology. Under this rate structure, BPA's publicly owned utility customers may purchase only a limited amount of power at Tier 1 rates. Tier 1 rates recover the costs of the majority of the FCRPS resources, fish and wildlife costs and energy efficiency. Tier 2 rates recover the costs of resources that BPA acquires specifically for publicly owned utility customers that request BPA meet their net power requirements in excess of their purchases at Tier 1 rates.

Tiered rates provide BPA's customers with choices as to how they will serve their full power requirements. As designed, tiered rates also give BPA's customers even more reason to conserve energy. Energy conserved by a utility will reduce its need to add new resources or to purchase power from BPA at higher Tier 2 rates. BPA's rates also include incentives to reduce and control utilities' peak power use.

BPA is currently conducting a consolidated power and transmission rate proceeding, BP-16, to set rates for the fiscal year 2016 and 2017 rate period. BPA anticipates concluding the BP-16 rate proceeding in July 2015 with release of the Administrator's Final Record of Decision and Final Proposal. Rates are expected to go into effect Oct. 1, 2015, and assuming final approval by the Federal Energy Regulatory Commission, will be effective through Sept. 30, 2017.

Results of Operations

Operating Revenues

A comparison of FCRPS operating revenues follows for the six months ended March 31, 2015, and March 31, 2014:

<i>(Thousands of dollars)</i>	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>Change %</u>
Consolidated gross sales				
Power	\$ 1,337,304	\$ 1,323,053	\$ 14,251	1%
Transmission	451,532	456,121	(4,589)	(1)
Bookouts (Power)	<u>(10,137)</u>	<u>(30,409)</u>	<u>20,272</u>	(67)
Sales	1,778,699	1,748,765	29,934	2
U.S. Treasury credits				
Fish credits	39,006	81,520	(42,514)	(52)
Other	2,300	2,300	-	0
Miscellaneous revenues				
Power	14,879	12,211	2,668	22
Transmission	<u>16,683</u>	<u>19,631</u>	<u>(2,948)</u>	(15)
Total operating revenues	<u>\$ 1,851,567</u>	<u>\$ 1,864,427</u>	<u>\$ (12,860)</u>	(1)

Total operating revenues were \$1.85 billion through the second quarter of fiscal year 2015, a decrease of \$13 million as compared to total operating revenues through the second quarter of fiscal year 2014.

Consolidated gross sales for Power and Transmission Services, including the effect of bookouts, increased \$30 million through the second quarter of fiscal year 2015. Power Services gross sales increased \$14 million. The increase was due to \$38 million in higher surplus power sales associated with higher streamflows, offset by a reduction of \$24 million from lower firm power sales. Firm power sales decreased due to the warmer winter in the Pacific Northwest, which reduced sales of the load shaping product. Transmission Services sales decreased \$4 million, due to \$7 million in lower network, ancillary and other revenues, offset by \$3 million of revenues billed in fiscal year 2015 for oversupply events that occurred in fiscal year 2012.

Bookouts decreased \$20 million. Bookouts are presented on a net basis in the Combined Statements of Revenues and Expenses. When sales and purchases are scheduled with the same counterparty on the same path for the same hour, the power is typically booked out and not scheduled for physical delivery. The megawatt-hours that offset each other net to zero. The dollar values of these offsetting transactions are recorded as bookouts. The result is that revenues and expenses are presented on a net basis in the Combined Statements of Revenues and Expenses. Therefore, the accounting treatment for bookouts has no effect on net revenues, cash flows, or margins.

U.S. Treasury credits decreased \$43 million for the six months ended March 31, 2015, from the comparable period a year earlier. The Pacific Northwest Electric Power Planning and Conservation Act allows BPA to recover from the

U.S. Treasury nonpower expenditures for fish and wildlife mitigation or other nonpower purposes. Treasury credits are recovered as a reduction to BPA's cash payments to the U.S. Treasury. The \$43 million decrease was due to lower replacement power purchases required for fish and wildlife mitigation purposes due to better water conditions through winter and early spring.

Operating Expenses

A comparison of FCRPS operating expenses follows for the six months ended March 31, 2015, and March 31, 2014:

<i>(Thousands of dollars)</i>	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>Change %</u>
Operations and maintenance	\$ 959,284	\$ 895,410	\$ 63,874	7%
Purchased power	7,678	149,625	(141,947)	(95)
Nonfederal projects	198,241	384,573	(186,332)	(48)
Depreciation and amortization	<u>224,324</u>	<u>219,150</u>	<u>5,174</u>	<u>2</u>
Total operating expenses	<u>\$ 1,389,527</u>	<u>\$ 1,648,758</u>	<u>\$ (259,231)</u>	<u>(16)</u>

Through the second quarter of fiscal year 2015, total operating expenses were \$1.39 billion, a decrease of \$259 million as compared to the same period of fiscal year 2014.

Operations and maintenance expense increased \$64 million through the second quarter of fiscal year 2015:

- Energy Northwest's Columbia Generating Station nuclear power plant costs increased \$40 million due to higher budgeted maintenance and costs related to biennial refueling in fiscal year 2015.
- Hydro facilities operations and maintenance costs increased \$19 million largely due to the mechanical overhaul of generating equipment for Units 22 - 24 at the Grand Coulee Third Power Plant.
- Transmission engineering, operations and maintenance costs increased \$16 million largely due to additional substation maintenance work, upgrade activities at the Celilo substation, as well as increased work associated with control center and compliance-related activities.
- Fish and wildlife spending increased \$9 million due to an increase in habitat restoration projects.
- Transmission acquisition and ancillary purchases increased \$7 million principally due to a \$9 million expense write-off in the first quarter of 2015 for a regulatory asset related to oversupply events, partially offset by miscellaneous reductions.
- Offsetting these increases was a \$27 million expense reduction from the reversal of a contingent liability originally established for the breach of contract claims associated with the California Refund Proceedings. In March 2015, a judge with the United States Court of Federal Claims denied the plaintiffs' motion to reinstate a May 2012 liability decision and issued a memorandum opinion and final order dismissing the claims against BPA. While still subject to appeal, BPA's management concluded that a financial loss was no longer probable, and in March 2015 BPA reduced the deferred credits liability by \$56 million and recorded corresponding reductions of \$29 million to the related regulatory assets and \$27 million to operations and maintenance expense.

Purchased power expense, net of bookouts, decreased \$142 million through the second quarter of fiscal year 2015 as compared to the same period for fiscal year 2014. The decrease in purchased power was driven principally by warmer and wetter weather in BPA's service territory, thereby decreasing the need for power purchases, as well as the expiration in 2015 of long-term, higher priced power purchase contracts for winter hedging purposes. Under

agreements with Canada and BC Hydro, a Canadian electric utility owned by the Province of British Columbia, BPA recorded credits to purchased power expense of \$34 million. BPA typically accrues a liability to BC Hydro for power purchases related to water stored and released from Arrow dam in British Columbia. However, in 2015 due to low power prices and operational objectives, more water was stored than typical. Consequently at March 31, 2015, BC Hydro owed BPA for a reduction in BPA's hydroelectric power generation downstream of Arrow. Actual net amounts owed between BPA and BC Hydro as of the end of August 2015 will be billed in September 2015.

Nonfederal projects debt service decreased \$186 million. In the fourth quarter of fiscal year 2014 and consistent with a regional cooperation debt refinancing, Energy Northwest, with BPA support, undertook debt management actions for Projects 1 and 3, which reduced debt service and amortization of the related regulatory assets from rate case estimates. BPA's reduced debt service expense for regional cooperation debt resulted in \$115 million higher net revenues through the second quarter of fiscal year 2015 than would have otherwise been reported. In addition, lower scheduled debt maturities for Projects 1 and 3 for fiscal year 2015, offset partially by higher scheduled debt maturities for Columbia Generating Station, resulted in a further reduction of \$71 million in nonfederal projects expense.

Net Interest Expense

A comparison of FCRPS net interest expense follows for the six months ended March 31, 2015, and March 31, 2014:

<i>(Thousands of dollars)</i>	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>Change %</u>
Interest expense	\$ 176,376	\$ 149,310	\$ 27,066	18%
Allowance for funds used during construction	(26,207)	(24,681)	(1,526)	6
Interest income	<u>(5,488)</u>	<u>(9,513)</u>	<u>4,025</u>	(42)
Net interest expense	<u>\$ 144,681</u>	<u>\$ 115,116</u>	<u>\$ 29,565</u>	26

Net interest expense was \$145 million through the second quarter of fiscal year 2015, an increase of \$30 million as compared to net interest expense through the second quarter of fiscal year 2014.

- Interest expense increased \$27 million primarily due to U.S. Treasury bond debt extinguishment actions that occurred in the second quarter of fiscal year 2014 resulting in a gain of \$36 million, which decreased fiscal year 2014 interest expense. These debt actions have not been repeated in fiscal year 2015.
- Allowance for funds used during construction increased \$2 million due to increased construction work-in-progress balances.
- Interest income decreased \$4 million primarily due to lower interest rates earned on cash balances with U.S. Treasury.

Liquidity and Capital Resources

Cash and cash equivalents and financial reserves

As of March 31, 2015, the FCRPS cash and cash equivalents balance was \$1.11 billion. BPA's cash and cash equivalents balance was \$766 million, and the combined cash balance held by Corps and Reclamation was \$339 million.

To ensure BPA is able to meet its financial responsibilities to counterparties and to the U.S. Treasury, BPA relies on risk mitigation measures such as financial reserves, a line of credit with the U.S. Treasury and a cost recovery adjustment clause that can raise rates, if needed. BPA's financial reserves were \$1.55 billion at March 31, 2015, as compared to \$1.22 billion at Sept. 30, 2014. Financial reserves, a non-GAAP liquidity measure used by BPA management, consist of BPA cash and cash equivalents, investments in U.S. Treasury market-based special securities and deferred borrowing. The U.S. Treasury market-based special securities reflect the market value as if securities were liquidated as of the end of the period. Deferred borrowing represents amounts that BPA is authorized to borrow from the U.S. Treasury for capital expenditures on utility plant and for expenditures on certain regulatory assets, primarily related to fish and wildlife and conservation measures that BPA has incurred but has not borrowed for as of the end of the period.

A comparison of BPA financial reserves, reported at fair value, follows:

<i>(Millions of dollars)</i>	<u>As of</u> <u>March 31, 2015</u>	<u>As of</u> <u>Sept. 30, 2014</u>	<u>Change</u>	<u>Change %</u>
Cash and cash equivalents	\$ 1,105	\$ 859	\$ 246	29%
Short-term investments in U.S. Treasury securities	695	466	229	49
Other investments in U.S. Treasury securities	-	95	(95)	(100)
	<u>1,800</u>	<u>1,420</u>	<u>380</u>	<u>27</u>
Less: Cash and cash equivalents held by Corps and Reclamation	339	313	26	8
Add: Deferred borrowing	88	117	(29)	(25)
BPA financial reserves balance at end of period	<u>\$ 1,549</u>	<u>\$ 1,224</u>	<u>\$ 325</u>	<u>27</u>

Cash Flows

A comparison of FCRPS cash flows follows for the six months ended March 31, 2015, and March 31, 2014:

<i>(Thousands of dollars)</i>	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>Change %</u>
Cash and cash equivalents at beginning of year	\$ 859,242	\$ 1,010,128	\$ (150,866)	(15)%
Cash flows from				
Operating activities	418,779	280,508	138,271	49
Investing activities	(654,237)	(693,089)	38,852	(6)
Financing activities	481,484	479,883	1,601	0
Net increase in cash and cash equivalents	<u>246,026</u>	<u>67,302</u>	<u>178,724</u>	<u>266</u>
Cash and cash equivalents at end of second quarter	<u>\$ 1,105,268</u>	<u>\$ 1,077,430</u>	<u>\$ 27,838</u>	<u>3</u>

Operating activities

Net cash provided by operating activities of the FCRPS was \$419 million through the second quarter of fiscal year 2015, an increase of \$138 million as compared to net cash provided by operating activities through the second quarter of fiscal year 2014. As a result of the factors previously discussed, the FCRPS had net revenues of \$317 million for the six months ended March 31, 2015, as compared to net revenues of \$101 million for the six months ended March 31, 2014. The increase in operating cash flows reflects increased sales and reduced purchased power expense, offset somewhat by higher operations and maintenance and changes in unbilled revenues and accounts payable.

Investing activities

Net cash used for investing activities of the FCRPS decreased \$39 million to \$654 million for the six months ended March 31, 2015, when compared to the six months ended March 31, 2014. BPA continues to make significant investments in utility plant with \$499 million invested year-to-date in fiscal year 2015, an increase of \$151 million from the comparable period in fiscal year 2014. Transmission capital expenditures through the second quarter of fiscal year 2015 were higher due to work on key projects such as the Central Ferry-Lower Monumental Line and the Celilo Substation.

The net incremental investment for U.S. Treasury market-based special securities classified as investments on the Combined Balance Sheets, purchases less maturities, as of March 31, 2015, was \$136 million, a decrease of \$39 million from the comparable period in the prior year. Under a banking arrangement with the U.S. Treasury, BPA agreed to invest at least \$100 million annually through fiscal year 2018 or until the BPA fund is fully invested.

Fiscal year 2015 deposits to the Lease-Purchase Program restricted trust funds decreased by \$128 million as a result of entering into larger individual leases through the second quarter of fiscal year 2014 as compared to the second quarter of fiscal year 2015. These leases included the previously mentioned Central Ferry-Lower Monumental Line project. Receipts from the lease-purchase restricted trust funds increased by \$23 million largely to fund current construction under the Lease-Purchase Program.

Financing activities

Net cash provided by financing activities was \$481 million through the second quarter of fiscal year 2015, an increase of \$2 million as compared to net cash provided by financing activities through the second quarter of fiscal year 2014. Through the second quarter of fiscal year 2015, BPA borrowings from the U.S. Treasury increased \$140 million to \$370 million, of which \$331 million was at fixed interest rates and \$39 million at variable interest rates. Borrowings were used to fund investments of \$256 million for transmission, \$40 million for generation, \$43 million for conservation measures and \$31 million for fish and wildlife measures. BPA's U.S. Treasury borrowing strategy and its connection to expenditures for both utility plant and certain regulatory assets has not changed from the prior year.

Nonfederal debt proceeds decreased \$129 million through the second quarter of fiscal year 2015. This decrease was primarily due to higher Lease-Purchase Program activity in fiscal year 2014 as previously discussed.

In December 2014, NIFC III sold its lease receivable from BPA, rights to future lease revenue, and title to the leased assets to the Port of Morrow, Oregon, a port district located in Morrow County, Oregon. NIFC III's \$200 million bank line of credit was replaced by a \$193 million capital lease with the Port of Morrow, Oregon. The net financial reporting effect of this transaction was a nonfederal debt cash repayment of \$9 million and a \$2 million noncash increase to nonfederal debt.

Adjusted Net Revenues

In fiscal year 2013, BPA developed a new Key Agency Target called Adjusted Net Revenues (ANR). ANR, a non-GAAP measurement, is net revenues after removing the current year effects of certain debt management actions, in particular the Debt Service Reassignment, from prior years. Beginning in fiscal year 2014, ANR also removed the effects of certain debt management actions associated with Energy Northwest's Projects 1 and 3 debt refinancing actions. These actions, including debt maturity extensions, now enable BPA to use amounts otherwise collected in its rates to repay Energy Northwest debt to instead repay a like amount of higher interest rate federal appropriations.

Debt Service Reassignment actions were implemented to increase available U.S. Treasury borrowing authority by extending Energy Northwest's debt repayments and using the resultant freed-up cash to repay U.S. Treasury debt. With the Energy Northwest debt maturing and due, nonfederal projects expense would have been higher, resulting in lower FCRPS net revenues.

For both fiscal years 2015 and 2014, debt management actions for Energy Northwest Projects 1 and 3 lowered nonfederal projects expense compared to what would have otherwise been reported and what was included for recovery in Power Services rates. This effect resulted in higher reported net revenues.

The effects of these debt management actions are not considered to be related to ongoing FCRPS operations, and management has therefore determined that ANR is a better representation of FCRPS financial performance for the periods presented.

A comparison of ANR follows for the six months ended March 31, 2015, and March 31, 2014:

<i>(Millions of dollars)</i>	<u>2015</u>	<u>2014</u>
Net revenues (expenses)	\$ 317	\$ 101
Adjustments		
Debt Service Reassignment	90	85
Energy Northwest Projects 1 and 3 debt management actions	<u>(115)</u>	<u>-</u>
Adjusted Net Revenues	<u>\$ 292</u>	<u>\$ 186</u>

Additional Information

To see BPA's annual and quarterly reports, go to

www.bpa.gov/Finance/FinancialInformation/AnnualReports/Pages/default.aspx

For general information about BPA, refer to BPA's home page at www.bpa.gov

For information on Power Services, go to www.bpa.gov/power

For information on Transmission Services, go to www.transmission.bpa.gov

Federal Columbia River Power System

Combined Balance Sheets ^(Unaudited)

(Thousands of dollars)

	As of March 31, <u>2015</u>	As of September 30, <u>2014</u>
Assets		
Utility plant		
Completed plant	\$ 16,804,532	\$ 16,618,215
Accumulated depreciation	(6,075,243)	(5,941,078)
	<u>10,729,289</u>	<u>10,677,137</u>
Construction work in progress	1,866,598	1,603,811
Net utility plant	<u>12,595,887</u>	<u>12,280,948</u>
Nonfederal generation	3,302,939	3,361,386
Current assets		
Cash and cash equivalents	1,105,268	859,242
Short-term investments in U.S. Treasury securities	694,636	465,756
Accounts receivable, net of allowance	37,249	24,321
Accrued unbilled revenues	334,723	283,377
Materials and supplies, at average cost	119,377	112,445
Prepaid expenses	37,972	32,443
Total current assets	<u>2,329,225</u>	<u>1,777,584</u>
Other assets		
Regulatory assets	6,560,050	6,741,604
Investments in U.S. Treasury securities	-	94,542
Nonfederal nuclear decommissioning trusts	291,895	279,210
Deferred charges and other	417,603	396,876
Total other assets	<u>7,269,548</u>	<u>7,512,232</u>
Total assets	\$ 25,497,599	\$ 24,932,150
Capitalization and Liabilities		
Capitalization and long-term liabilities		
Accumulated net revenues	\$ 3,140,444	\$ 2,823,085
Debt		
Federal appropriations	4,111,855	4,090,050
Borrowings from U.S. Treasury	4,208,040	3,944,040
Nonfederal debt	6,646,390	6,439,711
Total capitalization and long-term liabilities	<u>18,106,729</u>	<u>17,296,886</u>
Commitments and contingencies (See Note 14 to 2014 Audited Financial Statements)		
Current liabilities		
Debt		
Borrowings from U.S. Treasury	404,000	298,000
Nonfederal debt	698,571	799,829
Accounts payable and other	476,037	555,165
Total current liabilities	<u>1,578,608</u>	<u>1,652,994</u>
Other liabilities		
Regulatory liabilities	2,268,330	2,322,386
IOU exchange benefits	2,727,310	2,795,470
Asset retirement obligations	179,497	176,127
Deferred credits and other	637,125	688,287
Total other liabilities	<u>5,812,262</u>	<u>5,982,270</u>
Total capitalization and liabilities	\$ 25,497,599	\$ 24,932,150

Federal Columbia River Power System

Combined Statements of Revenues and Expenses ^(Unaudited)

(Thousands of dollars)

	Three Months Ended March 31,		Fiscal Year-to-Date Ended March 31,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Operating revenues				
Sales	\$ 938,617	\$ 925,913	\$ 1,778,699	\$ 1,748,765
U.S. Treasury credits	14,997	54,330	41,306	83,820
Miscellaneous revenues	15,200	16,171	31,562	31,842
Total operating revenues	968,814	996,414	1,851,567	1,864,427
Operating expenses				
Operations and maintenance	473,062	454,366	959,284	895,410
Purchased power	573	81,932	7,678	149,625
Nonfederal projects	98,964	192,279	198,241	384,573
Depreciation and amortization	112,579	109,822	224,324	219,150
Total operating expenses	685,178	838,399	1,389,527	1,648,758
Net operating revenues	283,636	158,015	462,040	215,669
Interest expense and (income)				
Interest expense	88,135	55,405	176,376	149,310
Allowance for funds used during construction	(12,885)	(13,064)	(26,207)	(24,681)
Interest income	(2,464)	(4,707)	(5,488)	(9,513)
Net interest expense	72,786	37,634	144,681	115,116
Net revenues	\$ 210,850	\$ 120,381	\$ 317,359	\$ 100,553

Federal Columbia River Power System

Combined Statements of Cash Flows ^(Unaudited)

(Thousands of dollars)

	Fiscal Year-to-Date Ended March 31,	
	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Net revenues	\$ 317,359	\$ 100,553
Non-cash items:		
Depreciation and amortization	224,324	219,150
Amortization of nonfederal projects	110,221	254,945
Gain on extinguishment of U.S. Treasury bonds	-	(36,122)
Changes in:		
Receivables and unbilled revenues	(62,049)	(94,332)
Materials and supplies	(6,932)	(2,521)
Prepaid expenses	(5,529)	(12,517)
Accounts payable and other	(51,811)	22,234
Regulatory assets and liabilities	11,706	(15,766)
IOU exchange benefits	(68,160)	(155,559)
Other assets and liabilities	(50,350)	443
Net cash provided by operating activities	<u>418,779</u>	<u>280,508</u>
Cash flows from investing activities		
Investments in utility plant, including AFUDC	(499,202)	(348,204)
U.S. Treasury Securities:		
Purchases	(793,999)	(515,000)
Maturities	658,044	339,746
Deposits to nonfederal nuclear decommissioning trusts	(1,665)	(1,601)
Lease-purchase trust funds:		
Deposits to	(124,301)	(252,558)
Receipts from	106,886	84,528
Net cash used for investing activities	<u>(654,237)</u>	<u>(693,089)</u>
Cash flows from financing activities		
Federal appropriations:		
Proceeds	21,805	31,542
Borrowings from U.S. Treasury:		
Proceeds	370,000	230,000
Repayment	-	(2,898)
Nonfederal debt:		
Proceeds	124,376	252,940
Repayment	(20,469)	(11,494)
Customers:		
Net advances (refunds) for construction	3,334	(224)
Repayment of funds used for construction	(17,562)	(19,983)
Net cash provided by financing activities	<u>481,484</u>	<u>479,883</u>
Net increase in cash and cash equivalents	246,026	67,302
Cash and cash equivalents at beginning of year	859,242	1,010,128
Cash and cash equivalents at end of quarter	\$ 1,105,268	\$ 1,077,430
Supplemental disclosures:		
Cash paid for interest, net of amount capitalized	\$ 182,518	\$ 160,951
Significant noncash investing and financing activities:		
U.S. Treasury bonds repaid with non-cash gains	\$ -	\$ (39,102)
Nonfederal debt increase for Energy Northwest	\$ -	\$ 41,447
Other nonfederal	\$ 1,514	\$ -