Quarterly Financial Report

2015 Third 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 lower expected 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 has been conducting a consolidated power and transmission rate proceeding, BP-16, to set rates for the fiscal year 2016 and 2017 rate period. BPA concluded 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 nine months ended June 30, 2015, and June 30, 2014:

(Thousands of dollars)	2015	2014	Change	Change %
Consolidated gross sales				
Power	$ 1,886,226	$ 2,005,458	$ (119,232)	(6)%
Transmission	680,480	676,296	4,184	1
Bookouts (Power)	(31,176)	(36,280)	5,104	(14)
Sales	2,535,530	2,645,474	(109,944)	(4)
U.S. Treasury credits				
Fish credits	59,510	90,814	(31,304)	(35)
Other	3,450	3,450	-	0
Miscellaneous revenues				
Power	20,773	18,551	2,222	12
Transmission	24,379	27,716	(3,337)	(12)
Total operating revenues	$ 2,643,642	$ 2,786,005	$ (142,363)	(5)

Total operating revenues were $2.64 billion through the third quarter of fiscal year 2015, a decrease of $142 million as compared to total operating revenues through the third quarter of fiscal year 2014.

Consolidated gross sales for Power and Transmission Services, including the effect of bookouts, decreased $110 million through the third quarter of fiscal year 2015. Power Services gross sales decreased $119 million. The decrease was due to $81 million in lower surplus power sales associated with lower streamflows from decreased snowpack in the winter and rainfall in the spring, and $38 million from lower firm power sales. Firm power sales decreased due to lower load shaping revenue from the unseasonably warm winter in the Pacific Northwest partially offset by higher demand revenue. BPA implemented BiOp "dry year operations" in spring 2015 due to low expected runoff. The Biological Opinion or BiOp is a regulatory document outlining federal actions to avoid jeopardizing species listed under the Endangered Species Act. In dry year conditions, federal agencies such as BPA and its partners, the U.S. Army Corps of Engineers and Bureau of Reclamation, have a specific set of reservoir operations that release additional water when it will provide the most benefit to migrating Columbia Basin salmon and steelhead. These drawdowns, or drafts, also modestly adjust the timing of power production across the season.

Transmission Services gross sales increased $4 million. The increase was largely due to $15 million recorded in the current quarter associated with prior-year erroneous billing credits that BPA provided as short-distance discounts for point-to-point services and also due to the collection of $3 million for oversupply displacement costs that occurred in FY 2012 but were billed in fiscal year 2015. Offsetting these increases, Transmission Services sales decreased $14 million mainly because of reduced short-term sales and operating reserve revenues due to lower streamflows. Operating reserve revenues also decreased year over year due to the implementation of the new spinning and supplemental reserve standard issued by Western Electric Coordinating Council (WECC) for generation and load scheduled within the BPA Balancing Authority.

Bookouts decreased $5 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 $31 million for the nine months ended June 30, 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 $31 million decrease was due to lower replacement power purchases required for fish and wildlife mitigation purposes due to better water conditions from October through March.

Operating Expenses

A comparison of FCRPS operating expenses follows for the nine months ended June 30, 2015, and June 30, 2014:

(Thousands of dollars)	2015	2014	Change	Change %
Operations and maintenance	$ 1,435,891	$ 1,363,089	$ 72,802	5%
Purchased power	42,346	161,862	(119,516)	(74)
Nonfederal projects	164,367	256,243	(91,876)	(36)
Depreciation and amortization	336,091	329,796	6,295	2
Total operating expenses	$ 1,978,695	$ 2,110,990	$ (132,295)	(6)

Through the third quarter of fiscal year 2015, total operating expenses were $1.98 billion, a decrease of $132 million as compared to the same period of fiscal year 2014.

Operations and maintenance expense increased $73 million through the third quarter of fiscal year 2015:

- Energy Northwest's Columbia Generating Station nuclear power plant costs increased $53 million due to higher maintenance costs and costs related to biennial refueling in fiscal year 2015.
- Transmission engineering, operations and maintenance costs increased $22 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.
- Transmission acquisition and ancillary purchases increased $11 million principally due to a $9 million expense write-off in the first quarter of 2015 for a regulatory asset related to oversupply events.
- Fish and wildlife spending increased $8 million due to an increase in habitat restoration projects.
- Hydro facilities operations and maintenance costs increased $6 million largely due to the mechanical overhaul of generating equipment for Units 22 - 24 at the Grand Coulee Third Power Plant.

- 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. In May 2015 the plaintiffs filed a petition to appeal the decision to the Federal Circuit Court of Appeals, and their initial brief is due Sept. 8, 2015.

Purchased power expense, net of bookouts, decreased $120 million through the third 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 from October through March, thereby decreasing the need for power purchases through the second quarter, as well as the expiration in 2015 of long-term, higher priced power purchase contracts for winter hedging purposes. Also, 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 $24 million as of June 30, 2015. 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 June 30, 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 $92 million largely as a result of annual changes in Energy Northwest funding needs for debt service provided by BPA. In June 2015 and consistent with a Regional Cooperation Debt refinancing that occurred in fiscal year 2014, Energy Northwest, with BPA support, undertook debt management actions for Projects 1 and 3, and also for Columbia Generating Station, which reduced debt service and amortization of the related regulatory assets and nonfederal generation assets from rate case estimates. Debt service on the long-term refinancing bonds issued by Energy Northwest will be fully recovered in BPA's future rates. BPA's debt management actions resulted in $302 million and $321 million higher net revenues through the third quarters of fiscal year 2015 and 2014, respectively, than would have otherwise been reported. BPA expects to make a prepayment of $229 million for higher interest rate federal appropriations at the end of fiscal year 2015.

Net Interest Expense

A comparison of FCRPS net interest expense follows for the nine months ended June 30, 2015, and June 30, 2014:

(Thousands of dollars)	2015	2014	Change	Change %
Interest expense	$ 265,503	$ 240,336	$ 25,167	10%
Allowance for funds used during construction	(39,786)	(36,919)	(2,867)	8
Interest income	(10,454)	(16,457)	6,003	(36)
Net interest expense	$ 215,263	$ 186,960	$ 28,303	15

Net interest expense was $215 million through the third quarter of fiscal year 2015, an increase of $28 million as compared to net interest expense through the third quarter of fiscal year 2014.

- Interest expense increased $25 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. Also, Lease-Purchase Program interest expense increased $7 million as the program continues to grow. Partially offsetting these increases was an $18 million decrease in interest expense associated with debt previously incurred to fund hydro generation assets owned by the Corps and Reclamation. This decrease was due in large measure to Regional Cooperation Debt financings that extended Energy Northwest debt in fiscal year 2014 with the resultant freed-up cash used to pay higher interest rate appropriations.

- Allowance for funds used during construction increased $3 million due to increased construction work-in-progress balances for transmission assets.
- Interest income decreased $6 million primarily due to lower interest credits earned on cash balances with U.S. Treasury.

Liquidity and Capital Resources

Cash and cash equivalents and financial reserves

As of June 30, 2015, the FCRPS cash and cash equivalents balance was $1.19 billion. BPA's cash and cash equivalents balance was $852 million, and the combined cash balance held by Corps and Reclamation was $336 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 $1.67 billion at June 30, 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:

(Millions of dollars)	As of June 30, 2015	As of Sept. 30, 2014	Change	Change %
Cash and cash equivalents	$ 1,188	$ 859	$ 329	38%
Short-term investments in U.S. Treasury securities	693	466	227	49
Other investments in U.S. Treasury securities	-	95	(95)	(100)
	1,881	1,420	461	32
Less: Cash and cash equivalents held by Corps and Reclamation	336	313	23	7
Less: Cash proceeds for liquidity facility with U.S. Treasury	10	-	10	N/A
Add: Deferred borrowing	134	117	17	15
BPA financial reserves balance at end of period	$ 1,669	$ 1,224	$ 445	36

Cash Flows

A comparison of FCRPS cash flows follows for the nine months ended June 30, 2015, and June 30, 2014:

(Thousands of dollars)	2015	2014	Change	Change %
Cash and cash equivalents at beginning of year	$ 859,242	$ 1,010,128	$ (150,866)	(15)%
Cash flows from				
Operating activities	622,847	586,827	36,020	6
Investing activities	(846,825)	(979,521)	132,696	(14)
Financing activities	552,646	669,526	(116,880)	(17)
Net increase in cash and cash equivalents	328,668	276,832	51,836	19
Cash and cash equivalents at end of third quarter	$ 1,187,910	$ 1,286,960	$ (99,050)	(8)

Operating activities

Net cash provided by operating activities of the FCRPS increased $36 million to $623 million through the third quarter of fiscal year 2015, when compared to the third quarter of fiscal year 2014. As a result of the factors previously discussed, the FCRPS had net revenues of $450 million for the nine months ended June 30, 2015, as compared to net revenues of $488 million for the nine months ended June 30, 2014, a decrease of $38 million. The increase in operating cash flows reflects changes to accounts receivable, unbilled revenues, accounts payable and other accrued liabilities. Also, through the third quarter of fiscal year 2014, BPA paid $68 million for the Residential Exchange Program Interim Agreement true-up payments. The fiscal year 2014 true-up payments relieved BPA from future such payments, which were not made in fiscal year 2015.

Investing activities

Net cash used for investing activities of the FCRPS decreased $133 million to $847 million for the nine months ended June 30, 2015, when compared to the nine months ended June 30, 2014. BPA continues to make significant investments in utility plant with $730 million invested year-to-date in fiscal year 2015, an increase of $170 million from the comparable period in fiscal year 2014. Transmission capital expenditures through the third 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 June 30, 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 $288 million as a result of entering into larger individual leases through the third quarter of fiscal year 2014 as compared to the same period for fiscal year 2015. These leases included the Celilo-Sylmar Line and the previously mentioned Central Ferry-Lower Monumental Line project. Receipts from the lease-purchase restricted trust funds decreased by $24 million thus far in fiscal year 2015. These receipts were used to fund on-going construction under the Lease-Purchase Program.

Financing activities

Net cash provided by financing activities was $553 million through the third quarter of fiscal year 2015, a decrease of $117 million as compared to net cash provided by financing activities through the third quarter of fiscal year 2014. Through the third quarter of fiscal year 2015, BPA borrowings from the U.S. Treasury increased $31 million to $475 million, of which $436 million was at fixed interest rates and $39 million at variable interest rates. Borrowings were used to fund investments of $339 million for transmission, $52 million for generation, $53 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. However, beginning with fiscal year 2016, BPA will no longer borrow from the U.S. Treasury to fund generation conservation (i.e. energy efficiency) measures. Instead, BPA will expense these costs and recover them in rates as incurred.

Nonfederal debt proceeds decreased $288 million through the third quarter of fiscal year 2015. This decrease was primarily due to higher Lease-Purchase Program activity in fiscal year 2014 as previously discussed. Nonfederal debt repayments decreased $154 million through the third quarter of fiscal year 2015. This decrease was primarily due to lower repayments of Energy Northwest debt in the third quarter of fiscal year 2015 when compared with the same period in fiscal year 2014.

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), a non-GAAP measurement designed to report net revenues after removing the current year effects of certain debt management actions. The effects of these debt management actions are not considered to be related to ongoing FCRPS operations, and BPA management has therefore determined that ANR is a better representation of FCRPS financial performance for the periods presented.

Beginning in fiscal year 2013, ANR removed the current year effects of Debt Service Reassignment (DSR) actions that were implemented in prior years 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 applicable Energy Northwest DSR-related debt maturing and due, nonfederal projects expense would have been higher, resulting in lower reported FCRPS net revenues.[1]

In fiscal year 2014, BPA and EN embarked upon a new debt management initiative, known as Regional Cooperation Debt, under which amounts collected in BPA's Power rates were alternatively used to repay, before their maturity dates, higher interest rate federal appropriations rather than the EN-related principal as expected in the Power rate case. The EN-related principal was extended as part of the refinancing action. This effect resulted in higher reported FCRPS net revenues; however, ANR removes the effects of these debt management actions.[(2)]

In fiscal year 2015 the objective of the Regional Cooperation Debt management actions was expanded to enable rate mitigation actions that allow for items such as the expensing of conservation costs beginning in fiscal year 2016 that BPA would otherwise defer and record as a regulatory asset. The fiscal year 2015 actions reduced nonfederal projects expense for certain debt that had been previously associated with Debt Service Reassignment, which then reduced the Debt Service Reassignment adjustment in ANR.

A comparison of ANR follows for the nine months ended June 30, 2015, and June 30, 2014:

(*Millions of dollars*)	2015	2014
Net revenues (expenses)	$ 450	$ 488
Adjustments		
(1) Debt Service Reassignment	5	128
(2) Regional Cooperation Debt management actions	(172)	(321)
Adjusted Net Revenues	$ 283	$ 295

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 June 30, 2015	As of September 30, 2014
Assets		
Utility plant		
Completed plant	**$ 16,992,716**	$ 16,618,215
Accumulated depreciation	**(6,135,186)**	(5,941,078)
	10,857,530	10,677,137
Construction work in progress	**1,888,243**	1,603,811
Net utility plant	**12,745,773**	12,280,948
Nonfederal generation	**3,583,903**	3,361,386
Current assets		
Cash and cash equivalents	**1,187,910**	859,242
Short-term investments in U.S. Treasury securities	**693,027**	465,756
Accounts receivable, net of allowance	**18,438**	24,321
Accrued unbilled revenues	**273,569**	283,377
Materials and supplies, at average cost	**119,986**	112,445
Prepaid expenses	**47,840**	32,443
Total current assets	**2,340,770**	1,777,584
Other assets		
Regulatory assets	**6,540,442**	6,741,604
Investments in U.S. Treasury securities	**-**	94,542
Nonfederal nuclear decommissioning trusts	**291,445**	279,210
Deferred charges and other	**449,966**	396,876
Total other assets	**7,281,853**	7,512,232
Total assets	**$ 25,952,299**	$ 24,932,150

Capitalization and Liabilities

	As of June 30, 2015	As of September 30, 2014
Capitalization and long-term liabilities		
Accumulated net revenues	**$ 3,272,769**	$ 2,823,085
Debt		
Federal appropriations	**4,124,213**	4,090,050
Borrowings from U.S. Treasury	**4,283,040**	3,944,040
Nonfederal debt	**6,608,698**	6,439,711
Total capitalization and long-term liabilities	**18,288,720**	17,296,886
Commitments and contingencies (See Note 14 to 2014 Audited Financial Statements)		
Current liabilities		
Debt		
Borrowings from U.S. Treasury	**434,000**	298,000
Nonfederal debt	**882,940**	799,829
Accounts payable and other	**539,384**	555,165
Total current liabilities	**1,856,324**	1,652,994
Other liabilities		
Regulatory liabilities	**2,295,348**	2,322,386
IOU exchange benefits	**2,703,840**	2,795,470
Asset retirement obligations	**181,285**	176,127
Deferred credits and other	**626,782**	688,287
Total other liabilities	**5,807,255**	5,982,270
Total capitalization and liabilities	**$ 25,952,299**	$ 24,932,150

Federal Columbia River Power System
Combined Statements of Revenues and Expenses (Unaudited)
(Thousands of dollars)

	Three Months Ended June 30,		Fiscal Year-to-Date Ended June 30,	
	2015	2014	**2015**	2014
Operating revenues				
Sales	**$ 756,831**	$ 896,708	**$ 2,535,530**	$ 2,645,474
U.S. Treasury credits	**21,654**	10,444	**62,960**	94,264
Miscellaneous revenues	**13,589**	14,426	**45,152**	46,267
Total operating revenues	**792,074**	921,578	**2,643,642**	2,786,005
Operating expenses				
Operations and maintenance	**476,607**	467,679	**1,435,891**	1,363,089
Purchased power	**34,667**	12,237	**42,346**	161,862
Nonfederal projects	**(33,874)**	(128,330)	**164,367**	256,243
Depreciation and amortization	**111,767**	110,646	**336,091**	329,796
Total operating expenses	**589,167**	462,232	**1,978,695**	2,110,990
Net operating revenues	**202,907**	459,346	**664,947**	675,015
Interest expense and (income)				
Interest expense	**89,128**	91,027	**265,503**	240,336
Allowance for funds used during construction	**(13,580)**	(12,239)	**(39,786)**	(36,919)
Interest income	**(4,966)**	(6,944)	**(10,454)**	(16,457)
Net interest expense	**70,582**	71,844	**215,263**	186,960
Net revenues	**$ 132,325**	$ 387,502	**$ 449,684**	$ 488,055

Federal Columbia River Power System

Combined Statements of Cash Flows (Unaudited)

(Thousands of dollars)

	Fiscal Year-to-Date Ended June 30, 2015	2014
Cash flows from operating activities		
Net revenues	**$ 449,684**	$ 488,055
Non-cash items:		
Depreciation and amortization	**336,091**	329,796
Amortization of nonfederal projects	**16,580**	64,190
Gain on extinguishment of U.S. Treasury bonds	**-**	(36,122)
Changes in:		
Receivables and unbilled revenues	**18,600**	(37,874)
Materials and supplies	**(7,541)**	1,012
Prepaid expenses	**(15,397)**	(35,443)
Accounts payable and other	**11,619**	39,498
Regulatory assets and liabilities	**23,517**	(33,610)
IOU exchange benefits	**(91,630)**	(178,166)
Other assets and liabilities	**(118,676)**	(14,509)
Net cash provided by operating activities	**622,847**	586,827
Cash flows from investing activities		
Investments in utility plant, including AFUDC	**(729,686)**	(559,786)
U.S. Treasury Securities:		
Purchases	**(1,019,000)**	(725,000)
Maturities	**882,700**	549,691
Deposits to nonfederal nuclear decommissioning trusts	**(2,498)**	(2,401)
Lease-purchase trust funds:		
Deposits to	**(129,509)**	(417,643)
Receipts from	**151,168**	175,618
Net cash used for investing activities	**(846,825)**	(979,521)
Cash flows from financing activities		
Federal appropriations:		
Proceeds	**34,163**	54,382
Borrowings from U.S. Treasury:		
Proceeds	**475,000**	444,000
Repayment	**-**	(2,898)
Nonfederal debt:		
Proceeds	**129,810**	418,044
Repayment	**(62,986)**	(216,760)
Customers:		
Net advances (refunds) for construction	**3,931**	1,395
Repayment of funds used for construction	**(27,272)**	(28,637)
Net cash provided by financing activities	**552,646**	669,526
Net increase in cash and cash equivalents	**328,668**	276,832
Cash and cash equivalents at beginning of year	**859,242**	1,010,128
Cash and cash equivalents at end of quarter	**$ 1,187,910**	$ 1,286,960
Supplemental disclosures:		
Cash paid for interest, net of amount capitalized	**$ 272,718**	$ 255,776
Significant noncash investing and financing activities:		
U.S. Treasury bonds repaid with non-cash gains	**$ -**	$ (39,102)
Nonfederal debt increase for Energy Northwest	**$ 543,475**	$ 221,550
Nonfederal debt extinguished through refinancing for Energy Northwest	**$ (359,715)**	$ (60,744)
Other nonfederal	**$ 1,514**	$ -