Quarterly Financial Report
2016 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 hydroelectric projects in the Northwest, 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. The nonfederal nuclear plant, Columbia Generating Station, is owned and operated by Energy Northwest, a joint operating agency of the state of Washington. BPA provides about 28 percent of the electric power used in the Northwest, and its 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. It 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 accordance with accounting principles generally accepted in the United States of America 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

BPA conducted a consolidated power and transmission rate proceeding, BP-16, to establish 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, with wholesale power rates increasing 7.1 percent on average and transmission rates increasing 4.4 percent on average. Power rates increased for several reasons, among them increased hydro system operations and maintenance costs and fish and wildlife expenses; the expiration of the effects of debt management actions that had reduced Power Service's revenue requirements; the automatic cost escalation under the 2012 Residential Exchange Program settlement; and higher transmission costs that are recovered in power rates. The transmission rates increased mainly due to needed capital investments in the aging transmission system. The Federal Energy Regulatory Commission (FERC) granted final approval of the rates on Feb. 2, 2016, and they will be effective through Sept. 30, 2017.

BPA's Treasury payment probability standard requires BPA to establish rates sufficient to maintain a level of financial reserves to achieve a 95 percent probability of making all of BPA's scheduled U.S. Treasury payments during the rate period. As part of BPA's risk mitigation strategy, BPA uses a Cost Recovery Adjustment Clause (CRAC), which enables BPA to increase certain power and transmission rates within a rate period to obtain up to $300 million per fiscal year of additional revenue to meet lower than expected revenues and/or unanticipated expenses. The CRAC primarily affects power rates and is a prospective adjustment to rates that is triggered when an internal rates metric is forecast to be below a specified threshold. In addition, the General Rate

Schedule Provisions allow for an increase in the cap of the CRAC or the imposition of a surcharge to increase Power rate levels in the event of certain possible developments related to fish and wildlife costs and operations, such as a court order in pending litigation, a litigation settlement, a new Biological Opinion (BiOp), a BPA commitment to implement certain recovery plans, or actions or measures different than forecast in the 2014 Supplemental FCRPS BiOp.

Results of Operations

Operating Revenues

A comparison of FCRPS operating revenues follows for the six months ended March 31, 2016, and March 31, 2015:

(Millions of dollars)	2016	2015	Change	Change %
Consolidated gross sales				
Power	$ 1,272	$ 1,337	$ (65)	(5)%
Transmission	460	452	8	2
Bookouts (Power)	(14)	(10)	(4)	40
Sales	1,718	1,779	(61)	(3)
U.S. Treasury credits	48	41	7	17
Miscellaneous revenues				
Power	12	15	(3)	(20)
Transmission	29	17	12	71
Total operating revenues	$ 1,807	$ 1,852	$ (45)	(2)

Total operating revenues were $1.81 billion through the second quarter of fiscal year 2016, a decrease of $45 million as compared to total operating revenues through the second quarter of fiscal year 2015.

Consolidated gross sales for Power and Transmission Services, including the effect of bookouts, decreased $61 million through the second quarter of fiscal year 2016. Power Services gross sales decreased $65 million. Firm power sales increased by $76 million primarily due to higher rates that took effect Oct. 1, 2015, offset by $54 million in lower industrial power sales as a result of an amendment in April 2015 to the Alcoa long-term firm power sales agreement. This amendment reduced the monthly amount of firm power that Alcoa would purchase from BPA at industrial firm power rates from 300 average megawatts to 75 average megawatts. In November 2015, Alcoa exercised its curtailment right to further reduce its monthly firm power purchases to 10 average megawatts. This curtailment covers the period February 2016 to August 2017. Surplus power sales decreased $87 million mainly due to lower prices on surplus products, lower natural streamflows and from increased water held back for storage at certain U.S. and Canadian reservoirs. In fiscal year 2015, reservoir levels were drawn down below levels typically observed in order to provide firm power under dry-year conditions. Transmission Services gross sales increased $8 million largely due to higher rates that took effect on Oct. 1, 2015, for ancillary services for long-term products.

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 transmission 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. Therefore, the accounting treatment for bookouts has no effect on net revenues, cash flows, or margins.

U.S. Treasury credits for fish and wildlife mitigation increased $7 million due to decreased streamflows and lower federal generation which raised the amount of purchased power for fish mitigation in fiscal year 2016 when compared with fiscal year 2015.

Miscellaneous transmission revenues increased $12 million due in part to $6 million of reimbursable revenue associated with transmission and substation work performed for BPA customers. Reimbursable revenues are generally offset by an equivalent amount of reimbursable expenses. In addition, BPA recorded approximately $5 million in revenues in connection with a termination payment from a prospective participant in a past Network Open Season for BPA transmission services.

Operating Expenses

A comparison of FCRPS operating expenses follows for the six months ended March 31, 2016, and March 31, 2015:

(Millions of dollars)	2016	2015	Change	Change %
Operations and maintenance	$ 963	$ 959	$ 4	0%
Purchased power	67	8	59	738
Nonfederal projects	129	198	(69)	(35)
Depreciation and amortization	230	225	5	2
Total operating expenses	$ 1,389	$ 1,390	$ (1)	0

Through the second quarter of fiscal year 2016, total operating expenses were $1.39 billion and comparable to the same period of fiscal year 2015.

Operations and maintenance expense increased $4 million through the second quarter of fiscal year 2016 as compared to the second quarter of fiscal year 2015.

- Generation conservation costs increased $31 million largely due to the transition of the energy conservation capital program to expense starting with fiscal year 2016.
- An expense reduction of $27 million in March 2015 was not repeated in fiscal year 2016. The expense reduction was for the reversal of a contingent liability originally established for breach of contract claims associated with the California Refund Proceedings.
- Fish and Wildlife increased $12 million due to an increase in BiOp and habitat restoration projects.
- General and administrative costs increased $9 million primarily due to higher expenses related to information technology, safety and security programs.
- 2012 Residential Exchange Program (REP) Settlement Agreement scheduled amounts increased $9 million per the settlement agreement.
- Transmission reimbursable expenses increased $6 million related to transmission and substation project work performed for BPA customers.
- Transmission acquisition and ancillary purchases decreased $11 million primarily due to a $9 million expense recorded in fiscal year 2015 for a regulatory asset related to oversupply events.

- Bureau of Reclamation expenses decreased $15 million primarily due to the Grand Coulee overhaul project running behind schedule on units G23 and G24.
- Energy Northwest's Columbia Generating Station (CGS) nuclear power plant costs decreased $64 million because 2016 is not a refueling year. Refueling occurs biennially, as occurred in fiscal year 2015, and refueling and maintenance expenses are typically higher in refueling years.

Purchased power expense increased $59 million due to below average Columbia River streamflows in fiscal year 2016 largely because certain U.S. and Canadian reservoir levels were replenished in 2016 under Columbia River Treaty storage obligations. In addition, BPA was owed less compensation under certain water storage agreements with BC Hydro, a Canadian electric utility owned by the Province of British Columbia. Through the second quarter of fiscal year 2016, when compared to the same period of fiscal year 2015, BC Hydro stored less water at Arrow Dam in British Columbia, which reduced the amount owed to BPA for the value of that stored water. BPA therefore recorded fewer monetary credits to purchase power expense in fiscal year 2016, which had the effect of increasing this expense when compared to the same period of fiscal year 2015.

Nonfederal projects debt service decreased $69 million largely as a result of Energy Northwest debt management actions under the Regional Cooperation Debt efforts for Projects 1 and 3, and also for Columbia Generating Station. These management actions reduced debt service and amortization of the related regulatory assets and nonfederal generation assets from rate case estimates.

Net Interest Expense

A comparison of FCRPS net interest expense follows for the six months ended March 31, 2016, and March 31, 2015:

(Millions of dollars)	2016	2015	Change	Change %
Interest expense	$ 174	$ 176	$ (2)	(1)%
Allowance for funds used during construction	(24)	(26)	2	(8)
Interest income	(3)	(5)	2	(40)
Net interest expense	$ 147	$ 145	$ 2	1

Liquidity and Capital Resources

Cash and cash equivalents and financial reserves

As of March 31, 2016, the FCRPS cash and cash equivalents balance was $1.04 billion. BPA's cash and cash equivalents balance was $700 million, and the combined cash balance held by Corps and Reclamation was $344 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 rate levels, if needed. 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 certain expenditures that BPA has incurred but has not borrowed for as of the end of the period. These expenditures are for utility plant and certain regulatory assets primarily related to fish and wildlife measures.

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

(Millions of dollars)	As of March 31, 2016	As of Sept. 30, 2015	As of March 31, 2015
Cash and cash equivalents	$ 1,044	$ 647	$ 1,105
Short-term investments in U.S. Treasury securities	705	694	695
	1,749	1,341	1,800
Less: Cash and cash equivalents held by Corps and Reclamation	344	308	339
Add: Deferred borrowing	129	154	88
BPA financial reserves balance	$ 1,534	$ 1,187	$ 1,549

Cash Flows

A comparison of FCRPS cash flows follows for the six months ended March 31, 2016, and March 31, 2015:

(Millions of dollars)	2016	2015	Change	Change %
Cash and cash equivalents at beginning of year	$ 647	$ 859	$ (212)	(25)%
Cash flows from				
Operating activities	430	419	11	3
Investing activities	(314)	(654)	340	(52)
Financing activities	281	481	(200)	(42)
Net increase in cash and cash equivalents	397	246	151	61
Cash and cash equivalents at end of the second quarter	$ 1,044	$ 1,105	$ (61)	(6)

Operating activities

Net cash provided by operating activities on the Combined Statements of Cash Flows for the FCRPS increased $11 million through the second quarter of fiscal year 2016, when compared to the second quarter of fiscal year 2015. The increase in operating cash flows was due in part to positive changes in receivables, unbilled revenues, and accounts payable and other accrued liabilities, offset by lower sales and higher power purchases.

Contributing to the $11 million increase was a $30 million non-cash addition relating to a new borrowing arrangement for Energy Northwest. This amount relates to expenses reported by BPA and incurred for Energy Northwest-related operations that Energy Northwest funded via a borrowing arrangement with a bank instead of by payments from BPA. In February 2016, Energy Northwest entered into a borrowing arrangement for up to $300 million to fund operations and maintenance for Columbia Generating Station as well as interest expense on bonds previously issued for CGS and for terminated nuclear Projects 1 and 3. This action will enable BPA to reduce payments to Energy Northwest and accumulate like amounts in the Bonneville Fund for the remainder of the fiscal year. BPA will use the accumulated cash to prepay approximately $300 million of comparatively higher interest federal appropriations at the end of fiscal year 2016. These appropriations were otherwise scheduled to be prepaid at the end of fiscal year 2017. As of March 31, 2016, $30 million had accumulated in the Bonneville Fund as a result of the new borrowing arrangement. Prior to entering into this borrowing arrangement, the $30 million would have been provided to Energy Northwest to fund the aforementioned expenses. The amounts borrowed by

Energy Northwest under the borrowing arrangement are due to be repaid by Energy Northwest on or before June 30, 2017. The funding source to repay the amounts borrowed is expected to be the accumulated balances in the Bonneville Fund and will be reported as a financing activity on the Combined Statement of Cash Flows. Similar debt and cash management actions are expected to occur in future fiscal years.

Investing activities

Net cash used for investing activities of the FCRPS decreased $340 million to $314 million for the six months ended March 31, 2016, when compared to the six months ended March 31, 2015. BPA continues to make significant investments in utility plant with $384 million invested year-to-date in fiscal year 2016. However, in fiscal year 2016 there was a decrease in utility investments of $115 million, primarily due to higher fiscal year 2015 capital project work on the Central Ferry – Lower Monumental and Big Eddy-Knight lines, wood pole lines, access roads and upgrades and additions to the Celilo Converter Station.

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, 2016, was $14 million, a decrease of $122 million from the comparable period in the prior year. The decrease is consistent with BPA's investment strategy and is due to the purchases of cash equivalents rather than short-term or long-term investments. Under a banking arrangement with the U.S. Treasury, BPA agreed to invest an additional $100 million annually in lower yield market-based special securities through fiscal year 2018 or until the Bonneville Fund with the U.S. Treasury is fully invested. Therefore, the balances for which BPA receives comparatively high interest repayment credits decline annually.

Fiscal year 2016 deposits to the Lease-Purchase Program restricted trust funds decreased by $79 million as a result of entering into smaller and fewer individual lease-purchases through the second quarter of fiscal year 2016 as compared to the same period for fiscal year 2015. Receipts from the lease-purchase restricted trust funds increased by $25 million thus far in fiscal year 2016 as a result of larger expenditures to fund on-going construction under the Lease-Purchase Program.

BPA is currently evaluating whether to construct a new transmission line and related facilities in western portions of Washington State and Oregon. If this project proceeds, the capital cost, including direct and overhead charges is estimated to be approximately $939 million over a five-year period. BPA expects that a decision whether to proceed with construction could be made near the end of calendar year 2016. The $939 million estimate includes cumulative investments made through March 31, 2016, of $108 million, primarily for study, survey and related pre-construction costs. The $108 million amount is reported under Construction work in progress on the Combined Balance Sheets.

Financing activities

Net cash provided by financing activities was $282 million through the second quarter of fiscal year 2016, a decrease of $200 million as compared to net cash provided by financing activities through the second quarter of fiscal year 2015. Through the second quarter of fiscal year 2016, BPA borrowings from the U.S. Treasury decreased $136 million to $234 million, of which $134 million was at fixed interest rates and $100 million at variable interest rates. Borrowings were used to fund investments of $181 million for transmission, $25 million for conservation measures associated with fiscal year 2015 activities, $15 million for generation and $13 million for fish and wildlife measures. Beginning with fiscal year 2016, BPA no longer debt finances new energy conservation measures with the U.S. Treasury. Instead, BPA expenses these costs as incurred.

Nonfederal debt proceeds decreased $79 million through the second quarter of fiscal year 2016. This decrease was primarily due to a reduction in the amount of lease-purchase commitments entered into during the quarter.

Adjusted Net Revenues

A comparison of Adjusted Net Revenues (ANR) follows for the six months ended March 31, 2016, and March 31, 2015:

(*Millions of dollars)*	2016	2015
Net revenues	$ 271	$ 317
Adjustments		
Debt Service Reassignment actions [(1)]	4	90
Regional Cooperation Debt management actions [(2)]	(194)	(115)
Revenue Requirement adjustment [(3)]	36	-
Adjusted Net Revenues	$ 117	$ 292

In fiscal year 2016, BPA continued the use of a Key Agency Target called Adjusted Net Revenues, a non-GAAP measurement designed to report net revenues after removing the current year effects of certain debt management actions and a rate mitigation adjustment. The effects of these actions and adjustment 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.

ANR is FCRPS net revenues adjusted to reflect:

1) The removal of the effect on FCRPS net revenues of “Debt Optimization” actions that were implemented for several continuous years beginning in fiscal year 2001. Debt Optimization involved the refinancing of Energy Northwest debt to extend its weighted-average maturity, which in turn enabled BPA to reduce the aggregate principal amount of bonds issued by BPA and then outstanding to the U.S. Treasury. Debt Optimization actions initially had the effect of increasing FCRPS net revenues over what they otherwise would have been in each of the fiscal years in which the actions occurred. In subsequent fiscal years, the repayment of the extended Energy Northwest debt has had the effect of decreasing reported FCRPS net revenues. An element of Debt Optimization, referred to as Debt Service Reassignment, continues to reduce FCRPS net revenues resulting in adjustments to derive the ANR amount.

2) The removal of the effect on FCRPS net revenues of Regional Cooperation Debt (RCD) management actions, from and after fiscal year 2014, to extend the weighted-average maturity of Energy Northwest debt. These RCD management actions have enabled BPA to prepay relatively high interest rate federal appropriations in lieu of the repayment of Energy Northwest debt that had otherwise been assumed to be repaid in BPA’s Power rate proposals for the fiscal year(s) in which the appropriations prepayments were made. Amounts related to RCD management actions vary from year to year depending on the change in the weighted-average maturities of the Energy Northwest debt.

3) The removal of the effect of an adjustment to the Power rate case Revenue Requirement, which was accomplished through a Revenue Requirement offset. This offset was introduced so that the effects of certain RCD debt management and other cost management actions would serve to mitigate, to a limited extent, a rate increase. This offset limits upward Power rate impacts of ceasing to debt finance energy conservation costs beginning in fiscal year 2016. The foregoing actions resulted in lower FCRPS net revenues than would be reported in their absence.

Additional Information

To see BPA's annual and quarterly reports, go to www.bpa.gov/goto/AnnualReport

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.bpa.gov/transmission

Federal Columbia River Power System

Combined Balance Sheets (Unaudited)

(Thousands of dollars)

	As of March 31, 2016	As of September 30, 2015
Assets		
Utility plant		
Completed plant	**$ 17,815,228**	$ 17,235,713
Accumulated depreciation	**(6,338,060)**	(6,192,725)
	11,477,168	11,042,988
Construction work in progress	**1,585,144**	1,815,735
Net utility plant	**13,062,312**	12,858,723
Nonfederal generation	**3,524,073**	3,534,241
Current assets		
Cash and cash equivalents	**1,044,433**	646,670
Short-term investments in U.S. Treasury securities	**704,480**	694,274
Accounts receivable, net of allowance	**40,129**	35,732
Accrued unbilled revenues	**314,619**	298,906
Materials and supplies, at average cost	**120,390**	116,830
Prepaid expenses	**35,417**	27,447
Total current assets	**2,259,468**	1,819,859
Other assets		
Regulatory assets	**6,482,265**	6,603,165
Nonfederal nuclear decommissioning trusts	**297,316**	282,655
Deferred charges and other	**350,821**	449,918
Total other assets	**7,130,402**	7,335,738
Total assets	**$ 25,976,255**	$ 25,548,561

Capitalization and Liabilities

	As of March 31, 2016	As of September 30, 2015
Capitalization and long-term liabilities		
Accumulated net revenues	**$ 3,446,531**	$ 3,175,668
Debt		
Federal appropriations	**3,930,737**	3,901,740
Borrowings from U.S. Treasury	**4,543,740**	4,366,740
Nonfederal debt	**6,840,831**	6,786,856
Total capitalization and long-term liabilities	**18,761,839**	18,231,004
Commitments and contingencies (See Note 13 to 2015 Audited Financial Statements)		
Current liabilities		
Debt		
Borrowings from U.S. Treasury	**339,000**	282,000
Nonfederal debt	**811,829**	752,515
Accounts payable and other	**480,666**	539,747
Total current liabilities	**1,631,495**	1,574,262
Other liabilities		
Regulatory liabilities	**2,203,591**	2,259,843
IOU exchange benefits	**2,606,005**	2,683,866
Asset retirement obligations	**189,256**	184,784
Deferred credits and other	**584,069**	614,802
Total other liabilities	**5,582,921**	5,743,295
Total capitalization and liabilities	**$ 25,976,255**	$ 25,548,561

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,	
	2016	2015	**2016**	2015
Operating revenues				
Sales	**$ 897,090**	$ 938,617	**$ 1,718,826**	$ 1,778,699
U.S. Treasury credits	**19,426**	14,997	**47,756**	41,306
Miscellaneous revenues	**21,531**	15,200	**40,570**	31,562
Total operating revenues	**938,047**	968,814	**1,807,152**	1,851,567
Operating expenses				
Operations and maintenance	**492,758**	473,062	**962,541**	959,284
Purchased power	**34,176**	573	**67,433**	7,678
Nonfederal projects	**64,599**	98,964	**129,197**	198,241
Depreciation and amortization	**116,168**	112,579	**230,139**	224,324
Total operating expenses	**707,701**	685,178	**1,389,310**	1,389,527
Net operating revenues	**230,346**	283,636	**417,842**	462,040
Interest expense and (income)				
Interest expense	**87,824**	88,135	**173,958**	176,376
Allowance for funds used during construction	**(11,027)**	(12,885)	**(23,721)**	(26,207)
Interest income	**(2,032)**	(2,464)	**(3,258)**	(5,488)
Net interest expense	**74,765**	72,786	**146,979**	144,681
Net revenues	**$ 155,581**	$ 210,850	**$ 270,863**	$ 317,359

Federal Columbia River Power System
Combined Statements of Cash Flows (Unaudited)
(Thousands of dollars)

	Fiscal Year-to-Date Ended March 31, 2016	2015
Cash flows from operating activities		
Net revenues	**$ 270,863**	$ 317,359
Non-cash items:		
Depreciation and amortization	**230,139**	224,324
Amortization of nonfederal projects	**13,046**	110,221
Deferred payments for Energy Northwest-related O&M and interest	**30,000**	-
Changes in:		
Receivables and unbilled revenues	**(17,724)**	(62,049)
Materials and supplies	**(3,560)**	(6,932)
Prepaid expenses	**(7,970)**	(5,529)
Accounts payable and other	**(43,137)**	(51,811)
Regulatory assets and liabilities	**38,447**	11,706
IOU exchange benefits	**(77,861)**	(68,160)
Other assets and liabilities	**(1,957)**	(50,350)
Net cash provided by operating activities	**430,286**	418,779
Cash flows from investing activities		
Investments in utility plant, including AFUDC	**(384,468)**	(499,202)
U.S. Treasury Securities:		
Purchases	**(572,000)**	(793,999)
Maturities	**557,873**	658,044
Deposits to nonfederal nuclear decommissioning trusts	**(1,732)**	(1,665)
Lease-purchase trust funds:		
Deposits to	**(45,513)**	(124,301)
Receipts from	**131,731**	106,886
Net cash used for investing activities	**(314,109)**	(654,237)
Cash flows from financing activities		
Federal appropriations:		
Proceeds	**28,997**	21,805
Borrowings from U.S. Treasury:		
Proceeds	**234,000**	370,000
Nonfederal debt:		
Proceeds	**45,532**	124,376
Repayment	**(10,769)**	(20,469)
Customers:		
Net advances for construction	**2,888**	3,334
Repayment of funds used for construction	**(19,062)**	(17,562)
Net cash provided by financing activities	**281,586**	481,484
Net increase in cash and cash equivalents	**397,763**	246,026
Cash and cash equivalents at beginning of year	**646,670**	859,242
Cash and cash equivalents at end of quarter	**$ 1,044,433**	$ 1,105,268
Supplemental disclosures:		
Cash paid for interest, net of amount capitalized	**$ 182,330**	$ 182,518
Significant noncash investing and financing activities:		
Nonfederal debt increase for Energy Northwest	**$ 197,812**	$ -
Nonfederal debt extinguished through refinancing for Energy Northwest	**$ (130,000)**	$ -
Other nonfederal	**$ 10,714**	$ 1,514