Quarterly Financial Report

2018 First Quarter

Management's Discussion and Analysis

Profile

The Bonneville Power Administration (BPA) is a nonprofit federal 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 (USACE) and the Bureau of Reclamation (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 with the accounts of the Pacific Northwest generating facilities of the USACE and Reclamation. The FCRPS combined financial statements also include 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 variable interest entities (VIE) of which BPA is the primary beneficiary, and from which BPA leases certain transmission facilities. As of Dec. 31, 2017, and 2016, BPA had consolidated one and two such VIEs, respectively.

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. Preference customers are the largest customer group to which BPA sells power. BPA's current power sales agreements with preference customers are in effect through fiscal year 2028. As an open access transmission service provider, BPA provides ancillary and control area services to support basic transmission services, including providing balancing reserves for interconnected renewable generation. BPA remains committed to providing

This BPA-approved financial information was made publicly available on 1-26-2018.

nondiscriminatory 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 balances its firm load obligations with the runoff consistent with "critical water conditions." This assumption yields estimated power generation under historically low water conditions, which provides BPA with a reliable estimate of the firm power available to meet firm load obligations. Federal firm power is provided to meet regional preference customer loads first. BPA may also sell firm power to other entities, including regional investor-owned utilities and direct-service industrial customers. 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 the output of resources.

Use of Estimates and Forward-Looking Information

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (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.

This Management's Discussion and Analysis is unaudited and may contain statements which, to the extent they are not recitations of historical facts, constitute "forward-looking statements." In this respect, the words "planned," "predict," "could," "estimate," "expect" and similar expressions are intended to identify forward-looking statements. A number of important factors affecting FCRPS business and financial results could cause actual results to differ materially from those stated in forward-looking statements due to factors such as changes in economic, industry, political and business conditions; changes in laws, regulations and policies and the application of the laws; and changes in climate, weather, hydroelectric conditions and power services supply and demand. BPA does not plan to issue updates or revisions to the forward-looking statements.

Rates

Background

BPA is committed to cost-based rates and public and regional preference in its marketing of power. BPA sets its rates as low as possible consistent with sound business principles and the full recovery of all of its costs, including timely repayment of the federal investment in the FCRPS.

Under BPA's U.S. Treasury payment probability standard, BPA establishes rates sufficient to maintain a level of financial reserves and achieve a 95 percent probability of making all of BPA's scheduled U.S. Treasury payments during the two year rate period. (For the definition of financial reserves, see the Liquidity and Capital Resources section in this Management's Discussion and Analysis.)

Fiscal Years 2018—2019

To establish rates for fiscal years 2018 and 2019, BPA concluded the BP-18 rate proceeding in July 2017 by releasing the Administrator's Final Record of Decision and Final Proposal. Rates for the two year period began on Oct. 1, 2017, and will conclude on Sept. 30, 2019. BPA received interim approval from the FERC in September 2017. FERC's practice is to grant approval of BPA's rates on an interim basis at the beginning of the rate period, pending final review. When compared to the prior rate period, the average power rate increase was 5.4 percent, and the average transmission rate decrease was 0.7 percent. Power rates include a spill surcharge, which may provide an additional rate increase to recover costs associated with certain courtordered changes to the operation of the federal hydroelectric system. As proposed, the spill surcharge would be implemented annually in each of fiscal years 2018 and 2019 based on the estimated financial impact of the change in spill operations in the related fiscal year. Given the uncertainty about the terms of the anticipated new spill plan, BPA is unable to estimate the dollar impact of future surcharges.

BPA's power and transmission rates include a Cost Recovery Adjustment Clause (CRAC) that would enable BPA to increase certain power and transmission rate levels to collect up to $300 million of additional Power Services revenue and up to $100 million of additional Transmission Services revenue, for each year of the rate period. The conditions for triggering the proposed CRAC are based on certain financial metrics reflecting the level of reserves BPA has derived from operations from Power Services and Transmission Services. The conditions for triggering the CRAC for application in fiscal year 2018, as set forth in the BP-18 rate proposal, were reviewed using financial results and forecasts as of the end of the third quarter of fiscal year 2017. The conditions that would trigger the CRAC for application to fiscal year 2018 rate levels did not occur. Consistent with the BP-18 rate design, BPA would also make a CRAC determination for fiscal year 2019 rate levels shortly before the end of fiscal year 2018.

Slice

BPA provides a power sales product called "Slice of the System," or "Slice." For this product, Slice customers pay for a fixed percentage of BPA's power costs in exchange for the right to an indeterminate and variable amount of power. The amount of power Slice customers receive is indexed to their respective Slice percentages and the decisions they make using a BPA-provided water routing simulator that reasonably represents the real-world constraints and capabilities of the FCRPS. BPA and its federal partners retain all operational control of resources that comprise the FCRPS at all times. The aggregate amount of Slice that BPA will sell will decline to 22.4 percent of the system by fiscal year 2020. In fiscal year 2018 the amount is 22.7 percent.

Results of Operations

Operating revenues

A comparison of FCRPS operating revenues follows for the three months ended Dec. 31, 2017, and Dec. 31, 2016:

(Millions of dollars)	Fiscal Year 2018	Fiscal Year 2017	Revenue Increase (Decrease)	% Change
Consolidated gross sales				
Power	$ 609.0	$ 607.9	$ 1.1	0 %
Transmission	229.7	225.6	4.1	2
Bookouts (Power)	(1.5)	(2.6)	1.1	(42)
Sales	837.2	830.9	6.3	1
U.S. Treasury credits	29.0	21.0	8.0	38
Miscellaneous revenues				
Power	7.2	6.2	1.0	16
Transmission	9.8	10.0	(0.2)	(2)
Total operating revenues	$ 883.2	$ 868.1	$ 15.1	2

Total operating revenues increased $15.1 million when compared to the same period last year. Consolidated gross sales for Power and Transmission Services, including the effect of bookouts, increased $6.3 million.

Power Services gross sales increased $1.1 million when compared to the same period last year.

- Firm power sales increased $13.5 million largely due to an average power rate increase of 5.4 percent that went into effect Oct. 1, 2017.

- Surplus power sales decreased $12.4 million. The decrease was mainly due to lower precipitation, which decreased water volume and hydro generation. In contrast, during the first quarter of fiscal year 2017 the Columbia River Basin experienced near-record precipitation.

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 reduce both sales and purchased power expense and 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 $8.0 million due to decreased streamflows and lower federal generation, which led to an increase in the amount of purchased power needed for fish mitigation in the first quarter of fiscal year 2018 when compared with fiscal year 2017. Under the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act), BPA reduces its payment to the U.S. Treasury for the nonpower expenditures made by BPA for fish and wildlife mitigation.

Operating expenses

A comparison of FCRPS operating expenses follows for the three months ended Dec. 31, 2017, and Dec. 31, 2016:

(Millions of dollars)	Fiscal Year 2018	Fiscal Year 2017	Expense Increase (Decrease)	% Change
Operations and maintenance	$ 478.4	$ 506.9	$ (28.5)	(6) %
Purchased power	43.2	16.6	26.6	160
Nonfederal projects	73.5	51.5	22.0	43
Depreciation and amortization	122.0	121.0	1.0	1
Total operating expenses	$ 717.1	$ 696.0	$ 21.1	3

Total operating expenses increased $21.1 million when compared to the same period of fiscal year 2017.

Operations and maintenance expense decreased $28.5 million primarily due to a $24.7 million decrease at Energy Northwest's Columbia Generating Station nuclear power plant. Refueling occurs biennially, most recently in fiscal year 2017, and refueling and maintenance expenses are typically higher in refueling years.

Purchased power expense, including the effects of bookouts, increased $26.6 million mainly due to lower streamflows which reduced federal generation and increased the need for purchased power.

Nonfederal projects debt service increased $22.0 million and reflects terms of the related outstanding debt for Columbia Generating Station and terminated nuclear Projects 1 and 3. Debt service also reflects past debt management decisions and actions under Regional Cooperation Debt efforts. (See Regional Cooperation Debt Program section in this Management's Discussion and Analysis.)

Net interest expense

A comparison of FCRPS net interest expense follows for the three months ended Dec. 31, 2017, and Dec. 31, 2016:

(Millions of dollars)	Fiscal Year 2018	Fiscal Year 2017	Expense Increase (Decrease)	% Change
Interest expense	$ 59.9	$ 70.8	$ (10.9)	(15) %
Allowance for funds used during construction	(8.6)	(9.0)	0.4	(4)
Interest income	(0.7)	(0.8)	0.1	(13)
Net interest expense	$ 50.6	$ 61.0	$ (10.4)	(17)

The net interest expense decrease of $10.4 million was driven primarily by a decrease in interest expense. This decrease was due primarily to a large advanced repayment of comparatively higher-interest-rate federal appropriations made at the end of fiscal year 2017.

Liquidity and Capital Resources

Cash and cash equivalents and financial reserves

To ensure BPA is able to meet its financial responsibilities to counterparties and to the U.S. Treasury, BPA relies on measures such as financial reserves, a line of credit with the U.S. Treasury and a CRAC that can raise rate levels on short notice within the rate period, 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 capital expenditures on utility plant assets and for expenditures on certain regulatory assets, primarily related to fish and wildlife, that BPA has incurred but has not borrowed for as of the end of the period.

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

(Millions of dollars)	As of Dec. 31, 2017	As of Sept. 30, 2017	As of Dec. 31, 2016
Cash and cash equivalents	$ 557.4	$ 597.9	$ 745.9
Short-term investments in U.S. Treasury securities	10.0	30.1	260.0
	567.4	628.0	1,005.9
Less: Cash and cash equivalents held by USACE and Reclamation	391.5	355.6	365.1
Add: Deferred borrowing	615.8	493.3	347.3
BPA financial reserves balance	$ 791.7	$ 765.7	$ 988.1

Access to capital

BPA makes capital investments to support its multifaceted responsibilities to the region. Historically BPA relied solely on its ability to borrow from the U.S. Treasury. However, BPA’s U.S. Treasury borrowing authority is limited by law and, absent other actions, the limit could be reached within a few years. To assure continued funding necessary for critical infrastructure improvements, BPA has over several years expanded its options. These include nonfederal debt refinancings, lease-purchases, the power prepay program, reserve and revenue financing and asset management strategies to more rigorously prioritize proposed capital investments.

BPA borrowing authority from the U.S. Treasury

The aggregate principal amount of debt BPA is authorized by Congress to have outstanding with the U.S. Treasury at any one time is $7.70 billion. The U.S. Treasury borrowing authority may be used to finance capital programs for the FCRPS. In addition, BPA and the U.S. Treasury have agreed to a liquidity facility for Northwest Power Act expenses in the amount of $750.0 million. Use of the facility is counted within the $7.70 billion overall limit. For capital programs, the related U.S. Treasury debt is term limited depending on the facilities financed: 50 years for USACE and Reclamation capital investments, 35 years for transmission facilities, 15 years for fish and wildlife projects and six years for corporate capital assets.

As of Dec. 31, 2017, BPA had $5.01 billion of bonds outstanding to the U.S. Treasury and $2.69 billion in remaining U.S. Treasury borrowing authority.

Regional Cooperation Debt Program

Starting in fiscal year 2014, BPA and Energy Northwest worked closely to establish a new phase of integrated debt management for their combined total debt portfolios, the debt service of which is borne by BPA ratepayers through BPA's rates. Energy Northwest-related debt refinanced under this effort is called Regional Cooperation Debt.

An important component of Regional Cooperation Debt is the issuance of new bonds by Energy Northwest to refund outstanding bonds shortly before their maturities when substantial principal repayments are due. Funds made available to BPA as a result of these refinancings enable BPA to prepay higher-interest-rate federal obligations. The net effect of refinancing this Regional Cooperation Debt is that both the weighted-average interest rate and the maturity of BPA's overall debt portfolio will be reduced over the life of the program. The refinancings also preserve and restore U.S. Treasury borrowing authority, enabling BPA to finance much-needed investments in critical infrastructure.

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.

Future Regional Cooperation Debt transactions, if implemented, would make funds available in the Bonneville Fund, within the U.S. Treasury, to continue prepaying a portion of BPA's repayment obligation for federal appropriations, to make payments to reduce the outstanding principal amount of bonds issued by BPA to the U.S. Treasury, or for other debt management purposes likely to be determined through a public process. BPA estimates that the aggregate potential principal amount of Regional Cooperation Debt refunding bonds between fiscal years 2018 and 2020 could exceed $1.1 billion.

Expense borrowing arrangement by Energy Northwest

Through the continued use of line-of-credit borrowing arrangements between Energy Northwest and certain banking institutions, BPA continues a program that began in fiscal year 2016 to accelerate payments on comparatively higher-interest-rate federal appropriations. If Energy Northwest did not borrow funds under these arrangements, BPA would have provided similar funding to Energy Northwest. In the FCRPS Combined Statements of Cash Flows, these amounts are reported as Deferred payments for Energy Northwest-related O&M and interest, which is included among Net cash provided by operating activities.

In December 2017, Energy Northwest obtained a $141 million line of credit to finance both operations and maintenance expenses for Columbia Generating Station and interest expense on certain bonds previously issued for Columbia Generating Station. The line is available for draws until June 30, 2018, and matures on Dec. 18, 2018. No draws on this line of credit had occurred as of Dec. 31, 2017.

In fiscal year 2017, Energy Northwest had borrowed $155.3 million as of Dec. 31, 2016, and a total of $458.3 million during the year on a line of credit to fund both operations and maintenance for Columbia Generating Station and interest expense on certain bonds. The amounts borrowed incur interest at variable rates and are due to be repaid on or before June 30, 2018. Interest expense funded by this arrangement relates to Energy Northwest bonds previously issued for Columbia Generating Station and for terminated nuclear Projects 1 and 3.

Lease-Purchase Program

The Lease-Purchase Program enables BPA to provide for continued investment in infrastructure to support a safe and reliable system for the transmission of power without using limited U.S. Treasury borrowing authority. Under this program, BPA generally acts as the construction provider and has entered into lease-purchase arrangements with third parties that issue bonds and other debt instruments to fund construction of specific transmission assets. These third parties include the Port of Morrow, Oregon; the Idaho Energy Resources Authority (IERA), an independent public instrumentality of the state of Idaho; and the Northwest Infrastructure Financing Corporation (NIFC).

Credit ratings

In fiscal year 2017 the rating agencies issued credit ratings on nonfederal debt backed by BPA. The ratings are subject to change, and the most recent ratings were as follows:

- Moody's at Aa1 with a stable outlook (August 2017)
- Fitch at AA with a negative outlook (August 2017)
- Standard & Poor's at AA- with a stable outlook (March 2017)

Cash flows

A comparison of FCRPS cash flows follows for the three months ended Dec. 31, 2017, and Dec. 31, 2016:

(Millions of dollars)		Fiscal Year 2018		Fiscal Year 2017		Cash Increase (Decrease)	% Change
Cash and cash equivalents at beginning of year	$	597.9	$	579.6	$	18.3	3 %
Cash flows from							
Operating activities		111.0		300.1		(189.1)	(63)
Investing activities		(177.7)		(168.9)		(8.8)	5
Financing activities		26.2		35.1		(8.9)	(25)
Net increase (decrease) in cash and cash equivalents		(40.5)		166.3		(206.8)	(124)
Cash and cash equivalents at end of the quarter	$	557.4	$	745.9	$	(188.5)	(25)

Operating activities

Net cash provided by FCRPS operating activities during the first quarter of fiscal year 2018 decreased $189.1 million when compared to the first quarter of fiscal year 2017. As a result of the factors previously discussed, the FCRPS had net revenues in the first quarter of fiscal year 2018 of $115.5 million, an increase of $4.4 million from the same period last year. The largest factor for the decrease in cash provided by operating activities was that BPA provided funding for Energy Northwest operations and interest expense during the first quarter of fiscal year 2018 but did not provide $155.3 million during the same period of fiscal year 2017, when Energy Northwest borrowed this amount from a banking institution. The $189.1 million decrease in operating cash flows also reflects changes in accounts payable and other accrued liabilities. (See Expense borrowing arrangement by Energy Northwest section in this Management's Discussion and Analysis.)

Investing activities

Net cash used for FCRPS investing activities increased $8.8 million in fiscal year 2017 for the three months ended Dec. 31, 2017, primarily due to a $23.5 million increase in investments in utility plant. Notable projects include continued work on fiber cable upgrades, a new turbine at Chief Joseph Dam and upgrades to McNary Dam and Ice Harbor Dam.

The timing and amounts of purchases and maturities of U.S. Treasury securities vary depending on operational and cash management needs. Consistent with past practice and BPA's cash management strategy, BPA continued to invest in U.S. Treasury market-based special securities, which are classified as investments on the Combined Balance Sheets if their original maturity dates exceed 90 days. These securities earn a higher rate of interest than do cash or cash equivalents.

Financing activities

Net cash provided by FCRPS financing activities decreased $8.9 million through the first quarter of fiscal year 2018 compared to the first quarter of fiscal year 2017.

BPA did not borrow from the U.S. Treasury through the first quarters of fiscal years 2018 and 2017. This aligns with the BPA borrowing strategy of delaying borrowing from U.S. Treasury when possible to reduce interest expense.

Adjusted Net Revenues

For fiscal years 2013 through 2017, BPA management reported Adjusted Net Revenues (ANR), a non-GAAP financial measurement. However, beginning with fiscal year 2018 and the BP-18 rate period, BPA will no longer calculate ANR but will continue to use other non-GAAP measures for internal management purposes. Fiscal year 2017 was the final year for the reporting of ANR.

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)
(Millions of dollars)

	As of December 31, 2017	As of September 30, 2017
Assets		
Utility plant		
Completed plant	**$ 18,895.0**	$ 18,820.2
Accumulated depreciation	**(6,654.1)**	(6,588.1)
Net completed plant	**12,240.9**	12,232.1
Construction work in progress	**1,262.1**	1,193.7
Net utility plant	**13,503.0**	13,425.8
Nonfederal generation	**3,472.4**	3,518.7
Current assets		
Cash and cash equivalents	**557.4**	597.9
Short-term investments in U.S. Treasury securities	**10.0**	30.1
Accounts receivable, net of allowance	**49.3**	48.5
Accrued unbilled revenues	**326.7**	297.2
Materials and supplies, at average cost	**110.7**	112.0
Prepaid expenses	**117.5**	55.1
Total current assets	**1,171.6**	1,140.8
Other assets		
Regulatory assets	**5,882.4**	5,961.1
Nonfederal nuclear decommissioning trusts	**361.1**	346.9
Deferred charges and other	**274.1**	278.3
Total other assets	**6,517.6**	6,586.3
Total assets	**$ 24,664.6**	$ 24,671.6
Capitalization and Liabilities		
Capitalization and long-term liabilities		
Accumulated net revenues	**$ 3,795.9**	$ 3,680.4
Debt		
Federal appropriations	**2,055.1**	2,029.4
Borrowings from U.S. Treasury	**4,518.6**	4,918.6
Nonfederal debt	**6,864.6**	6,871.4
Total capitalization and long-term liabilities	**17,234.2**	17,499.8
Commitments and contingencies (See Note 13 to 2017 Audited Financial Statements)		
Current liabilities		
Debt		
Borrowings from U.S. Treasury	**490.1**	90.1
Nonfederal debt	**1,391.2**	1,390.9
Accounts payable and other	**420.7**	517.4
Total current liabilities	**2,302.0**	1,998.4
Other liabilities		
Regulatory liabilities	**2,031.7**	2,047.0
IOU exchange benefits	**2,376.2**	2,415.7
Asset retirement obligations	**193.5**	191.7
Deferred credits and other	**527.0**	519.0
Total other liabilities	**5,128.4**	5,173.4
Total capitalization and liabilities	**$ 24,664.6**	$ 24,671.6

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

	Three Months Ended December 31,		Fiscal Year-to-Date Ended December 31,	
	2017	2016	**2017**	2016
Operating revenues				
Sales	**$ 837.2**	$ 830.9	**$ 837.2**	$ 830.9
U.S. Treasury credits	**29.0**	21.0	**29.0**	21.0
Miscellaneous revenues	**17.0**	16.2	**17.0**	16.2
Total operating revenues	**883.2**	868.1	**883.2**	868.1
Operating expenses				
Operations and maintenance	**478.4**	506.9	**478.4**	506.9
Purchased power	**43.2**	16.6	**43.2**	16.6
Nonfederal projects	**73.5**	51.5	**73.5**	51.5
Depreciation and amortization	**122.0**	121.0	**122.0**	121.0
Total operating expenses	**717.1**	696.0	**717.1**	696.0
Net operating revenues	**166.1**	172.1	**166.1**	172.1
Interest expense and (income)				
Interest expense	**59.9**	70.8	**59.9**	70.8
Allowance for funds used during construction	**(8.6)**	(9.0)	**(8.6)**	(9.0)
Interest income	**(0.7)**	(0.8)	**(0.7)**	(0.8)
Net interest expense	**50.6**	61.0	**50.6**	61.0
Net revenues	**$ 115.5**	$ 111.1	**$ 115.5**	$ 111.1

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

	Fiscal Year-to-Date Ended December 31, 2017	2016
Cash flows from operating activities		
Net revenues	**$ 115.5**	$ 111.1
Non-cash items:		
Depreciation and amortization	**122.0**	121.0
Amortization of nonfederal projects	**49.6**	5.6
Deferred payments for Energy Northwest-related O&M and interest	**-**	155.3
Changes in:		
Receivables and unbilled revenues	**(30.3)**	(31.5)
Materials and supplies	**1.3**	(2.8)
Prepaid expenses	**(62.4)**	(30.1)
Accounts payable and other	**(59.7)**	8.0
Regulatory assets and liabilities	**29.6**	0.8
IOU exchange benefits	**(39.5)**	(33.6)
Other assets and liabilities	**(15.1)**	(3.7)
Net cash provided by operating activities	**111.0**	300.1
Cash flows from investing activities		
Investments in utility plant, including AFUDC	**(207.5)**	(184.0)
U.S. Treasury securities:		
Purchases	**(10.0)**	(205.0)
Maturities	**30.0**	220.4
Deposits to nonfederal nuclear decommissioning trusts	**(0.9)**	(0.9)
Lease-purchase trust funds:		
Deposits to	**-**	(38.3)
Receipts from	**10.7**	38.9
Net cash used for investing activities	**(177.7)**	(168.9)
Cash flows from financing activities		
Federal appropriations:		
Proceeds	**25.7**	12.8
Nonfederal debt:		
Proceeds	**-**	38.5
Repayment	**(6.5)**	(6.6)
Customers:		
Net advances for construction	**12.8**	0.9
Repayment of funds used for construction	**(5.8)**	(10.5)
Net cash provided by financing activities	**26.2**	35.1
Net (decrease) increase in cash and cash equivalents	**$ (40.5)**	$ 166.3
Cash and cash equivalents at beginning of year	**597.9**	579.6
Cash and cash equivalents at end of quarter	**$ 557.4**	$ 745.9
Supplemental disclosures:		
Cash paid for interest, net of amount capitalized	**$ 58.9**	$ 71.8
Significant noncash investing and financing activities:		
Nonfederal debt increase for Energy Northwest	**$ -**	$ 155.3
Other nonfederal	**$ -**	$ (0.9)