

Quarterly Financial Report

2025 First Quarter

Q1

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% of the electric power generated in the Northwest.

BPA also operates and maintains more than 15,000 circuit miles of high-voltage transmission in its service territory. BPA's 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. To mitigate the impacts of the federal dams, BPA implements a fish and wildlife program that includes working with its partners to make the federal dams safer for fish passage.

BPA is committed to public service and seeks to make its decisions in a manner that provides opportunities for input from all 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 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 is a variable interest entity (VIE) of which BPA is the primary beneficiary, and from which BPA leases certain transmission facilities. The FCRPS fiscal year is from October 1 to September 30.

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 (MD&A) 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 and the Effect of Regulations

Rates for Fiscal Years 2024-2025

To establish rates for fiscal years 2024 and 2025, BPA concluded the BP-24 rate proceeding in July 2023 by releasing the Administrator's Final Record of Decision and Final Proposal. Rates went into effect on Oct. 1, 2023, and will be effective through Sept. 30, 2025. The Federal Energy Regulatory Commission's (FERC) practice is to grant approval of BPA's rates on an interim basis at the beginning of the rate period, pending final review. FERC granted final approval of the BP-24 Power and Transmission rates in March 2024. BPA held power and transmission rates flat when compared to the prior rate period (BP-22).

As with the 2022-2023 rate period, power and transmission rates in the BP-24 rate period also include other rate adjustment mechanisms, such as the Cost Recovery Adjustment Clause (CRAC), Financial Reserves Policy (FRP) Surcharge and Reserves Distribution Clause (RDC), which BPA employs if certain financial conditions occur. As defined in the BP-24 rate case, if business line financial reserves and agency reserves are above their respective upper thresholds, and the RDC amount is greater than \$5 million, the BPA Administrator shall consider the above-threshold financial reserves for debt reduction, incremental capital investment, rate reduction through a Dividend Distribution, distribution to customers, or any business line specific purposes determined by the BPA Administrator.

Based upon fiscal year 2024 financial results and year-end reserves for risk levels for Transmission services, a Transmission RDC occurred for application in fiscal year 2025. In December 2024, the BPA Administrator determined the entire Transmission RDC amount of \$82.8 million will be applied toward flexible debt reduction, with BPA retaining the flexibility to forego some or all of the planned debt reduction to preserve BPA's liquidity.

Based on fiscal year 2023 financial results and year-end reserves for risk levels for both Power and Transmission Services, an RDC occurred for application in fiscal year 2024. The Transmission RDC was \$130.4 million and the Power RDC was \$285.4 million. For information regarding the use of the fiscal year 2023 RDC, applied in fiscal year 2024, see the Management's Discussion and Analysis in BPA's 2024 Annual Report.

Results of Operations

Operating revenues

A comparison of FCRPS operating revenues follows for the three months ended Dec. 31, 2024, and Dec. 31, 2023:

<i>(Millions of dollars)</i>	Fiscal Year 2025	Fiscal Year 2024	Revenue Increase (Decrease)	%	Change
Sales					
Consolidated sales					
Power gross sales	\$ 744.8	\$ 747.2	\$ (2.4)	—	%
Transmission	291.7	277.9	13.8	5	
Bookouts (Power)	(3.0)	(17.9)	14.9	(83)	
Consolidated sales	1,033.5	1,007.2	26.3	3	
Other revenues					
Power	6.2	8.2	(2.0)	(24)	
Transmission	15.9	13.2	2.7	20	
Other revenues	22.1	21.4	0.7	3	
Sales	1,055.6	1,028.6	27.0	3	
U.S. Treasury credits	42.5	79.8	(37.3)	(47)	
Total operating revenues	\$ 1,098.1	\$ 1,108.4	\$ (10.3)	(1)	

Total operating revenues decreased \$10.3 million when compared to the same period of fiscal year 2024. Sales of Power and Transmission Services, including other revenues and the effect of bookouts, increased \$27 million.

Power Services gross sales decreased \$2.4 million.

- Surplus power sales, including revenue from derivative instruments settled with physical deliveries, decreased \$39.6 million primarily due to lower market prices when compared to the same period of fiscal year 2024.
- Firm power sales increased \$37.2 million due to offsetting increases and decreases in various firm power products. Increases in firm power sales of \$40 million were partially offset by \$11.2 million of decreases primarily due to decreasing load shaping and demand revenues. The \$40 million revenue increase was primarily driven by more customers electing to serve load through the purchase of power at BPA Tier 2 rates in fiscal year 2025. Additionally, in fiscal year 2025 BPA will recognize no reductions to revenue related to a Power RDC. Through the first quarter of fiscal year 2024, BPA recognized a reduction to revenue of \$18.3 million, resulting in a comparative increase of \$18.3 million through the first quarter of fiscal year 2025.

Transmission sales increased \$13.8 million primarily due to an \$8.3 million increase in point-to-point long-term revenues due to the start of previously deferred service. The remainder of the increase is primarily due to increases in ancillary services and network integration revenues.

Power other revenues decreased \$2 million primarily due to a decrease in realized gains associated with financial future trades. BPA uses financial futures contracts on energy as an

operational hedge to mitigate for price volatility in the physical energy market. Financial futures contracts are settled financially and not through the delivery of power.

Transmission other revenues increased \$2.7 million primarily due to reimbursable work with external parties, which is higher due to more large generator interconnection and line and load interconnection work performed in fiscal year 2025. Customers fund these projects in advance, and an equivalent amount of reimbursable expenses offsets reimbursable revenues.

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 decreased \$37.3 million when compared to the same period of fiscal year 2024. This decrease was due to lower volumes of replacement power purchases at lower market prices when compared to the first quarter of the prior fiscal year. Under the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act), BPA reduces its annual payment to the U.S. Treasury for the nonpower portion of expenditures, set at 22.3%, that BPA makes for fish and wildlife protection, mitigation and enhancement. Through the fiscal year, BPA records anticipated U.S. Treasury credits earned through the reporting period. At fiscal year-end, BPA calculates and records the annual amount of U.S. Treasury credits earned.

Operating expenses

A comparison of FCRPS operating expenses follows for the three months ended Dec. 31, 2024, and Dec. 31, 2023:

<i>(Millions of dollars)</i>	Fiscal Year 2025	Fiscal Year 2024	Expense Increase (Decrease)	% Change
Operations and maintenance	\$ 624.1	\$ 558.8	\$ 65.3	12 %
Purchased power	105.6	228.6	(123.0)	(54)
Depreciation, amortization and accretion	217.3	216.7	0.6	—
Total operating expenses	<u>\$ 947.0</u>	<u>\$ 1,004.1</u>	<u>\$ (57.1)</u>	<u>(6)</u>

Total operating expenses decreased \$57.1 million when compared to the same period of fiscal year 2024.

Operations and maintenance expense increased \$65.3 million primarily due to the following factors:

- \$26.8 million increase to Columbia Generating Station costs primarily due to fiscal year 2025 being a refueling year. Refueling occurs biennially, most recently in fiscal year 2023, and refueling and maintenance expenses are higher in refueling years.
- \$11.8 million increase in USACE and Reclamation expenses primarily due to increased labor costs.
- \$7.1 million increase to conservation purchases due to an increase in work performed.

- \$6.2 million increase in third-party wheeling expenses due to increased rates in fiscal year 2024 that carried over into the first quarter of fiscal year 2025.
- \$3.4 million increase in the amount of reimbursable work being performed for external customers.
- \$2.4 million increase in fish and wildlife maintenance costs in connection with the fiscal year 2022 RDC decision, in which BPA committed to funding certain expenditures in advance of when they were originally expected to be made. This increase includes amounts supporting BPA's direct fish and wildlife program and the U.S. Fish and Wildlife Service Lower Snake River Compensation Plan.
- \$7.6 million net increase to various other Transmission, Power, and Enterprise Services program costs primarily due to increases in personnel costs.

Purchased power expense, including the effects of bookouts, decreased \$123 million primarily due to the following factors:

- \$136.4 million decrease in power purchases due to lower volumes of power purchases at lower market prices.
- \$13.9 million increase related to water storage agreements with BC Hydro, an electric utility owned by the Province of British Columbia. Yearly fluctuations in weather and streamflows, river operations and energy markets affect Non-Treaty storage operations and ultimately impact the amount of dollars owed to, or due from, BC Hydro. At the end of December 2024, the last remaining agreement expired, and BPA expects to receive the final amount owed of approximately \$27 million in the second quarter of fiscal year 2025.

Depreciation, amortization and accretion increased \$0.6 million primarily due to an increase in depreciation expense of \$5.9 million as a result of an increase in the amount of utility plant assets in service. Partially offsetting this increase was a decrease in amortization expense of approximately \$6 million. Fiscal year 2024 was the final year of amortization of the Terminated I-5 Corridor Reinforcement Project, and as such no related amortization expense has been or will be recorded in fiscal year 2025.

Interest expense and other income, net

A comparison of FCRPS interest expense and other income, net, follows for the three months ended Dec. 31, 2024, and Dec. 31, 2023:

(Millions of dollars)

	Fiscal Year 2025	Fiscal Year 2024	Expense Increase (Decrease)	% Change
Interest expense	\$ 113.3	\$ 113.7	\$ (0.4)	— %
Irrigation assistance	3.3	—	3.3	100
Allowance for funds used during construction	(17.2)	(13.0)	(4.2)	32
Interest income	(7.7)	(17.0)	9.3	(55)
Other, net	(7.9)	(7.0)	(0.9)	13
Total interest expense and other income, net	<u>\$ 83.8</u>	<u>\$ 76.7</u>	<u>\$ 7.1</u>	<u>9</u>

Total interest expense and other income, net, increased \$7.1 million when compared to the same period of fiscal year 2024.

Irrigation assistance expense increased \$3.3 million when compared to the same period of fiscal year 2024. Fiscal year 2025 is the first year of quarterly expense recognition related to the annual irrigation assistance payment made to the U.S. Treasury. In fiscal year 2024, BPA only recorded irrigation assistance expense at year-end. For further information about this change, see Note 14, Commitments and Contingencies, in the fiscal year 2024 Annual Report.

Allowance for funds used during construction (AFUDC) increased \$4.2 million due to higher Construction work in progress balances and higher interest rates when compared to the same period in fiscal year 2024. For additional information on how the rates applied to AFUDC are calculated each year, see Note 1, Summary of Significant Accounting Policies, in BPA's 2024 Annual Report.

Interest income decreased \$9.3 million as a result of lower amounts of U.S. Treasury market-based special securities due to lower cash balances coupled with lower interest rates received from U.S. Treasury. These investments have original maturities of 90 days or less and are recorded as Cash and cash equivalents on the Combined Balance Sheets.

Accrued Construction work in progress

Amounts accrued in Accounts payable and other on the Combined Balance Sheet for Construction work in progress assets were approximately \$118 million and \$138 million as of Dec. 31, 2024, and 2023, respectively.

Other Operational Matters

Energy Northwest Line of Credit Activity

In December 2024, Energy Northwest entered into a \$120 million line of credit arrangement to provide interim financing to pay for certain costs of the Columbia Generating Station. Amounts borrowed are due to be repaid on or before Dec. 16, 2026.

Of the available \$120 million, Energy Northwest has borrowed approximately \$54 million to fund an advanced nuclear fuel purchase. As a result, BPA recorded a \$54 million increase to

current Nonfederal debt and an accompanying increase to Nonfederal generation on the Combined Balance Sheet.

Energy Northwest anticipates borrowing an additional \$55 million in the second quarter to fund another advanced nuclear fuel purchase. BPA anticipates this transaction will mirror the transaction recorded in December 2024.

BPA management expects Energy Northwest to issue long-term bonds in spring 2025 to repay amounts borrowed for the nuclear fuel purchases under this line of credit.

Grand Coulee Switchyard Asset Transfer

In October 2024, BPA and Reclamation entered into an agreement to transfer ownership of assets at three switchyards at the Grand Coulee Dam from Reclamation to BPA. The transition of operations and maintenance of these assets will occur gradually over five years to provide the greatest level of reliability and ensure continued safety in switchyard operations. After the transition is complete, BPA expects to realize overall costs savings in annual operations and maintenance expenses, along with significant reduction in overhead costs on capital modernization projects going forward. The transaction to record the asset transfers did not affect FCRPS fiscal year 2025 net revenues. In addition, all related assets and liabilities had been reported on the fiscal year 2024 FCRPS Combined Balance Sheet, with no net FCRPS change recorded in fiscal year 2025.

Additional Information

To see BPA's annual and quarterly reports, go to www.bpa.gov/about/finance/investor-relations

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

For information on Power Services, go to www.bpa.gov/energy-and-services/power

For information on Transmission Services, go to www.bpa.gov/energy-and-services/transmission

Federal Columbia River Power System

Combined Balance Sheets ^(Unaudited)

(Millions of Dollars)

	As of December 31, 2024	As of September 30, 2024
Assets		
Utility plant and nonfederal generation		
Completed plant	\$ 22,410.1	\$ 22,235.9
Accumulated depreciation	(8,705.7)	(8,604.9)
Net completed plant	13,704.4	13,631.0
Construction work in progress	2,340.9	2,236.4
Net utility plant	16,045.3	15,867.4
Nonfederal generation	3,463.1	3,410.0
Net utility plant and nonfederal generation	19,508.4	19,277.4
Current assets		
Cash and cash equivalents	1,551.5	1,412.0
Accounts receivable, net of allowance	28.9	95.4
Accrued unbilled revenues	371.8	348.2
Materials and supplies, at average cost	146.5	140.5
Prepaid expenses	73.0	81.0
Total current assets	2,171.7	2,077.1
Other assets		
Regulatory assets	4,067.7	4,153.4
Nonfederal nuclear decommissioning trusts	605.1	623.5
Deferred charges and other	206.7	169.6
Total other assets	4,879.5	4,946.5
Total assets	\$ 26,559.6	\$ 26,301.0

Federal Columbia River Power System

Combined Balance Sheets ^(Unaudited)

(Millions of Dollars)

	As of December 31, 2024	As of September 30, 2024
Capitalization and Liabilities		
Capitalization and long-term liabilities		
Accumulated net revenues	\$ 5,524.2	\$ 5,456.9
Debt		
Federal appropriations	1,704.3	1,697.1
Borrowings from U.S. Treasury	6,169.7	5,846.7
Nonfederal debt	6,763.4	6,779.3
Total capitalization and long-term liabilities	20,161.6	19,780.0
 Commitments and contingencies (See Note 14 to 2024 Audited Financial Statements)		
 Current liabilities		
Debt		
Borrowings from U.S. Treasury	131.0	114.0
Nonfederal debt	574.4	521.9
Accounts payable and other	736.7	869.1
Total current liabilities	1,442.1	1,505.0
 Other liabilities		
Regulatory liabilities	1,492.3	1,522.4
IOU exchange benefits	1,002.3	1,062.8
Asset retirement obligations	1,127.5	1,118.2
Deferred credits and other	1,333.8	1,312.6
Total other liabilities	4,955.9	5,016.0
 Total capitalization and liabilities	 \$ 26,559.6	 \$ 26,301.0

Federal Columbia River Power System

Combined Statements of Revenues and Expenses ^(Unaudited)

(Millions of Dollars)

	Three Months Ended		Fiscal Year-to-Date Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Operating revenues				
Sales	\$ 1,055.6	\$ 1,028.6	\$ 1,055.6	\$ 1,028.6
U.S. Treasury credits	42.5	79.8	42.5	79.8
Total operating revenues	1,098.1	1,108.4	1,098.1	1,108.4
Operating expenses				
Operations and maintenance	624.1	558.8	624.1	558.8
Purchased power	105.6	228.6	105.6	228.6
Depreciation, amortization and accretion	217.3	216.7	217.3	216.7
Total operating expenses	947.0	1,004.1	947.0	1,004.1
Net operating revenues	151.1	104.3	151.1	104.3
Interest expense and other income, net				
Interest expense	113.3	113.7	113.3	113.7
Irrigation assistance	3.3	-	3.3	-
Allowance for funds used during construction	(17.2)	(13.0)	(17.2)	(13.0)
Interest income	(7.7)	(17.0)	(7.7)	(17.0)
Other, net	(7.9)	(7.0)	(7.9)	(7.0)
Total interest expense and other income, net	83.8	76.7	83.8	76.7
Net revenues	\$ 67.3	\$ 27.6	\$ 67.3	\$ 27.6

Federal Columbia River Power System

Combined Statements of Cash Flows ^(Unaudited)

(Millions of Dollars)

Fiscal Year-to-Date Ended
December 31,

	2024	2023
Cash flows from operating activities		
Net revenues	\$ 67.3	\$ 27.6
Adjustments to reconcile net revenues to cash provided by operations:		
Depreciation, amortization and accretion	217.3	216.7
Other	(8.8)	(4.6)
Changes in:		
Receivables and unbilled revenues	42.9	(22.4)
Materials and supplies	(6.0)	(3.5)
Prepaid expenses	8.0	(32.6)
Accounts payable and other	(82.3)	(183.2)
Regulatory assets and liabilities	(34.2)	24.7
IOU exchange benefits	(60.5)	(58.6)
Nonfederal nuclear decommissioning trusts	22.2	(50.8)
Other assets and liabilities	(23.7)	(2.8)
Net cash provided by (used for) operating activities	142.2	(89.5)
Cash flows from investing activities		
Investment in utility plant, including AFUDC	(342.8)	(239.5)
Proceeds from sale of utility plant	0.3	0.6
Deposits to nonfederal nuclear decommissioning trusts	(3.8)	(3.8)
Lease-purchase trust funds:		
Receipts from	-	(1.5)
Net cash used for investing activities	(346.3)	(244.2)
Cash flows from financing activities		
Federal appropriations:		
Proceeds	7.2	7.1
Borrowings from U.S. Treasury:		
Proceeds	340.0	-
Nonfederal debt:		
Repayment	(9.9)	(8.6)
Customers:		
Net advances for construction	11.9	5.2
Repayment of funds used for construction	(5.6)	(4.4)
Net cash provided by (used for) financing activities	343.6	(40.7)
Net increase (decrease) in cash, cash equivalents and restricted cash	139.5	(374.4)
Cash, cash equivalents and restricted cash at beginning of year	1,420.2	2,046.1
Cash, cash equivalents and restricted cash at end of quarter	\$ 1,559.7	\$ 1,671.7
Less: Restricted cash at end of quarter, reported in Deferred charges and other	8.2	8.2
Cash and cash equivalents at end of quarter	\$ 1,551.5	\$ 1,663.5
Supplemental disclosures:		
Cash paid for interest, net of amount capitalized	\$ 147.6	\$ 149.7
Significant noncash activities:		
Nonfederal debt increase	\$ 56.1	\$ -
Nonfederal debt decrease	\$ (9.6)	\$ (6.7)