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Energy Northwest Facts

Headquarters

Richland, Wash.

Employment Figures

Approximately 1,100 full-time employees

Projects and Services

- Four power generation projects
- Environmental and analytical services
- Operations and maintenance services
- Equipment calibration services
- Power system solutions
- Project development
- Demand-side management services

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www.energy-northwest.com

and our blog:

www.northwestcleanenergy.com



Management Report On Responsibility For Financial Reporting

Energy Northwest management is responsible for preparing the accompanying financial statements and for their integrity. They were prepared in accordance with Generally Accepted Accounting Principles (GAAP) (applied on a consistent basis and include amounts that are based on management's best estimates and judgments).

The financial statements have been audited by Baker Tilly US, LLP, Energy Northwest's independent auditors. Management has made available to Baker Tilly US, LLP all financial records and related data, and believes that all representations made to Baker Tilly US, LLP during its audit were valid and appropriate.

Management has established and maintains internal control procedures that provide reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition, and the prevention and detection of fraudulent financial reporting. These control procedures provide appropriate division of responsibility and are documented by written policies and procedures.

Energy Northwest maintains an ongoing internal auditing program that provides for independent assessment of the effectiveness of internal controls, and for recommendations of possible improvements thereto. In addition, Baker Tilly US, LLP has considered the internal control structure in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements. Management has considered recommendations made by the internal auditor and Baker Tilly US, LLP concerning the control procedures and has taken appropriate action to respond to the recommendations. Management believes that, as of June 30, 2021, internal control procedures are adequate.

Bob Schuetz

Chief Executive Officer

Cristina M. Reyff

Vice President, Chief Financial Officer/Chief Risk Officer

Audit, Legal And Finance Committee Chair's Letter

The executive board's Audit, Legal and Finance Committee (committee) is composed of 11 independent directors. Members of the committee are:

July 1, 2020 - June 30, 2021: Chair Jack Janda, Arie Callaghan, Marc Daudon, Linda Gott, Jim Malinowski, Sid Morrison, Jim Moss, Skip Orser, Will Purser, John Saven and Tim Sheldon.

The committee held eight meetings during the fiscal year ended June 30, 2021.

The committee oversees Energy Northwest's financial reporting process on behalf of the executive board. In fulfilling its responsibilities, the committee discussed with the performance auditors and the independent auditors the overall scope and specific plans for their respective audits, and reviewed Energy Northwest's financial statements and the adequacy of Energy Northwest's internal controls.

The committee met regularly with Energy Northwest's performance auditors and convened periodic meetings with the independent auditors to discuss the results of their audit, their evaluations of Energy Northwest's internal controls, and the overall quality of Energy Northwest's financial reporting. The meetings were designed to facilitate any private communications with the committee desired by the performance auditors or independent auditors.

Jack Janda

Chair,

Audit, Legal and Finance Committee

Independent Auditors' Report

To the Executive Board of
Energy Northwest

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Energy Northwest, as of and for the years ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Energy Northwest's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to Energy Northwest's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Energy Northwest's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Energy Northwest as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, certain items in the Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position as of July 1, 2020 have been restated to correct a misstatement related to the recording of an other post employment benefit plan not previously identified that related to prior periods. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of the Energy Northwest's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Energy Northwest internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Energy Northwest's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Madison, Wisconsin
September 23, 2021

Energy Northwest Management's Discussion and Analysis (Unaudited)

Energy Northwest is a municipal corporation and joint operating agency of the state of Washington. Each Energy Northwest business unit is financed and accounted for separately from all other current or future business assets. The following discussion and analysis is organized by business unit. The management discussion and analysis of the financial performance and activity is provided as an introduction and to aid in comparing the basic financial statements for the fiscal year (FY) ended June 30, 2021, with the basic financial statements for the FY ended June 30, 2020.

Energy Northwest has adopted accounting policies and principles that are in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. Energy Northwest's records are maintained as prescribed by the Governmental Accounting Standards Board (GASB). (See Note 1 to the Financial Statements.)

Because each business unit is financed and accounted for separately, the following section on financial performance is discussed by business unit to aid in analysis of assessing the financial position of each individual business unit. For comparative purposes only, the table on the following page represents a memorandum only total for Energy Northwest, as a whole, for FY 2021 and FY 2020.

The Financial Statements for Energy Northwest include the Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows for each of the business units, and Notes to Financial Statements.

The Statements of Net Position present the financial position of each business unit on an accrual basis. The Statements of Net Position report financial information about construction work in progress, the amount of resources and

obligations, restricted accounts, and due to/from balances for each business unit. (See Note 1 to the Financial Statements.)

The Statements of Revenues, Expenses, and Changes in Net Position provide financial information relating to all expenses, revenues and equity that reflect the results of each business unit and its related activities over the course of the fiscal year. The financial information provided aids in benchmarking activities, conducting comparisons to evaluate progress, and determining whether the business unit has successfully recovered its costs.

The Statements of Cash Flows reflect cash receipts and disbursements and net changes resulting from operating, financing, and investing activities. The Statements of Cash Flows provide insight into what generates cash, where the cash comes from, and purpose of cash activity.

The Notes to Financial Statements present disclosures that contribute to the understanding of the material presented in the financial statements. This includes, but is not limited to, Schedule of Outstanding Long-Term Debt and Debt Service Requirements (See Note 4 to the Financial Statements), accounting policies, significant balances and activities, material risks, commitments and obligations, and subsequent events, if applicable.

The basic Financial Statements of each business unit along with the Notes to the Financial Statements and Management Discussion and Analysis should be used to provide an overview of Energy Northwest's financial performance. The following discussion provides comparative financial information for the years ended June 30, 2021 and 2020. Questions concerning any of the information provided in this report should be addressed to Energy Northwest at PO Box 968, Richland, WA, 99352.

Combined Financial Information - June 30, 2021 and 2020 (Dollars in thousands)

	2020		2021		Change
Assets					
Current Assets	\$	319,243	\$	422,851	\$ 103,608
Restricted Assets					
Special Funds		2,427		-	(2,427)
Debt Service Funds		376,135		370,962	(5,173)
Net Plant		1,676,026		1,705,792	29,766
Nuclear Fuel		468,994		553,950	84,956
Long-Term Receivables		136		14	(122)
Other Charges		3,829,227		3,862,353	33,126
TOTAL ASSETS		6,672,188		6,915,922	243,734
DEFERRED OUTFLOWS OF RESOURCES		645,300		695,738	50,438
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$	7,317,488	\$	7,611,660	\$ 294,172
Liabilities and Net Position					
Current Liabilities	\$	249,914	\$	365,988	\$ 116,074
Restricted Liabilities					
Debt Service Funds		118,259		118,655	396
Long-Term Debt		5,338,001		5,426,365	88,364
Other Long-Term Liabilities		1,559,763		1,650,935	91,172
Other Credits		7,792		8,198	406
Net Position					
Invested in capital assets, net of related debt		(26,643)		(20,457)	6,186
Restricted, net		20,262		20,720	458
Unrestricted, net		6,231		3,942	(2,289)
TOTAL LIABILITIES AND NET POSITION		7,273,579		7,574,346	300,767
DEFERRED INFLOWS OF RESOURCES		43,909		37,314	(6,595)
TOTAL LIABILITIES, NET POSITION AND DEFERRED INFLOWS	\$	7,317,488	\$	7,611,660	\$ 294,172
Operating Revenues	\$	448,926	\$	560,681	\$ 111,755
Operating Expenses		408,525		451,869	43,344
Net Operating Revenues		40,401		108,812	68,411
Other Income and Expenses		(34,986)		(105,911)	(70,925)
Capital Contribution		870		2,724	1,854
Beginning Net Position		(6,435)		(1,420)	5,015
ENDING NET POSITION *	\$	(150)	\$	4,205	\$ 4,355

* Energy Northwest's 2020 Statement of Net Position and Statements of Revenues and Expenses and Changes in Net Position were updated for the impacts of the required retroactive application of GASB 75 "Other Post Employment Benefits (OPEB)" which became effective for Energy Northwest in fiscal year 2021. See Note 1 for a summary of this change in accounting principle.

Columbia Generating Station

Columbia Generating Station (Columbia) is wholly owned by Energy Northwest and its participants and operated by Energy Northwest. The plant is a 1,174-megawatt electric (MWe, Design Electric Rating, net) boiling water nuclear power plant located on the Department of Energy’s (DOE) Hanford Site north of Richland, Washington.

Columbia produced 8,842 gigawatt-hours (GWh) electricity in FY 2021, which included 86 GWh of economic dispatch and 131 GWh of coast down credit, as compared to 10,017 GWh, with inclusion of credits for economic dispatch, of electricity in FY 2020. The 131 GWh of coast down credit in FY 2021 was approved by the Executive Board (coast down credit is a prudent utility practice to optimize fuel efficiency as part of General Electric’s fuel design). The 86 GWh of economic dispatch in FY 2021, as well as, the 462 GWh of economic dispatch in FY 2020 was granted by the Bonneville Power Administration (BPA). The request by BPA is for grid reliability and supply and, in Columbia’s instance, was a result of high spring river runoff. BPA did not grant credit to Columbia in FY 2021 to overall generation as a result of management directed coast down decisions. The FY 2020 generation represented the highest fiscal year generation on record for Columbia.

Columbia continues to benefit from the MWe gained because of the Leading Edge Flow Meter Project and valve work completed in the FY 2015 refueling outage (R-22), additional work completed in the FY 2017 refueling outage (R-23), and FY 2019 (R-24) refueling outage. Columbia, because of the past three refueling outages work completed, is able to deliver an additional ~25 MWe to the grid.

Columbia’s cost performance is measured by the cost of power indicator. The cost of power for FY 2021 was 4.92 cents per kilowatt-hour (kWh) as compared with 3.26 cents per kWh in FY 2020. The generating cost of power fluctuates year to year depending on various factors such as refueling outages and other planned activities. The FY 2021 cost of power increase

of 50.9% was due to the decreased generation levels due to the planned refueling outage (R-25) in FY 2021, as well as, the record generation established by Columbia for FY 2020.

Assets, Liabilities, and Net Position Analysis

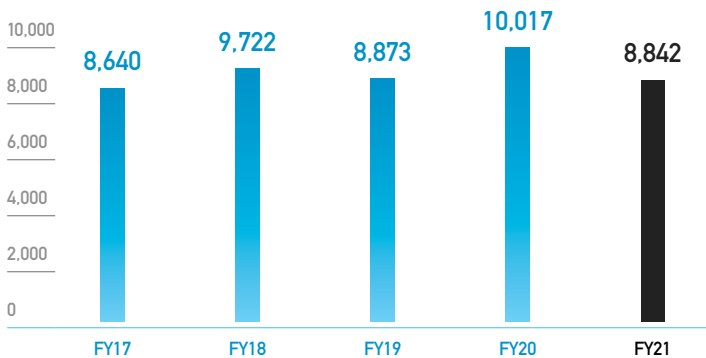
The net increase to Utility Plant (plant) and Construction Work in Progress (CWIP) from FY 2020 to FY 2021 (excluding nuclear fuel) was \$32.7 million. The changes to plant and CWIP were comprised of additions to plant of \$130.6 million and a decrease to CWIP of \$11.7 million. Remaining change was the period effect of depreciation of \$86.2 million.

The FY 2021 CWIP balance of \$68.0 million consisted of ten major projects of at least \$1.0 million: Reactor Water Cleanup Heat Exchanger Replacement, Plant Fire Detection Upgrade, Core Plate Wedges, Advanced Remote Monitoring, Extended Power Uprate, Residual Heat Removal Pump Replacement, Main Generator Protective Relay Replacement, Plant Processing Computer Replacement Phase 1, Deschutes Building Remodel and Security Boundary Wall. These projects over \$1.0 million result in 89% of the current CWIP balance. The remaining 11% of CWIP is comprised of 32 separate projects.

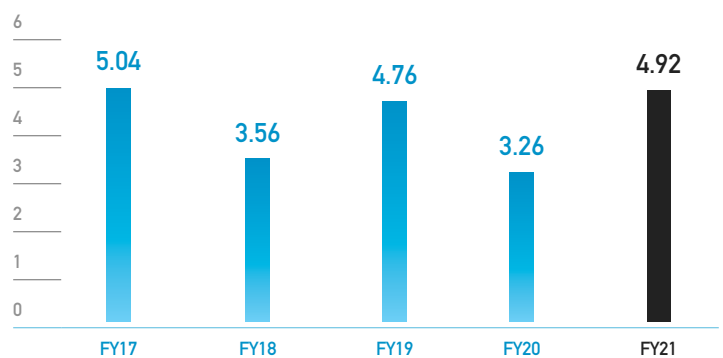
Nuclear fuel, net of accumulated amortization, increased \$84.9 million from FY 2020 to \$553.9 million in FY 2021. During FY 2021 Columbia incurred \$36.8 million in capitalized fuel/reload activity with a decrease in fuel of \$47.3 million due to amortized fuel burnup. An increase to spent fuel of \$95.4 million reflects the original cost of fuel assemblies removed from the core during R-25 and placed in the Spent Fuel Pool to begin the cooling process (See Note 11).

Current assets increased \$102.4 million in FY 2021 to \$354.9 million. The changes were increases to receivables of \$72.9 million mostly due to an increase in the amount of BPA draw for participant net billing, increases to cash and investments of \$27.8 million, increases to materials and supplies of \$2.2 million. The Current Asset increases were offset by an impact in prepayments of \$0.5 million.

Columbia Generating Station
Net Generation - GWhrs



Columbia Generating Station
Cost of Power - Cents/kWh



Restricted assets decreased \$7.4 million to \$304.4 million in FY 2021 due to the FY 2021 bond funding activities and bond restructuring associated with the regional cooperation debt program.

Other charges increased \$37.5 million from \$1,903.8 million in FY 2020 to \$1,941.3 million in FY2021. The increase was Costs in Excess of Billings related to the net effect of payment of current maturities and refunding activity associated with the regional cooperation debt program.

Deferred outflows increased \$50.2 million in FY 2021 from \$636.4 million to \$686.6 million. The changes were an increase of \$2.6 million due to the recognition of a deferred pension outflow in accordance with GASB No. 68 (See Note 6), an increase of \$1.3 million due to the recognition of other postemployment benefit outflow in accordance with GASB No. 75 and \$47.9 million asset retirement adjustment (\$47.7 million-Columbia, \$0.2 million - ISFSI) due to requirements of GASB No. 83. (See Note 9). The increases were offset by a decrease of \$1.6 million to unamortized loss on refunding associated with the 2021 bond activity

Current liabilities increased \$112.0 million in FY 2021 to \$310.9 million. The major reason for the increase was due to an increase in a current line of credit of \$75.9 million in FY 2021 to \$85.9 million. Other increases included accounts payable and accrued expenses of \$36.8 million and due to other business units of \$3.0 million, both a timing result of year-end obligations. Other increases from timing of due to participants resulted in an increase of \$3.7 million. Offsetting the increases was a decrease in current maturities of long-term debt \$7.4 million per the maturity schedule for bonds.

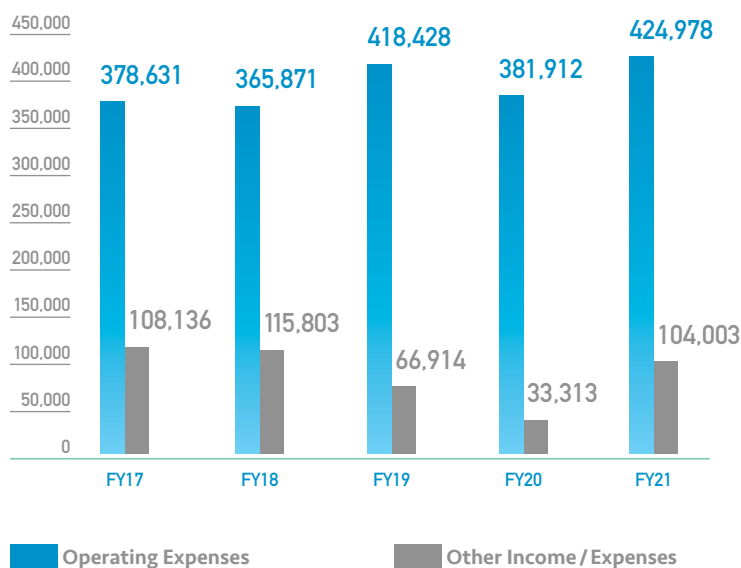
Restricted liabilities increased \$0.7 million in FY 2021 to \$74.9 million reflecting the changes in accrued interest on various bond series.

Long-term debt (Bonds Payable) increased \$104.4 million in FY 2021 from \$3,360.4 million to \$3,464.8 million due to the FY 2021 bond restructuring and funding activities associated with the regional cooperation debt program.

Other long-term liabilities increased \$95.8 million in FY 2021 to \$1.622 billion. The major driver was increases to the asset retirement obligation due to GASB No. 83. Decommissioning liability increased \$73.8 million due to required yearly indexing of the obligation. Columbia accounted for \$73.4 million of the increase and ISFSI accounted for \$0.4 million of the increase. The establishment of the other postemployment benefits liability resulted in an increase of \$27.7 million in accordance with GASB NO. 75. Offsetting the increases was a pension liability decrease of \$5.7 million in accordance with GASB No. 68.

Costs associated with cask activity are no longer being recorded as a long-term liability as all costs have been deemed reimbursable under the agreement with DOE and reimbursements, per each approved submittal, will be offset against costs incurred (See Note 11).

Columbia Generating Station
Total Operating Costs (Dollars in thousands)



Deferred inflows decreased \$12.7 million from \$35.6 million in FY 2020 to \$22.9 million in FY 2021. A decrease of \$13.1 million was recognized to deferred pension inflow in accordance with GASB No. 68. An increase to bond refunding inflows of \$0.4 million was due to the FY 2021 bond restructuring and funding activities associated with the regional cooperation debt program. Deferred credits for FY 2021 consisted of unclaimed bearer bonds and remained at the same level as FY 2020.

Revenue and Expenses Analysis

Columbia is a net-billed project. Energy Northwest recognizes revenues equal to expenses for each period on net-billed projects. No net revenue or loss is recognized, and no net position is accumulated.

Operating expenses increased \$43.1 million from FY 2020 costs of \$381.9 million to \$425.0 million in FY 2021. The major increase in costs was due to FY 2021 being a planned refueling year (R25) as compared to FY 2020 being a non-refueling year. The increase in FY 2021 was in the operations and maintenance area (\$63.6 million) due to the refueling year. Also, decommissioning increased \$0.6 million due to annual indexing requirements of the obligation related to GASB No. 83. Offsetting the increase were decreases in nuclear fuel and generation taxes of \$8.3 million and \$0.9 million respectively, due to decreased generation. Also, there was a decrease due to administrative and general expenses in pension expenses of \$5.0 million related to GASB No. 68. Other administrative and general expenses decrease of \$0.9 million resulted in the overall change in administrative and general decrease of \$5.9 million. Finally, there was a decrease of \$6.0 million for depreciation and amortization due to some plant assets becoming fully depreciated.

Other Income and Expenses increased \$70.7 million from FY 2020 to \$104.0 million net expenses in FY 2021. A gain of \$8.3 million was recognized in FY 2021 on the spent fuel litigation settlement from the DOE, which was \$1.0 million less than FY 2020. The cask costs were never an intended cost for the facility and only resulted from a failure to perform from the Department of Energy (See Note 10). Fuel disposal is no longer being recognized as part of the DOE settlement for this reason and any future recoveries from the DOE will be recorded in similar fashion. Another component of the change was there was not a Separative Work Units (SWU) sale related to the TVA fuel contract in FY 2021 (See Note 11). Since there was not a sale of SWU in FY 2021 there was a decrease of \$76.0 million as compared to the FY 2020 gain on SWU sale. Bond interest expenses and amortization costs of \$118.6 million were incurred as part of the FY 2021 planned and approved regional cooperation debt program, however, these were lower in FY 2021 by \$7.7 million as compared to FY 2020. The remaining change of \$1.4 million was due to decreases in investment income for FY 2021 as compared to FY 2020.

Columbia's total operating revenue increased from \$415.2 million in FY 2020 to \$527.7 million in FY 2021. The increase of \$112.5 million was due to the on-cycle year of the two-year refueling plan and the related effect of the net billing agreement on total revenue (See Note 5).

Columbia received \$1.3 million of contributed capital towards the Advanced Remote Monitoring project. Energy Northwest entered into an agreement with the Utilities Service Alliance, who received a grant from the Department of Energy, to develop an Advanced Remote Monitoring system for nuclear plants, within its alliance.

Packwood Lake Hydroelectric Project

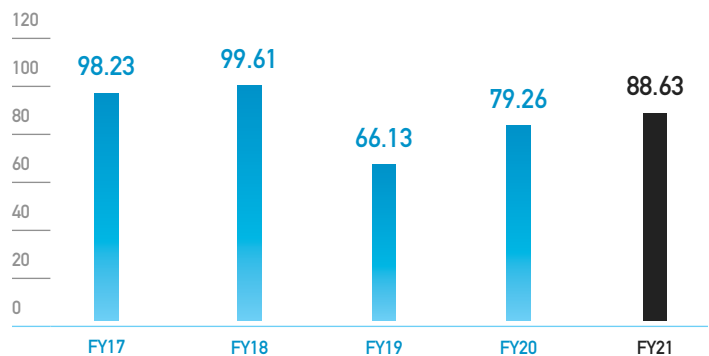
The Packwood Lake Hydroelectric Project (Packwood) is wholly owned and operated by Energy Northwest. Packwood consists of a diversion structure at Packwood Lake and a powerhouse located near the town of Packwood, Washington. The water is carried from the lake to the powerhouse through a five-mile long buried tunnel and drops nearly 1,800 feet in elevation. Packwood produced 88.63 GWh of electricity in FY 2021 versus 79.26 GWh in FY 2020. The generation increase of 11.8% was mostly due to FY 2020 being the tenth lowest generation year on record. In FY 2021, Packwood's generation slightly exceeded the last five-year average net generation of 88.43 GWh. The generation for FY 2021 was significantly below the life to date average per year of 93.86 GWh, but this is in part to lower lake levels and operating restrictions included in the renewed operating license mentioned next.

Packwood had been operating under a fifty-year license issued by FERC, which expired on February 28, 2010. Energy Northwest submitted the Final License Application (FLA) for renewal of the operating license to FERC on February 22,

2008. On March 4, 2010, FERC issued a one-year extension to operate under the original license, which indefinitely extended for continued operations until a formal decision was issued by FERC and a new operating license granted. On March 21, 2018, the National Oceanic and Atmospheric Administration/ National Marine Fisheries Service (NOAA/NMFS) filed to the FERC the Biological Opinion (BiOp) of the Endangered Species Act for the relicensing of Packwood. On October 11, 2018, FERC issued the forty-year operating license effective October 1, 2018 (See Note 1 to the Financial Statements). The relicensing cost of \$3.7 million incurred in previous years was transferred to intangible plant in FY 2019 and is being amortized over the forty-year license issued October 2018.

Packwood's cost performance is measured by the cost of power indicator. The cost of power for FY 2021 was \$3.11 cents per kWh as compared to \$3.42 cents per kWh in FY 2020. The cost of power fluctuates year-to-year depending on various factors such as outage, maintenance, generation, and other operating costs. The decrease (9.1%) in the FY 2021 cost of power was driven by the increase in generation noted previously.

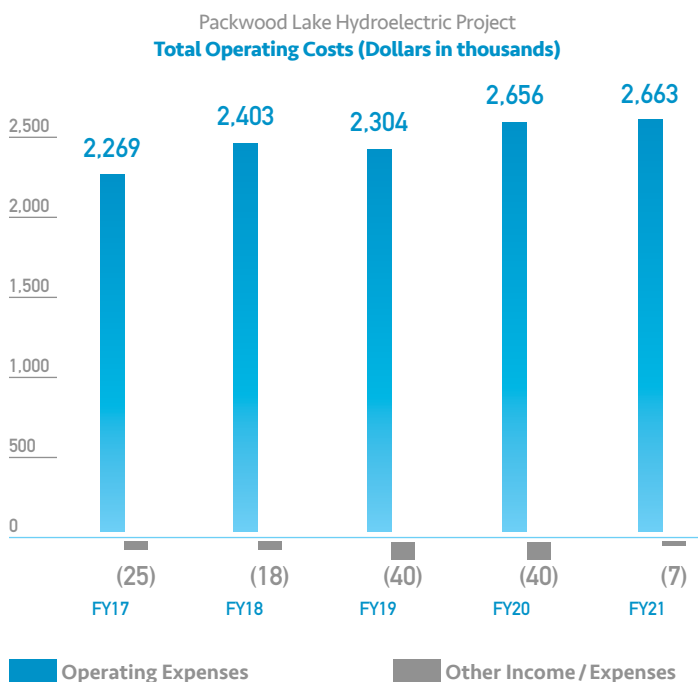
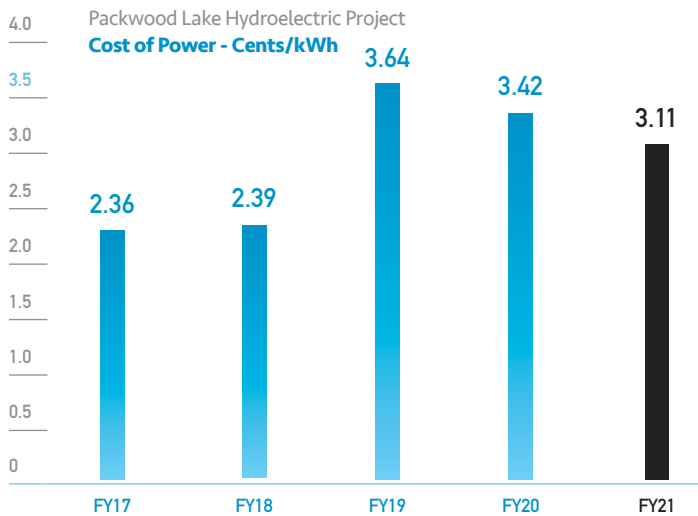
Packwood Lake Hydroelectric Project
Net Generation - GWhrs



Assets, Liabilities, and Net Position Analysis

Total assets and deferred outflows increased \$0.6 million in FY 2021. The net increase to Plant from FY 2020 to FY 2021 was \$0.4 million. The increase to plant was offset by the period effect of depreciation of \$0.3 million. Current assets increased \$0.2 million due to timing of cash and investments activity. Also, there was a \$12 thousand increase to deferred pension outflow as part of the requirements of GASB No. 68 (See Note 6) and a \$6 thousand increase due to the recognition of other postemployment benefit outflow in accordance with GASB No. 75.

There was an increase to other credits of \$0.4 million related to billings in excess of costs. Current liabilities increased \$0.2 million, other postemployment benefit liability increased \$0.1



million and there was a decrease to deferred pension inflow of \$0.1 million. Pension deferrals and pension liability are recognized in accordance with GASB No. 68 and the other postemployment benefit deferrals and liability are recognized in accordance with GASB No. 75.

Revenue and Expenses Analysis

The agreement with Packwood participants obligates them to pay annual costs and to receive excess revenues. (See Note 1 to the Financial Statements.) Accordingly, Energy Northwest recognizes revenues equal to expenses for each period. No net revenue or loss is recognized, and no net position is

accumulated. Operating expenses increased \$8 thousand in FY 2021 as compared to FY 2020.

Other Income and Expense, comprised mostly of investment returns, decreased \$33 thousand from FY 2020 to a total of \$7 thousand for FY 2021.

Packwood participants are obligated to pay annual costs of the project (including any applicable debt service), whether or not the project is operable. The Packwood participants also share project revenue to the extent that the amounts exceed costs. These funds can be returned to the participants or kept within the project. As of June 30, 2021, there is \$7.7 million recorded as other credits that are deferred billing in excess of costs being kept within the project. Packwood participants are currently taking 100% of the project generation; there are no additional agreements for power sales.

Nuclear Project No. 1

Energy Northwest wholly owns Nuclear Project No. 1, a 1,250-MWe plant, which was placed in extended construction delay status in 1982, when it was 65% complete. On May 13, 1994, Energy Northwest's Board of Directors adopted a resolution terminating Nuclear Project No. 1. All funding requirements are net-billed obligations of Nuclear Project No. 1. Termination expenses and debt service costs comprise the activity of Nuclear Project No. 1 and are net-billed (See Notes 5 and 10).

Assets, Liabilities, and Net Position Analysis

Total Assets and deferred outflows decreased \$5.8 million from \$920.5 million in FY 2020 to \$914.7 million in FY 2021. The change was due to a decrease of \$2.9 million in costs in excess, a decrease of \$2.0 million in debt service funds from bond activity, a decrease of \$1.2 million from cash and investment activity and a decrease of \$0.3 million in due from other business units offset by an increase of \$0.6 million in current receivables. Deferred pension outflows increased \$12 thousand due to the recognition of a deferred pension outflow in accordance with GASB No. 68 (See Note 6), an increase of \$6 thousand due to the recognition of other postemployment benefit outflow in accordance with GASB No. 75.

Long-term debt increased \$4.6 million from \$778.3 million in FY 2020 to \$782.9 million in FY 2021 offset with a decrease related to debt discounts/premiums of \$8.7 million. The overall change in long-term debt was due to debt activity associated with the planned and approved regional cooperation debt program. Current liabilities decreased \$1.7 million due to decreases in current maturities of debt. Total restricted liabilities decreased \$0.2 million from \$19.8 million in FY 2020 to \$19.6 million in FY 2021, which is a reduction in total accrued interest payable on long-term debt (See Note 1). Total long-term liabilities decreased \$6.7 million and consisted of a decrease to decommissioning liability of \$6.8 million for the

asset retirement obligation per GASB No. 83 (See Note 9) and a decrease of \$26 thousand in pension liability per GASB No. 68 (See Note 6), offset by an increase of \$0.1 million due to the recognition of other postemployment benefit outflow in accordance with GASB No. 75. Deferred inflows increased \$6.8 million from \$6.8 million in FY 2020 to \$13.6 million in FY 2021 due to an increase in deferred inflows for unamortized gain on bond refunding. There were no major changes in the balance for deferred credit.

Revenue and Expenses Analysis

Other Income and Expenses showed a net decrease to expenses of \$12.6 million from \$32.8 million in FY 2020 to \$20.2 million in FY 2021. Main drivers for the change was a decrease to the decommissioning estimate of \$10.0 million. The decommissioning change in estimate was per GASB No. 83 (See Note 9). The other changes included a decrease to bond related interest expense and amortization of \$2.6 million.

Nuclear Project No. 3

Nuclear Project No. 3, a 1,240-MWe plant, was placed in extended construction delay status in 1983, when it was 75% complete. On May 13, 1994, Energy Northwest's Board of Directors adopted a resolution terminating Nuclear Project No. 3. Energy Northwest is no longer responsible for any site restoration costs as they were transferred with the assets to the Satsop Redevelopment Project. The debt service-related activities remain the responsibility of Energy Northwest and are net-billed (See Notes 5 and 10).

Assets, Liabilities, and Net Position Analysis

Current assets decreased \$0.1 million from \$3.3 million in FY 2020 to \$3.2 million in FY 2021. Debt service funds increased \$1.6 million from \$23.4 million in FY 2020 to \$25.0 million in FY 2021 from bond activity. Other charges decreased \$1.5 million from \$1,031.3 million in FY 2020 to \$1,029.8 million in FY 2021. The decrease was costs in excess of billings related to the net effect of payment of current maturities and refunding activity associated with the regional cooperation debt program.

Long-term debt increased \$14.3 million from \$912.0 million in FY 2020 to \$926.3 million in FY 2021 offset by a decrease related to debt discounts/premiums on debt activity during the year of \$16.0 million. The overall change in long-term debt was due to debt activity associated with the planned and approved regional cooperation debt program. Current debt per the debt maturity schedule increased \$1.7 million from \$0.7 million in FY 2020 to \$2.4 million in FY 2021 per the planned and approved regional cooperation debt program.

Revenue and Expenses Analysis

Overall expenses and revenues increased slightly by \$0.3 million in FY 2021 due to increased treasury, legal and investment advisor expenses.

Business Development Fund

Energy Northwest was created to enable Washington public power utilities and municipalities to build and operate generation projects. The Business Development Fund (BDF) was created by Executive Board Resolution No. 1006 in April 1997, for the purpose of holding, administering, disbursing, and accounting for Energy Northwest costs and revenues generated from engaging in new business opportunities.

The BDF is managed as an enterprise fund. Five business sectors have been created within the fund: Business Support, Energy & Professional Services, Laboratory Support, Nuclear Development and Operation & Maintenance Services. A separate line of activity is used as general business unit support. Each line may have one or more programs that are managed as a unique business line activity.

Assets, Liabilities, and Net Position Analysis

Total assets and deferred outflows increased \$6.7 million from \$16.5 million in FY 2020 to \$23.2 million in FY 2021. There was an increase to total capital (net plant) of \$2.5 million, an increase to current assets of \$4.1 million, an increase to deferred pension outflow of \$0.1 million in accordance with GASB No. 68 (See Note 6) and an increase of \$0.1 million due to the recognition of other postemployment benefit outflow in accordance with GASB No. 75. The increases were offset by a decrease to long term receivables of \$0.1 million. There was a corresponding increase to liabilities, net position and deferred inflows of \$6.7 million. Current liabilities increased \$0.3 million from FY 2020 due to timing of year-end outstanding items. Long-term liabilities increased \$0.9 million due to a \$1.1 million increase due to the recognition of other postemployment benefit outflow in accordance with GASB No. 75 offset by a \$0.2 million decrease in net pension liability in accordance with GASB No. 68. Deferred inflows decreased \$0.5 million to account for the change in net pension liability. The change in net position of \$6.0 million is the net of \$5.6 million from operations in FY 2021 reflected in the activities described below, continuing margin achievement on business sector activity, \$1.4 million in contributed capital from the Horn Rapids Solar Storage and Training project, and a \$1.0 million impact due to the recognition of other postemployment benefits.

Revenue and Expenses Analysis

Operating Revenues in FY 2021 totaled \$11.9 million as compared to FY 2020 revenues of \$12.7 million, a decrease of \$0.8 million (6.0%). Various projects and timing of work were drivers for the decrease in overall revenue for the BDF and the five business sectors.

- The Business Support sector revenues remained relatively steady FY 2021, with a slight decrease from \$43 thousand

in FY 2020 to \$40 thousand. The sector remains steady based on continued rental agreements.

- The Energy & Professional Services sector revenues decreased \$2.0 million in FY 2021 from \$2.9 million in FY 2020 to \$0.9 million. The decrease in this sector was due to the following:

Energy Northwest received a grant award in 2021 from the Washington State Department of Transportation for the Electric Vehicle Infrastructure Transportation Alliance Project (EVITA), of which \$171 thousand is included in FY 2021 revenue. Also, two grants have been awarded from Pacific Power to install stations in Washington and included in the FY 2021 revenue is \$50 thousand related to the grants. In addition to the EVITA grant revenues recorded for the EVITA project, Energy Northwest received \$4 thousand in FY 2021 related to the operation and maintenance of charging stations installed in prior years. Energy Northwest continues to seek and apply for grant funding to install electric vehicle charging stations, as well as, support electric utilities in the Pacific Northwest in their efforts to install electric vehicle charging stations and advance electric vehicle adoption.

In 2021, Energy Northwest entered a lease option agreement with Tucci Energy Services, for the purpose of developing a solar project on undeveloped land located approximately 3 miles north of Richland. The lease option agreement included the option of leasing up to 300 acres of the unused land for future development. This land is part of 300 acres Energy Northwest purchased from Tri-City Development Council (TRIDEC) in 2016 for future development. This lease option results in an increase of \$13 thousand in revenue from FY 2020 to \$15 thousand in FY 2021.

Energy Northwest was the recipient of a Washington State Department of Commerce (Commerce) grant in 2015, which was finalized in 2017. The Commerce grant was an award of up to \$3.0 million under the Washington Clean Energy Funds' Grid Modernization Grant Program. The grant was to develop the Horn Rapids Solar Storage and Training (HRSST) project. The HRSST project included the development of a 4 MWdc photovoltaic solar project coupled with a 1MW/4 MWh basic lithium ion battery storage. Energy Northwest collaborated and came to agreement with the City of Richland for the Battery Energy Storage System (BESS) storage portion of the HRSST. The Energy Northwest Board of Directors approved the project and The City of Richland signed a participant agreement in October of 2018. Construction of the BESS was initiated in FY 2020 and both the solar project (Energy Northwest does not own the solar portion of the project) and BESS, were completed in FY 2021 and the project is

now operational. The project costs were approximately \$6.4 million with \$1.4 million incurred in FY 2021. Energy Northwest is reporting \$1.4 million in contributed capital and \$0 in revenue for FY 2021, as compared to \$0.9 million in contributed capital and \$2.8 million in revenue for FY 2020.

Information Technology (IT) and Cyber Security Services increased from \$60 thousand in FY 2020 to \$508.6 thousand in FY 2021. The increase in IT revenues is due to a new services contract between Energy Northwest and Mission Support Alliance to update information technology equipment at the HAMMER training facility in Richland, Washington. The services provided under this contract resulted in increasing revenues by \$0.5 million.

In FY 2021, Energy Northwest created an internship program, in which Energy Northwest is identifying engineering students looking for internship opportunities, then provides the names and resumes to Energy Northwest Member utilities that are participating in the program. The Energy Northwest Member utilities then can interview the students and offer internships. This program increased revenues by \$0.1 million.

- The Laboratory Support sector increased \$0.4 million in FY 2021 from \$5.9 million in FY 2020 to \$6.3 million, a 6.5% increase. The increase in revenue is a result of the Calibration Laboratory receiving additional work from existing customers and new customers; also, the Environmental Laboratory provided additional services to Columbia during Columbia's refueling outage.
- The Nuclear Development sector increased \$0.4 million in FY2021 from \$17 thousand to \$408 thousand. The change in this sector was due to the following:

Energy Northwest entered into a teaming agreement with NuScale Power and Utah Associated Municipal Power Systems (UAMPS) as part of the Western Initiative for Nuclear project collaboration to promote a commercial, small modular reactor (SMR) in the western United States. NuScale Power, located in Corvallis, Oregon is poised to supply the facility for the Carbon-Free Power Project (CFPP). NuScale is working with UAMPS to site the CFPP at the Idaho National Laboratory in Idaho Falls, Idaho. Revenues for the CFPP declined \$12 thousand from \$17 thousand in FY 2020 to \$5 thousand in FY 2021.

In October 2020, the Department of Energy announced it had selected X-energy and TerraPower-GE Hitachi for its Advanced Reactor Demonstration Program, which provides initial funding for two domestic advanced nuclear reactor projects. Energy Northwest was listed as a utility partner on both applications. In April 2021, Energy Northwest, X-energy and Grant County Public Utility District signed a

Tri Energy Partnership agreement to evaluate, develop and build a commercial Xe-100 advanced reactor. During FY 2021, Energy Northwest provided services to X-energy, which resulted in a \$0.4 million increase to revenues.

- The Operations & Maintenance sector supports public power in the areas of operations and maintenance of generating facilities and electric utility automation. Revenues from the Professional Services business sector increased \$0.4 million from \$3.9 million in FY 2020 to \$4.3 million in FY 2021, an increase of 10.4%.

Work at the Portland Hydro Project remained steady from previous year with revenues at \$1.4 million for both FY 2021 and FY 2020. Portland Hydro is a five-year agreement for operating and maintaining two powerhouses on the Bull Run River for the City of Portland, the agreement runs through FY 2023. The Tieton Hydroelectric Project revenues decreased \$0.1 million in FY 2021 to \$2.3 million as compared to \$2.4 million for FY 2020. The Tieton project is a year to year agreement for operating and maintaining the 25 MW project located at Rimrock Lake in Yakima County, Washington owned by City of Burbank.

Energy Northwest entered into an agreement with Eugene Water and Electric Board (EWEB) to operate and maintain the Stone Creek Hydro project located on the Oak Grove Fork of the Clackamas River. The agreement is for a five-year period to maintain the 12 MWe project for EWEB and was signed in May of 2020. Revenues increased \$0.4 million for FY 2021 to \$478 thousand as compared to \$65 thousand for FY 2020.

Energy Northwest entered into an agreement with Idaho Water & Resources Board (IWRB) to operate and maintain the Dworshak Small Hydroelectric Project located near Orofino, Idaho on the Clearwater River and supplies water to the nearby Dworshak National Fish Hatchery. The agreement was for a nine-month period to maintain the 3 MWe project for IWRB was signed in July of 2020. Revenues for FY 2021 were \$59 thousand.

Operating costs increased \$0.4 million from \$10.3 million in FY 2020 to \$10.7 million in FY 2021. The 3.9% increase in overall operating costs for the BDF was a result of the transfer of the Morrison Energy Center building to the BDF from the Internal Service Fund and depreciation expense. The operating costs for Operations and Maintenance decreased \$1.3 million (11.0%) from \$11.4 million in FY 2020 to \$10.1 million in FY 2021. These costs correlate with the decrease in project related revenues and increase in administration and general expense of \$1.7 million. Increased operating costs were offset by a decrease to pension expense of \$0.1 million related to GASB No. 68.

Other Income and Expenses decreased \$59 thousand in FY 2021 to \$73 thousand. The overall decrease was due to lower

investment returns of \$92 thousand, lower gain on property disposed of \$1 thousand and increased amounts of grant revenue \$34 thousand.

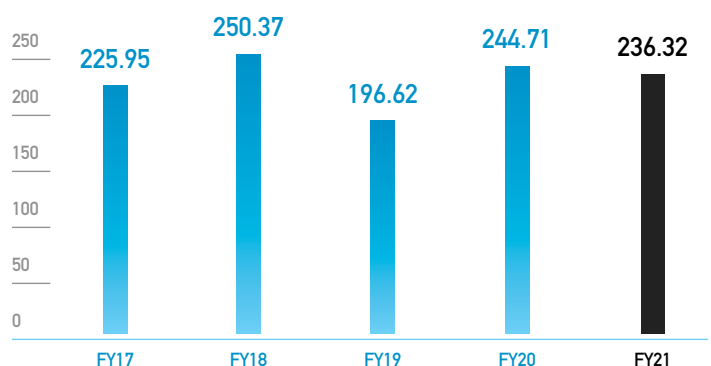
The BDF receives contributions from the Internal Service Fund to cover cash needs during startup periods. Initial startup costs are not expected to be paid back and are shown as contributions. As an operating business unit, requests can be made to fund incurred operating expenses. In FY 2021, the Energy Northwest Executive Board approved the contribution of \$4.4 million from the Internal Service Fund, which eliminated the excess contributed funds in the Internal Service Fund. There were no contributions (transfers) in FY 2020.

Nine Canyon Wind Project

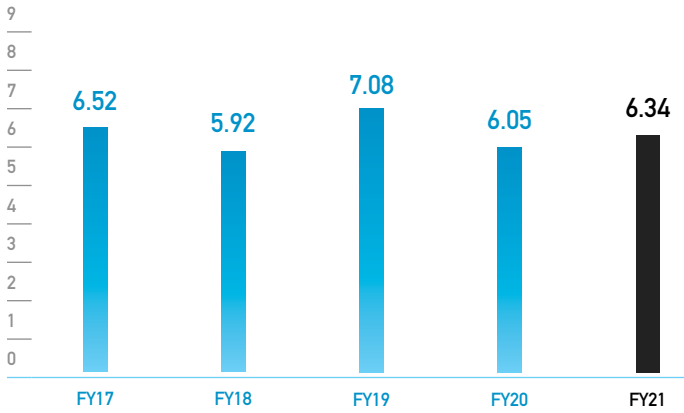
The Nine Canyon Wind Project (Nine Canyon) is wholly owned and operated by Energy Northwest. Nine Canyon is located in the Horse Heaven Hills area southwest of Kennewick, Washington. Electricity generated by Nine Canyon is purchased by Pacific Northwest Public Utility Districts (purchasers). Each of the purchasers of Phase I, Phase II, and Phase III have signed a power purchase agreement which are part of the 2nd Amended and Restated Nine Canyon Wind Project Power Purchase Agreement which now has an end date of 2030. Nine Canyon is connected to the BPA transmission grid via a substation and transmission lines constructed by Benton County Public Utility District.

Phase I of Nine Canyon, which began commercial operation in September 2002, consists of 37 wind turbines, each with a maximum generating capacity of approximately 1.3 MW, for an aggregate generating capacity of 48.1 MW. Phase II of Nine Canyon, which was declared operational in December 2003, includes 12 wind turbines, each with a maximum generating capacity of 1.3 MW, for an aggregate generating capacity of approximately 15.6 MW. Phase III of Nine Canyon, which was declared operational in May 2008, includes 14 wind turbines, each with a maximum generating capacity of 2.3 MW, for an aggregate generating capacity of 32.2 MW. The total Nine Canyon generating capability is 95.9 MW, enough energy for approximately 39,000 average homes.

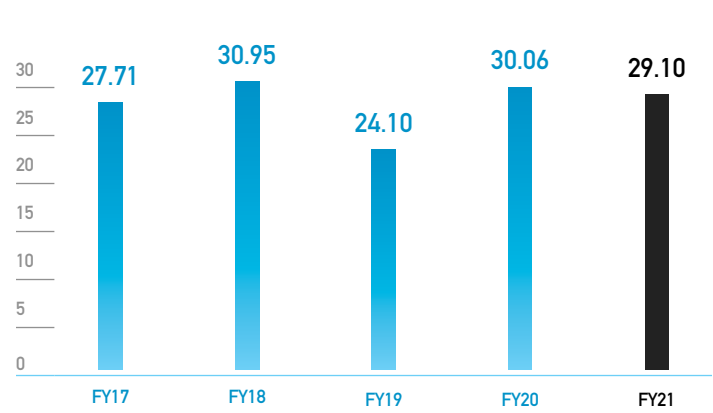
Nine Canyon Wind Project
Net Generation - GWhrs



Nine Canyon Wind Project
Cost of Power - Cents/kWh



Nine Canyon Wind Project
Capacity Factor (%)



Nine Canyon produced 236.32 GWh of electricity in FY 2021 versus 244.71 GWh in FY 2020. The decrease of 3.4% for generation was a direct result of a decreased average monthly capacity factor of 29.1% for FY 2021 versus 30.06% for FY 2020 (decrease of 3.2%) offset by a higher average wind speed of 1.5% (15.43 miles per hour) versus FY 2020 (15.2 miles per hour). Generation for FY 2021 and FY 2020 were both above the average gross generation for the project.

Nine Canyon's cost performance is measured by the cost of power indicator. The cost of power for FY 2021 was \$6.34 cents per kWh as compared to \$6.05 cents per kWh in FY 2020. The cost of power fluctuates year to year depending on various factors such as wind conditions and unplanned maintenance and is distinctly different than revenue billed cost of power discussed below in revenue and expense analysis. The increase of 4.8% in cost of power for FY 2021 was attributable to the capacity factor offset by decreases of \$0.1 million to operating expenses and favorable average wind speeds.

Assets, Liabilities, and Net Position Analysis

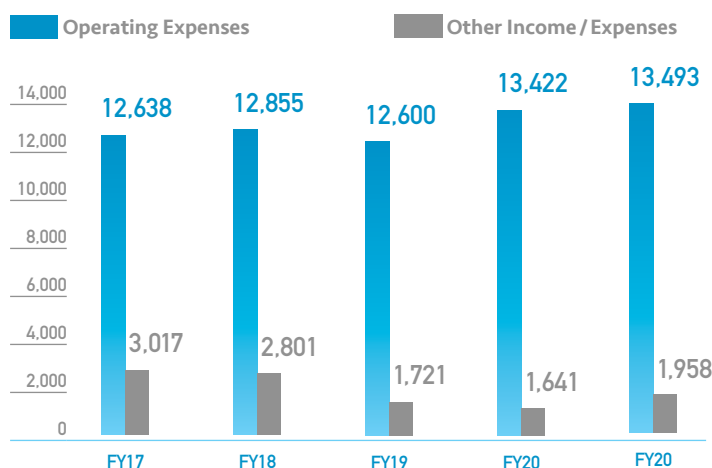
Total assets and deferred outflows decreased \$6.2 million from \$78.0 million in FY 2020 to \$71.8 million in FY 2021. The major driver for the change in assets was a decrease of \$6.8 million in net plant due to accumulated depreciation. The remaining changes consisted of increases to current assets of \$0.3 million, an increase to restricted (special and debt service funds) of \$0.2 million. There were no significant changes to deferred pension outflow as part of the requirements of GASB No. 68 (See Note 6). Unamortized debt expense decreased \$0.2 million, and an increase to deferred outflows related to the asset retirement obligation of \$0.2 million due to the requirements of GASB No. 83 (See Note 9).

There was an overall decrease to liabilities, net position, and deferred inflows of \$6.2 million. Changes were a decrease to long-term debt (including unamortized bond discount/premium) of \$10.3 million, increase to current maturities of

debt of \$0.5 million, an increase of \$0.1 million to accounts payable and accrued expenses, and a decrease of \$0.2 million accrued debt service interest. Other long-term liability changes were decreases of \$0.1 million for pension liability, an increase of \$0.2 million due to the recognition of other postemployment benefit outflow in accordance with GASB No. 75 and an increase of \$0.9 million to the decommissioning liability, as a result of indexing requirements in accordance with GASB No. 83 (See Note 9). There was a \$0.1 million decrease to the deferred pension inflow. Pension liability and deferrals are recognized in accordance with GASB No. 68 (See Note 6). The change in net position of \$2.7 million is the net of the total from net operations of \$2.9 million in FY 2021, and a \$0.2 million impact due to the recognition of other postemployment benefits. Although a decrease in the year to year operations, FY 2021 positive results continue to reflect the results of the debt financing efforts and cost reduction/stabilization efforts.

In previous years Energy Northwest has accrued, as income (contribution) from the Department of Energy, Renewable Energy Production Incentive (REPI) payments that enable Nine Canyon to receive funds based on generation as it applies to the REPI legislation. REPI was created to promote increases in the generation and utilization of electricity from renewable energy sources and to further the advances of renewable energy technologies. This program, authorized under Section 1212 of the Energy Policy Act of 1992, provides financial incentive payments for electricity produced and sold by new qualifying renewable energy generation facilities. The payment stream from Nine Canyon participants and the REPI receipts was projected to cover the total costs over the purchase agreement. Continued shortfalls in REPI funding for the Nine Canyon project led to a revised rate plan to incorporate the impact of this shortfall over the life of the project (2030 proposed end date) in FY 2008. Results of operations, debt refunding, and generation affect the yearly rate plan. In FY 2017 Nine Canyon Participants of all three phases realized a

Nine Canyon Wind Project
Total Operating Costs (Dollars in thousands)



3% decrease in rates driven by debt refinancing efforts and cost reduction/stabilization efforts. The current rate plan remains in effect; going forward the increase or decrease in rates will be based on cash requirements of debt repayment and the cost of operations.

Revenues and Expenses Analysis

Operating revenues remained steady from FY 2020 amounts at \$18.4 million in FY 2021. The project received revenue from the billing of the purchasers at an average rate of \$80.38 per MWh for FY 2021 as compared to \$78.04 per MWh for FY 2020. The increase in the billed rates reflects the lower average capacity and planned recovery of operating costs. The stabilization of revenue continues to reflect the implementation of the current rate plan account for costs of operations over the remaining life of the project, taking into account the REPI shortfalls in the early years of the project.

Operating expenses decreased \$0.1 million from \$13.6 million in FY 2020 to \$13.5 million in FY 2021. Included in the operating expense reduction was a \$30 thousand reduction to the pension expense related to GASB No. 68 (See Note 6). Other income and expenses increased \$0.3 million from \$1.6 million in net expenses in FY 2020 to \$1.9 million in FY 2021. Bond interest expense and changes in amortized bond expenses decreased \$0.3 million and investment income decreased \$0.6 million. Net income or change in net position of \$2.9 million for FY 2021 was a direct result of the planned rate structure with projected treasury savings due to refunding

Current Debt Ratings (Unaudited)

Energy Northwest (Long-Term)	Net-Billed Rating	Nine Canyon Rating
Fitch, Inc.	AA	A
Moodys Investors Service, Inc. (Moodys)	Aa2	A1
Standard and Poor's Ratings Services (S & P)	AA-	NR

and lower operating costs.

The original plan anticipated operating at a loss in the early years and gradually increasing the rate charged to the purchasers to avoid a large rate increase after the REPI expires. The REPI incentive expires 10 years from the initial operation startup date for each phase. Reserves that were established are used to facilitate this plan. The rate plan in FY 2008 was revised to account for the shortfall experienced in the REPI funding and to provide a new rate scenario out to the 2030 project end date. Energy Northwest did not receive REPI funding in FY 2021 and is not anticipating receiving any future REPI incentives. The rate plan was revised In FY 2017 to reflect positive cash requirement coverage and remains in effect. Future rate adjustments may be necessary to cover the estimated costs incurred for the eventual decommissioning of the Nine Canyon Project.

Internal Service Fund

The Internal Service Fund (ISF) (formerly the General Fund) was established in May 1957. The ISF provides services to the other funds. This fund accounts for the central procurement of certain common goods and services for the business units on a cost reimbursement basis. (See Note 1).

Assets, Liabilities, and Net Position Analysis

Total assets and deferred outflows decreased \$1.4 from \$39.8 million in FY 2020 to \$38.4 million in FY 2021. There was an increase in net plant in service of \$0.9 million, mostly related to purchases of data processing equipment. Remaining major changes were decreases to current cash and investments of \$2.7 million, and a \$0.4 million increase in due from other business units.

The net decrease in net position and liabilities is due to an increase in accounts payable and accrued expenses of \$7.0 million, a decrease in due to other units of \$3.3 million, a \$0.9 million increase in net investment in capital assets, and a \$5.3 million decrease in unrestricted fund equity, which is primarily a result of the contribution transfer to the BDF.

Revenues and Expenses Analysis

Overall results of operations resulted in a decrease from \$206 thousand loss in FY 2020 to a \$4.4 million loss in net income for FY 2021. The contribution to the BDF was the reason for the current year loss.

Statement of Net Position As of June 30, 2021 (Dollars in thousands)

	Columbia Generating Station	Packwood Lake Hydroelectric Project	Nuclear Project No. 1	Nuclear Project No. 3	Business Development Fund	Nine Canyon Wind Project	Subtotal	Internal Service Fund	2021 Combined Total
ASSETS									
CURRENT ASSETS									
Cash	\$ 90,079	\$ 1,701	\$ 2,818	\$ 3,018	\$ 7,314	\$ 9,154	\$ 114,084	\$ 9,418	\$ 123,502
Investments	-	-	-	-	3,945	5,927	9,872	19,478	29,350
Accounts and other receivables	94,542	184	648	-	2,321	147	97,842	51	97,893
Due from other business units	-	57	488	135	-	364	1,044	(1,044)	-
Materials and supplies	167,557	-	-	-	-	-	167,557	-	167,557
Prepayments and other	2,760	24	5	5	25	34	2,853	1,696	4,549
TOTAL CURRENT ASSETS	354,938	1,966	3,959	3,158	13,605	15,626	393,252	29,599	422,851
RESTRICTED ASSETS (NOTE 1)									
Special funds									
Debt service funds									
Cash	197,597	-	19,357	25,022	-	15,139	257,115	-	257,115
Investments	106,680	-	-	-	-	7,006	113,686	-	113,686
Accounts and other receivables	158	-	-	-	-	3	161	-	161
TOTAL RESTRICTED ASSETS	304,435	-	19,357	25,022	-	22,148	370,962	-	370,962
NON CURRENT ASSETS									
UTILITY PLANT (NOTE 2)									
In service	4,770,226	21,347	-	-	12,654	133,846	4,938,073	45,914	4,983,987
Construction work in progress	68,046	-	-	-	-	-	68,046	-	68,046
Accumulated depreciation	(3,183,377)	(13,909)	-	-	(3,918)	(107,957)	(3,309,161)	(37,080)	(3,346,241)
Net Utility Plant	1,654,895	7,438	-	-	8,736	25,889	1,696,958	8,834	1,705,792
Nuclear fuel, net of accumulated depreciation	553,950	-	-	-	-	-	553,950	-	553,950
LONG TERM RECEIVABLES	14	-	-	-	-	-	14	-	14
TOTAL NONCURRENT ASSETS	2,208,859	7,438	-	-	8,736	25,889	2,250,922	8,834	2,259,756
OTHER CHARGES									
Cost in excess of billings	1,941,317	-	891,279	1,029,757	-	-	3,862,353	-	3,862,353
TOTAL OTHER CHARGES	1,941,317	-	891,279	1,029,757	-	-	3,862,353	-	3,862,353
TOTAL ASSETS	4,809,549	9,404	914,595	1,057,937	22,341	63,663	6,877,489	38,433	6,915,922
DEFERRED OUTFLOWS OF RESOURCES									
Deferred outflows - unamortized loss on bond refunding	4,970	-	-	-	-	772	5,742	-	5,742
Deferred pension outflows	24,353	86	74	-	761	216	25,490	-	25,490
Deferred OPEB Outflow	1,270	6	6	-	50	11	1,343	-	1,343
Deferred decom outflows	655,997	-	-	-	40	7,126	663,163	-	663,163
TOTAL DEFERRED OUTFLOWS OF RESOURCES	686,590	92	80	-	851	8,125	695,738	-	695,738
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 5,496,139	\$ 9,496	\$ 914,675	\$ 1,057,937	\$ 23,192	\$ 71,788	\$ 7,573,227	\$ 38,433	\$ 7,611,660

The accompanying notes are an integral part of these combined financial statements

Statement of Net Position As of June 30, 2021 (Dollars in thousands)

	Columbia Generating Station	Packwood Lake Hydroelectric Project	Nuclear Project No. 1	Nuclear Project No. 3	Business Development Fund	Nine Canyon Wind Project	Subtotal	Internal Service Fund	2021 Combined Total
LIABILITIES AND NET POSITION									
CURRENT LIABILITIES									
Current maturities of long-term debt	\$ 102,225	\$ -	\$ -	\$ 2,380	\$ -	\$ 9,295	\$ 113,900	\$ -	\$ 113,900
Current notes payable	85,920	-	-	-	-	-	85,920	-	85,920
Accounts payable and accrued expenses	74,899	329	1,338	9	1,034	573	78,182	56,268	134,450
Due to participants	30,552	1,166	-	-	-	-	31,718	-	31,718
Due to other business units	17,343	-	-	-	495	-	17,838	(17,838)	-
TOTAL CURRENT LIABILITIES	310,939	1,495	1,338	2,389	1,529	9,868	327,558	38,430	365,988
LIABILITIES-PAYABLE FROM RESTRICTED ASSETS (NOTE 1)									
Special funds									
Debt service funds									
Accrued interest payable	74,913	-	19,620	22,695	-	1,427	118,655	-	118,655
TOTAL RESTRICTED LIABILITIES	74,913	-	19,620	22,695	-	1,427	118,655	-	118,655
LONG-TERM DEBT (NOTE 5)									
Revenue bonds payable	3,078,800	-	782,945	926,260	-	51,975	4,839,980	-	4,839,980
Unamortized (discount)/premium on bonds - net	386,034	-	90,567	106,392	-	3,392	586,385	-	586,385
TOTAL LONG-TERM DEBT	3,464,834	-	873,512	1,032,652	-	55,367	5,426,365	-	5,426,365
OTHER LONG-TERM LIABILITIES									
Pension liability	44,521	106	87	-	1,080	377	46,171	-	46,171
OPEB Liability	27,650	132	126	-	1,097	249	29,254	-	29,254
Decommissioning liability	1,550,130	-	6,190	-	40	19,039	1,575,399	-	1,575,399
Other	92	-	-	-	16	-	108	3	111
TOTAL OTHER LONG-TERM LIABILITIES	1,622,393	238	6,403	-	2,233	19,665	1,650,932	3	1,650,935
OTHER CREDITS									
Advances from members and others	-	7,711	-	-	-	-	7,711	-	7,711
Other	167	-	160	160	-	-	487	-	487
TOTAL OTHER CREDITS	167	7,711	160	160	-	-	8,198	-	8,198
TOTAL LIABILITIES	5,473,246	9,444	901,033	1,057,896	3,762	86,327	7,531,708	38,433	7,570,141
DEFERRED INFLOWS OF RESOURCES									
Deferred inflows - unamortized gain on bond refunding	3,703	-	13,604	41	-	27	17,375	-	17,375
Deferred pension inflows	19,190	52	38	-	488	171	19,939	-	19,939
TOTAL DEFERRED INFLOWS OF RESOURCES	22,893	52	13,642	41	488	198	37,314	-	37,314
NET POSITION									
Net investment in capital assets	-	-	-	-	8,736	(38,027)	(29,291)	8,834	(20,457)
Restricted for debt service	-	-	-	-	-	20,720	20,720	-	20,720
Unrestricted	-	-	-	-	10,206	2,570	12,776	(8,834)	3,942
NET POSITION	-	-	-	-	18,942	(14,737)	4,205	-	4,205
TOTAL LIABILITIES, NET POSITION, AND DEFERRED INFLOWS	\$ 5,496,139	\$ 9,496	\$ 914,675	\$ 1,057,937	\$ 23,192	\$ 71,788	\$ 7,573,227	\$ 38,433	\$ 7,611,660

The accompanying notes are an integral part of these combined financial statements

Statements of Revenues, Expenses, and Changes in Net Position As of June 30, 2021 (Dollars in thousands)

	Columbia Generating Station	Packwood Lake Hydroelectric Project	Nuclear Project No. 1	Nuclear Project No. 3	Business Development Fund	Nine Canyon Wind Project	Subtotal	Internal Service Fund	2021 Combined Total
Operating Revenues	\$ 527,739	\$ 2,656	\$ -	\$ -	\$ 11,889	\$ 18,397	\$ 560,681	\$ -	\$ 560,681
OPERATING REVENUES	527,739	2,656	-	-	11,889	18,397	560,681	-	560,681
OPERATING EXPENSES									
Nuclear fuel, net	55,648	-	-	-	-	-	55,648	-	55,648
Decommissioning	25,875	-	-	-	-	691	26,566	-	26,566
Depreciation and amortization	87,735	266	-	-	333	6,835	95,169	-	95,169
Operations and maintenance	251,925	2,465	-	-	10,129	6,075	270,594	-	270,594
Administrative & general	(1,002)	(87)	-	-	273	(160)	(976)	-	(976)
Generation tax	4,797	19	-	-	-	52	4,868	-	4,868
Total operating expenses	424,978	2,663	-	-	10,735	13,493	451,869	-	451,869
OPERATING INCOME (LOSS)	102,761	(7)	-	-	1,154	4,904	108,812	-	108,812
OTHER INCOME & EXPENSE									
Other	5,723	-	20,241	26,268	-	21	52,253	-	52,253
Grant Revenue Non Operating	-	-	-	-	34	-	34	-	34
Gain on DOE Settlement	8,330	-	-	-	-	-	8,330	-	8,330
Investment income	465	7	15	13	39	51	590	-	590
Interest expense and debt amortization	(118,551)	-	(22,145)	(25,989)	-	(2,030)	(168,715)	-	(168,715)
Plant preservation and termination costs	-	-	(557)	(292)	-	-	(849)	-	(849)
Depreciation and amortization	-	-	(2)	-	-	-	(2)	-	(2)
Decommissioning	-	-	2,448	-	-	-	2,448	-	2,448
TOTAL OTHER INCOME & EXPENSE	(104,033)	7	-	-	73	(1,958)	(105,911)	-	(105,911)
NET INCOME (LOSS) BEFORE CONTRIBUTIONS	(1,272)	-	-	-	1,227	2,946	2,901	-	2,901
CAPITAL CONTRIBUTIONS	1,272	-	-	-	1,452	-	2,724	-	2,724
TRANSFER BETWEEN FUNDS					4,421		4,421	(4,421)	-
NET INCOME (LOSS) AFTER CONTRIBUTIONS	-	-	-	-	7,100	2,946	10,046	(4,421)	5,625
TOTAL NET POSITION AS RESTATED, BEGINNING OF YEAR *	-	-	-	-	11,842	(17,683)	(5,841)	4,421	(1,420)
TOTAL NET POSITION, END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ 18,942	\$ (14,737)	\$ 4,205	\$ -	\$ 4,205

The accompanying notes are an integral part of these combined financial statements

* Energy Northwest's 2020 Statement of Net Position and Statements of Revenues and Expenses and Changes in Net Position were updated for the impacts of the required retroactive application of GASB 75 "Other Post Employment Benefits (OPEB)" which became effective for Energy Northwest in fiscal year 2021. See Note 1 for a summary of this change in accounting principle.

Statements of Cash Flows As of June 30, 2021 (Dollars in thousands)

	Columbia Generating Station	Packwood Lake Hydroelectric Project	Nuclear Project No. 1	Nuclear Project No. 3	Business Development Fund	Nine Canyon Wind Project	Internal Service Fund	2021 Combined Total
CASH FLOWS FROM OPERATING ACTIVITIES								
Operating revenue receipts	\$ 456,169	\$ 3,297	\$ -	\$ -	\$ 9,302	\$ 18,378	\$ -	\$ 487,146
Cash payments for operating expenses	(257,836)	(2,448)	-	-	(7,432)	(5,995)	-	(273,711)
DOE Cash settlement	9,667	-	-	-	-	-	-	9,667
Cash received from TVA fuel activities	100	-	-	-	-	-	-	100
Contribution to/from	-	-	-	-	3,658	-	(3,658)	-
Cash payments for services net of cash received from other units	-	-	-	-	-	-	779	779
Net cash provided/(used) by operating activities	208,100	849	-	-	5,528	12,383	(2,879)	223,981
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Proceeds from bond refundings	242,919	-	20,028	20,164	-	-	-	283,111
Principal paid on revenue bond maturities	(109,660)	-	(1,635)	(740)	-	(8,835)	-	(120,870)
Payment for bond issuance and financing costs	(3,448)	(9)	(640)	(347)	(21)	(21)	-	(4,486)
Interest paid on bonds	(146,403)	-	(39,119)	(45,267)	-	(3,075)	-	(233,864)
Payment for capital items	(110,279)	(643)	-	-	(1,947)	(3)	(3,169)	(116,041)
Reimbursement for capital items	-	-	-	-	-	-	3,276	3,276
Capital grant received	835	-	-	-	1,280	-	-	2,115
Nuclear fuel acquisitions	(132,683)	-	-	-	-	-	-	(132,683)
Decommissioning payment to BPA	(2,663)	-	-	-	-	-	-	(2,663)
Payments received from BPA for terminated nuclear projects	-	-	18,189	27,771	-	-	-	45,960
Net cash provided/(used) by capital and related financing activities	(261,382)	(652)	(3,177)	1,581	(688)	(11,934)	107	(276,145)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES								
Proceeds from notes payable	207,057	-	9,828	10,025	-	-	-	226,910
Payment for notes payable	(131,137)	-	(9,828)	(10,025)	-	-	-	(150,990)
Interest paid on notes	(2,704)	-	(101)	(108)	-	-	-	(2,913)
Net cash provided/(used) by non-capital finance activities	73,216	-	(101)	(108)	-	-	-	73,007
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchases of investment securities	(369,601)	-	(5,000)	(5,549)	(10,499)	(26,482)	(8,398)	(425,529)
Sales of investment securities	331,074	650	5,002	5,552	9,500	30,075	8,160	390,013
Interest on investments	1,256	18	13	10	81	483	434	2,295
Net cash provided/(used) by investing activities	(37,271)	668	15	13	(918)	4,076	196	(33,221)
NET INCREASE(DECREASE) IN CASH	(17,337)	865	(3,263)	1,486	3,922	4,525	(2,576)	(12,378)
CASH AT JUNE 30, 2020	305,013	836	25,438	26,554	3,392	19,768	11,994	392,995
CASH AT JUNE 30, 2021 (NOTE H)	\$ 287,676	\$ 1,701	\$ 22,175	\$ 28,040	\$ 7,314	\$ 24,293	\$ 9,418	\$ 380,617

The accompanying notes are an integral part of these combined financial statements

Statements of Cash Flows As of June 30, 2021 (Dollars in thousands)

	Columbia Generating Station	Packwood Lake Hydroelectric Project	Nuclear Project No. 1	Nuclear Project No. 3	Business Development Fund	Nine Canyon Wind Project	Internal Service Fund	2021 Combined Total
Reconciliation of Direct Cash Flow to Statement of Net Position								
Cash unrestricted	\$ 90,079	\$ 1,701	\$ 2,818	\$ 3,018	\$ 7,314	\$ 9,154	\$ 9,418	\$ 123,502
Cash restricted debt service funds	\$ 197,597	\$ -	\$ 19,357	\$ 25,022	\$ -	\$ 15,139	\$ -	\$ 257,115
Total Statement of Net Position cash	\$ 287,676	\$ 1,701	\$ 22,175	\$ 28,040	\$ 7,314	\$ 24,293	\$ 9,418	\$ 380,617

RECONCILIATION OF NET OPERATING REVENUES TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES

Net income/loss from operations	\$ 102,761	\$ (7)	\$ -	\$ -	\$ 1,154	\$ 4,904	\$ -	\$ 108,812
Adjustments to reconcile net operating revenues to cash provided by operating activities:								
Depreciation and amortization	137,885	266	-	-	333	6,835	-	145,319
Decommissioning	25,875	-	-	-	-	691	-	26,566
Non-operating revenues	-	-	-	-	-	(21)	(4,421)	(4,442)
Non-operating Grant Revenues	-	-	-	-	(35)	-	-	(35)
Other	(2,698)	15	-	-	2,715	202	(623)	(389)
Change in operating assets and liabilities:								
Costs in excess of billings	(25,351)	560	-	-	-	-	-	(24,791)
Accounts receivable	(73,671)	(44)	-	-	884	(445)	(414)	(73,690)
Materials and supplies	(2,184)	-	-	-	-	-	-	(2,184)
Prepaid and other assets	531	5	-	-	(6)	(11)	(61)	458
Due from/to other business units	3,007	9	-	-	294	44	(3,681)	(327)
Change in net pension liability, OPEB Liability, and deferrals	5,062	24	-	-	201	46	-	5,333
Accounts payable	36,883	21	-	-	(12)	138	6,321	43,351
Net cash provided/(used) by operating activities	\$ 208,100	\$ 849	\$ -	\$ -	\$ 5,528	\$ 12,383	\$ (2,879)	\$ 223,981
Non-cash activities								
Capitalized interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond refunding	\$ 487,325	\$ -	\$ 65,987	\$ 88	\$ -	\$ -	\$ -	\$ 553,400
Decommissioning liability adjustment	\$ 73,816	\$ -	\$ (6,813)	\$ -	\$ 40	\$ 907	\$ -	\$ 67,950

The accompanying notes are an integral part of these combined financial statements

Notes To Financial Statements

NOTE 1 - Summary of Operations and Significant Accounting Policies

Energy Northwest, a municipal corporation and joint operating agency of the state of Washington, was organized in 1957 to finance, acquire, construct and operate facilities for the generation and transmission of electric power.

Membership consists of 22 public utility districts and 5 municipalities. All members own and operate electric systems within the state of Washington.

Energy Northwest is exempt from federal income tax and has no taxing authority.

Energy Northwest maintains seven business units. Each unit is financed and accounted for separately from all other current or future business units and is accounted for as a major fund for governmental accounting purposes.

All electrical energy produced by Energy Northwest's net-billed business units is ultimately delivered to electrical distribution facilities owned and operated by Bonneville Power Administration (BPA) as part of the Federal Columbia River Power System. BPA in turn distributes the electricity to electric utility systems throughout the Northwest, including

participants in Energy Northwest's business units, for ultimate distribution to consumers. Participants in Energy Northwest's net-billed business units consist of public utilities and rural electric cooperatives located in the western United States who have entered into net-billing agreements with Energy Northwest and BPA for participation in one or more of Energy Northwest's business units. BPA is obligated by law to establish rates for electric power which will recover the cost of electric energy acquired from Energy Northwest and other sources, as well as BPA's other costs (See Note 5).

Energy Northwest operates the Columbia Generating Station (Columbia), a 1,174-MWe (Design Electric Rating, net) generating plant completed in 1984. Energy Northwest has obtained all permits and licenses required to operate Columbia. Columbia was issued a standard 40-year operating license by the Nuclear Regulatory Commission (NRC) in 1983. On January 19, 2010 Energy Northwest submitted an application to the NRC to renew the license for an additional 20 years, thus continuing operations to 2043. A renewal license was granted by the NRC on May 22, 2012 for continued operation of Columbia to December 31, 2043.

Energy Northwest also operates the Packwood Lake Hydroelectric Project (Packwood), a 27.5-MWe generating plant completed in 1964. Packwood has been operating under a 50-year license issued by the Federal Energy Regulatory Commission (FERC), which expired on February 28, 2010. Energy Northwest submitted the Final License Application (FLA) for renewal of the operating license to FERC on February 22, 2008. On October 11, 2018, FERC issued forty-year operating license effective October 1, 2018.

The electric power produced by Packwood is sold to 12 project participant utilities which pay the costs of Packwood. The Packwood participants are obligated to pay annual costs of Packwood including debt service, whether or not Packwood is operable. The participants also share Packwood revenue (See Note 5).

Nuclear Project No. 1, a 1,250-MWe plant, was placed in extended construction delay status in 1982, when it was 65 percent complete. Nuclear Project No. 3, a 1,240-MWe plant, was placed in extended construction delay status in 1983, when it was 75 percent complete. On May 13, 1994, Energy Northwest's Board of Directors adopted resolutions terminating Nuclear Projects Nos. 1 and 3. All funding requirements remain as net-billed obligations of Nuclear Projects Nos. 1 and 3. Energy Northwest is no longer responsible for site restoration costs for Nuclear Project No. 3. (See Note 10)

The Business Development Fund was established in April 1997 to pursue and develop new energy related business opportunities. There are four main business lines associated with this business unit: General Services and Facilities, Generation, Professional Services, and Business Unit Support.

The Nine Canyon Wind Project (Nine Canyon) was established in January 2001 for the purpose of exploring and establishing a wind energy project. Phase I of the project was completed in FY 2003 and Phase II was completed in FY 2004. Phase I and II combined capacity is approximately 63.7 MWe. Phase III was completed in FY 2008 adding an additional 14 wind turbines to Nine Canyon and adding an aggregate capacity of 32.2 MWe. The total number of turbines at Nine Canyon is 63 and the total capacity is 95.9 MWe.

The Internal Service Fund was established in May 1957. It is currently used to account for the central procurement of certain common goods and services for the business units on a cost reimbursement basis.

Energy Northwest's fiscal year (FY) begins on July 1 and ends on June 30. In preparing these financial statements, the company has evaluated events and transactions for potential recognition or disclosure through September 23, 2021, the date of audit opinion issuance.

The following is a summary of the significant accounting policies:

A) Basis of Accounting and Presentation: The accounting policies of Energy Northwest conform to Generally Accepted Accounting Principles (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles this includes all GASB implementation guides, GASB technical Bulletins, and guidance from the American Institute of Certified Public Accountants (AICPA) that is cleared by GASB. The accounting and reporting policies of Energy Northwest are regulated by the Washington State Auditor's Office and are based on the Uniform System of Accounts prescribed for public utilities and licensees by FERC. Energy Northwest uses an accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Revenues and expenses related to Energy Northwest's operations are considered to be operating revenues and expenses; while revenues and expenses related to capital, financing and investing activities are considered to be other income and expenses. Separate funds and books of accounts are maintained for each business unit. Payment of the obligations of one business unit with funds of another business unit is prohibited and would constitute violation of bond resolution covenants (See Note 4).

Energy Northwest maintains an Internal Service Fund for centralized control and accounting of certain capital assets such as data processing equipment, and for payment and accounting of internal services, payroll, benefits, administrative and general expenses, and

certain contracted services on a cost reimbursement basis. Certain assets in the Internal Service Fund are also owned by this Fund and operated for the benefit of other projects. Depreciation relating to capital assets is charged to the appropriate business units based upon assets held by each project.

Liabilities of the Internal Service Fund represent accrued payroll, vacation pay, employee benefits, such as pensions and other post-retirement benefits, and common accounts payable which have been charged directly or indirectly to business units and will be funded by the business units when paid. Net amounts owed to, or from, Energy Northwest business units are recorded as Current Liabilities–Due to other business units, or as Current Assets–Due from other business units on the Internal Service Fund Statement of Net Position.

The combined total column on the financial statements is for presentation only as each Energy Northwest business unit is financed and accounted for separately from all other current and future business units. The Combined Total includes eliminations for transactions between business units as required in GASB Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments”.

Issued but not Adopted Guidance:

GASB Statement No. 87, “Leases.” The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement is effective for Energy Northwest in fiscal year 2022. Energy Northwest will implement this standard in fiscal year 2022.

GASB Statement No. 91, “Conduit Debt Obligations.” The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement is effective for Energy Northwest in fiscal year 2023. Energy Northwest is currently evaluating the full impact of this statement.

GASB Statement No. 92, “Omnibus 2020.” The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement is effective for Energy Northwest in fiscal year 2022. Energy Northwest is currently evaluating the full impact of this statement.

GASB Statement No. 93, “Replacement of Interbank Offered Rates.” The objective of this statement is to remove payment agreements that depend on LIBOR. The statement also provides more guidance of hedges and lease provisions. This statement is effective for Energy Northwest in fiscal year 2023. Energy Northwest is currently evaluating the full impact of this statement.

GASB Statement No. 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements.” The objective of this statement is to provide guidance for reporting relationships where nonfinancial exchanges are made and how they should be reported. This statement is effective for Energy Northwest in fiscal year 2023. Energy Northwest is currently evaluating the full impact of this statement.

GASB Statement No. 96, “Subscription-Based Information Technology Arrangements.” This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This statement is effective for Energy Northwest in fiscal year 2023. Energy Northwest is currently evaluating the full impact of this statement.

Change in Accounting Principle In fiscal year 2021, Energy Northwest implemented GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits (OPEB) Other Than Pensions for an OPEB plan that was not originally identified as such that related to prior periods. The primary objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for OPEB. GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note

disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The collective financial impact resulting from the implementation of GASB Statements No. 75 is the restatement of 2020 beginning balances by \$26.6 million for Energy Northwest's portion of the net pension liability incurred in prior years, which is then allocated across the business units. See financial statement Note 6 for further details on the impact to Energy Northwest.

B) Utility Plant and Depreciation: Utility plant is recorded at original cost which includes both direct costs of construction or acquisition and indirect costs.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	20 - 60 years
Generation Plant	40 years
Transportation Equipment	6 - 10 years
General Plant and Equipment	5 - 15 years

Group rates are used for assets and, accordingly, no gain or loss is recorded on the disposition of an asset unless it represents a major retirement. When operating plant assets are retired, their original cost together with removal costs, less salvage, is charged to accumulated depreciation.

The utility plant and net position of Nuclear Projects Nos. 1 and 3 have been reduced to their estimated net realizable values due to termination. A write-down of Nuclear Projects Nos. 1 and 3 was recorded in FY 1995 and included in Cost in Excess of Billings. Interest expense, termination expenses and asset disposition costs for Nuclear Projects Nos. 1 and 3 have been charged to other income and expense (See Note 10).

Projects are generally capitalized if they are over \$50 thousand and meet the improvement or extension criteria set forth in Energy Northwest's capitalization policy.

C) Capital Contributions: Energy Northwest (EN) is involved in various grants. EN Business Development is receiving monies from the Washington State Department of Commerce for a new solar project that will utilize an energy storage battery for on demand power. We have received \$2.6 million related to this grant with \$1.2 million received in fiscal year 2021. EN Columbia is receiving monies as a subrecipient from Utilities Services Alliance Inc. of \$855 thousand in fiscal year 2021.

D) Nuclear Fuel: Energy Northwest has various agreements for uranium concentrates, conversion, and enrichment to provide for short-term enriched uranium product and long-term enrichment services. All expenditures related to the initial purchase of nuclear fuel for Columbia are carried at cost.

2021 Postemployment Benefits

Dollars in Thousands	Columbia	Packwood	Nuclear Project No. 1	Business Development	Nine Canyon
7/1/20 Balances as Previously Reported:					
Cost in Excess of Billings	\$ 1,903,742	\$ -	\$ 894,209	\$ -	\$ -
Advances from members and others	-	8,890	-	-	-
Net Position	-	-	-	12,877	(17,448)
7/1/20 OPEB Liability					
	27,269	130	124	1,082	245
Less benefit payments made subsequent to year end	1,180	6	5	47	10
GASB 75 restatement adjustment to beginning balances	26,089	124	119	1,035	235
7/1/20 Restated Balances:					
Cost in Excess of Billings	1,929,831	-	894,328	-	-
Advances from members and others	-	8,766	-	-	-
Net Position	-	-	-	11,842	(17,683)

E) Decommissioning Liability: Energy Northwest has adopted GASB Statement No. 83 "Certain Asset Retirement Obligations". GASB No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Legal obligations exist for Energy Northwest to perform future asset retirement activities related to certain tangible assets. Accordingly, GASB No. 83 requires recognizing a liability for this obligation. (See Note 9)

F) Decommissioning and Site Restoration: Energy Northwest established decommissioning and site restoration funds for Columbia and monies are being deposited each year in accordance with an established funding plan (See Note 9).

G) Restricted Assets: In accordance with bond resolutions, related agreements and laws, separate restricted accounts have been established. These assets are restricted for specific uses including debt service, construction, capital additions and fuel purchases. When both restricted and unrestricted resources are available for use, it is Energy Northwest's policy to use restricted resources first, then unrestricted resources as they are needed.

H) Cash and Investments: For purposes of the Statement of Cash Flows, cash includes unrestricted and restricted cash balances and each business unit maintains its cash and investments. Short-term highly liquid investments are not considered to be cash equivalents; and are stated at fair value with unrealized gains and losses reported in investment income (See Note 3). Energy Northwest resolutions and investment policies limit investment authority to obligations of the United States Treasury,

Federal National Mortgage Association and Federal Home Loan Banks. Safe keeping agents, custodians, or trustees hold all investments for the benefit of the individual Energy Northwest business units.

I) Accounts Receivable: The percentage of sales method is used to estimate uncollectible accounts. The reserve is then reviewed for adequacy against an aging schedule of accounts receivable. Accounts deemed uncollectible are transferred to the provision for uncollectible accounts on a yearly basis. Accounts receivable specific to each business unit are recorded in the residing business unit. In FY 2021 the evaluation of current accounts receivable resulted in no allowance for uncollectible accounts being recorded. The total balance for uncollectible receivables is zero.

J) Other Receivables: Other receivables include amounts related to the Internal Service Fund from miscellaneous outstanding receivables from other business units which have not yet been collected. The amounts due to each business unit are reflected in Due To/From other business units. Other receivables specific to each business unit are recorded in the residing business unit. No allowances were deemed necessary at the end of the fiscal year. Payments made by members in advance of expenses incurred are included as advances from members in the Statement of Net Position.

K) Materials and Supplies: Materials and supplies are valued at cost using the weighted average cost method.

L) Leases: Consist of separate operating lease agreements. The total of these leases by business unit and their respective amounts paid per year are listed in the table below (in thousands):

Projects Operating Lease Costs (Dollars in thousands)

	2022	2023	2024	2025	2026	2027-2030
Columbia	\$ 630	\$ 630	\$ 630	\$ 630	\$ 630	\$ 2,520
Nuclear Project No. 1	60	68	68	68	68	272
Nine Canyon Wind Project	685	685	685	685	685	2,740
Business Development Fund	19	19	19	19	19	76
Internal Service Fund	62	62	62	62	62	248
Packwood Lake Hydroelectric Project	6	6	6	6	6	24
Total	\$ 1,462	\$ 1,470	\$ 1,470	\$ 1,470	\$ 1,470	\$ 5,880

Long-Term Liabilities (Dollars in thousands)

	Balance 6/30/2020	Increase	Decrease	Balance 6/30/2021
Columbia				
Revenue bonds payable	\$ 3,040,490	\$ 624,995	\$ 586,685	\$ 3,078,800
Unamortized (discount)/premium on bonds - net	319,887	102,539	36,392	386,034
Current maturities of long-term debt	109,660	102,225	109,660	102,225
Other noncurrent liabilities	88	4	-	92
	\$ 3,470,125	\$ 829,763	\$ 732,737	\$ 3,567,151
Nuclear Project No.1				
Revenue bonds payable	\$ 778,350	\$ 70,210	\$ 65,615	\$ 782,945
Unamortized (discount)/premium on bonds - net	99,249	15,433	24,115	90,567
Current maturities of long-term debt	1,635	-	1,635	-
	\$ 879,234	\$ 85,643	\$ 91,365	\$ 873,512
Nuclear Project No.3				
Revenue bonds payable	\$ 911,965	\$ 16,675	\$ 2,380	\$ 926,260
Unamortized (discount)/premium on bonds - net	122,413	3,493	19,514	106,392
Current maturities of long-term debt	740	2,380	740	2,380
	\$ 1,035,118	\$ 22,548	\$ 22,634	\$ 1,035,032
Nine Canyon Wind Project				
Revenue bonds payable	\$ 61,270	-	\$ 9,295	\$ 51,975
Unamortized (discount)/premium on bonds - net	4,377	-	985	3,392
Current maturities of long-term debt	8,835	9,295	8,835	9,295
	\$ 74,482	\$ 9,295	\$ 19,115	\$ 64,662
Business Development Fund				
Other noncurrent liabilities	32	-	16	16
	\$ 32	\$ -	\$ 16	\$ 16
Internal Service Fund				
Other noncurrent liabilities	4	-	1	3
	\$ 4	\$ -	\$ 1	\$ 3

M) Long-Term Liabilities: Consist of obligations related to bonds payable and the associated premiums/discounts and gains/losses. Other noncurrent liabilities are pension liabilities recognized according to GASB Statement No. 68 (See Note 6), asset retirement obligations (See Note 9), OPEB liabilities (See Note 12) and other immaterial liabilities. The table above summarizes activities for all long-term liabilities excluding pension and decommissioning liabilities.

N) Debt Premium, Discount and Expense: Original issue and reacquired bond premiums, discounts relating to the bonds are amortized over the terms of the respective bond issues using the bonds outstanding method which approximates the effective interest method. In accordance with GASB Statement No. 65, "Items Previously

Reported as Assets and Liabilities", gains and losses on debt refundings have been deferred and amortized as a component of interest expense over the shorter of the remaining life of the old or new debt. Expenses related to debt issuance are expensed as incurred.

Senior Lien Bonds (Bearer Bonds) were issued for Project 1, Columbia, Project 3, and Packwood. At the time of issuance there were no registration requirements on the bonds. While the amount of the bearer bonds outstanding is unknown, Energy Northwest recognizes there is a contingency related to this debt that may be redeemed in the future. An estimated amount of cash required for the unrepresented bonds was calculated and the Energy Northwest Custodial Account Tracking is done by US Bank. The bank holds an estimate of cash required to pay claims on these bonds. Once the bond has matured

the cash is released to Energy Northwest. Once identified by the bank the designated maturity requirements have been met, the cash is provided to Energy Northwest. These escheated funds are then returned to Bonneville Power Administration. Energy Northwest maintains a \$500 thousand liability on the balance sheet for the unclaimed bearer bonds and related cash to pay for claims as necessary and annually replenishes the funds through a contract with Bonneville Power Administration.

management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Certain incurred expenses and revenues are allocated to the business units based on specific allocation methods that management considers to be reasonable.

O) Revenue and Expenses: Energy Northwest accounts for expenses and revenues on an accrual basis, and recovers, through various agreements, actual cash requirements for operations and debt service for Columbia, Packwood, Nuclear Project No. 1 and Nuclear Project No. 3. For these business units, Energy Northwest recognizes revenues equal to expenses for each period. Revenues of Nuclear Project No.1 and Nuclear Project No.3 are recorded under other income and expense, as these two business units are terminated nuclear projects. No net revenue or loss is recognized, and no net position is accumulated. The difference between cumulative billings received and cumulative expenses is recorded as either billings in excess of costs (other credits) or as costs in excess of billings (other charges), as appropriate. Such amounts will be settled during future operating periods (See Note 5).

The difference between cumulative revenues and cumulative expenses for Packwood Hydroelectric, Nine Canyon and Business Development is recognized as net income or loss and included in Net Position for each period.

Energy Northwest distinguishes operating revenues and expenses from other income and expense items. Operating revenues and expenses generally result from the Net Billing agreements stated above or from services provided by EN's principle operations. Operating expenses for Energy Northwest include the costs of operating the generation producing facility, related administrative fees, and depreciation on utility plant. All revenues and expenses not meeting this definition are reported as other income or expense.

P) Compensated Absences: Employees earn leave in accordance with length of service. Energy Northwest accrues the cost of personal leave in the year when earned. The liability for unpaid leave benefits and related payroll taxes was \$25.4 million at the end of this fiscal year and is recorded as a current liability.

Q) Use of Estimates: The preparation of Energy Northwest financial statements in conformity with GAAP requires

R) Deferred Inflows and Outflows: Deferred outflows of resources are defined as the consumption of net assets by Energy Northwest that are applicable to a future reporting period and are reported in the statement of financial position in a separate section following assets. Deferred inflows of resources are defined as acquisitions of net assets by Energy Northwest that is applicable to a future reporting period and are reported in the statement of financial position in a separate section following liabilities.

These amounts consist of losses and gains on bond refundings, subsequent contributions, difference between projected and actual investment income, decommissioning costs, and other pension related costs (See Note 6) as labeled on the Statement of Net Position.

S) Short-Term Debt: Two revolving loan agreements were established in fiscal year 2020 for up to \$300.0 million in total associated with Columbia, Project 1, and Project 3; agreements not to exceed \$150.0 million (Electric Revenue Bond Anticipation Note, 2020A/B) and \$150.0 million (Electric Revenue Bond Anticipation Note, 2020C/D) to fund operations and maintenance expense and debt service for Columbia as well as a portion of debt service for Project 1 and Project 3. The Electric Revenue Bond Anticipation Note, 2020A/B for up to \$150.0 million had an original maturity of April 29, 2022. The Electric Revenue Bond Anticipation Note, 2020C/D for up to \$150.0 million had an original maturity of April 30, 2021. During fiscal year 2021, the maturity on the 2020C/D Notes were extended from April 30, 2021 to June 30, 2021. All balances owed on the 2020C/D Notes were paid in full prior to the June 30, 2021 maturity. On April 30, 2021, the 2020A/B Notes were amended and restated. The amended and restated 2020A/B Notes are not to exceed \$110 million and have a final maturity of April 30, 2024. As of June 30, 2021, \$85.9 million had been borrowed for Columbia on the amended and restated 2020A/B Notes. These balances are included in current notes payable in the Statement of Net Position.

No assets were directly pledged as collateral for the above-mentioned loan agreements. The loan

agreement is supported by the Net Billing Agreements with the Bonneville Power Administration and the Project Participants. Both Notes are secured by revenues of the Columbia Generating Station; no assets secure the Notes. A portion of the Electric Revenue Bond Anticipation Note, 2020A/B is secured by revenues of Project 1 and Project 3. The covenants include covenants to (1) comply with laws and relevant resolutions, (2) maintain the facilities comprising and obtain insurance on Columbia, (3) collect sufficient rates and charges to repay the Notes and all other obligations of Columbia, and (4) not to rescind or amend the project related documents or authorizing documents in any material way. Events of default include failure to repay the Notes or any Columbia, Project 1, or Project 3 bonds when due, any representation is materially incorrect, covenant defaults, invalidity, insolvency, and a judgment in excess of \$15 million that is not satisfied or appealed. Remedies upon an event of default include (1) the Notes will bear interest at a default rate, (2) acceleration, but only if the Parity Bonds have been accelerated and such acceleration does not

violate state law or the Columbia, Project 1, or Project 3 bond resolutions, and revenues will be turned over to the trustee for the Columbia, Project 1, or Project 3 bonds.

- T) Pensions:** For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Washington State Public Employees Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.
- U) OPEB:** For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB related to the implicit benefit of receiving medical through PERS have been recorded. Energy Northwest does not directly contribute to any post-employment benefit related to medical insurance.

Short-term Liabilities (Dollars in thousands)

	Balance Outstanding at 6/30/2020		Increases		Decreases		Balance Outstanding 6/30/2021
Columbia							
Non-Revolving Loan	\$	10,000	\$	207,057	\$	131,137	\$ 85,920
Nuclear Project No.1							
Non-Revolving Loan	\$	-	\$	9,828	\$	9,828	\$ -
Nuclear Project No.3							
Non-Revolving Loan	\$	-	\$	10,025	\$	10,025	\$ -
Nine Canyon							
Short-term debt		-		-		-	-
Packwood							
Short-term debt		-		-		-	-
Business Development							
Short-term debt		-		-		-	-
Total	\$	10,000	\$	226,910	\$	150,990	\$ 85,920

NOTE 2 - Utility Plant

Utility plant activity for the year ended June 30, 2021 was as follows:

	Balance 06/30/2020	Capital Acquisitions	Sale or Other Dispositions	Balance 06/30/2021
Columbia				
Generation	\$ 4,618,177	\$ 113,389	\$ (605)	\$ 4,730,961
Intangible Plant	21,467	17,798	-	39,265
Construction Work in Progress	79,721	119,512	(131,187)	68,046
Accumulated Depreciation	(3,097,204)	(86,173)	-	(3,183,377)
Utility Plant net*	\$ 1,622,161	\$ 164,526	\$ (131,792)	\$ 1,654,895
Packwood				
Generation	\$ 16,982	\$ 628	\$ -	\$ 17,610
Intangible Plant	3,737			3,737
Construction Work in Progress	-	628	(628)	-
Accumulated Depreciation	(13,653)	(256)	-	(13,909)
Utility Plant net	\$ 7,066	\$ 1,000	\$ (628)	\$ 7,438
Business Development				
Generation	\$ 4,527	\$ 8,127	\$ -	\$ 12,654
Construction Work in Progress	4,460	2,095	(6,555)	-
Accumulated Depreciation	(2,788)	(1,130)	-	(3,918)
Utility Plant net	\$ 6,199	\$ 9,092	\$ (6,555)	\$ 8,736
Nine Canyon				
Generation	\$ 133,873	\$ 37	\$ (64)	\$ 133,846
Construction Work in Progress	-	37	(37)	-
Accumulated Depreciation	(101,202)	(6,814)	59	(107,957)
Utility Plant, net*	\$ 32,671	\$ (6,740)	\$ (42)	\$ 25,889
Internal Service Fund				
Generation	\$ 44,211	\$ 1,703	\$ -	\$ 45,914
Construction Work in Progress	-	3,276	(3,276)	-
Accumulated Depreciation	(36,283)	(797)	-	(37,080)
Utility Plant net	\$ 7,928	\$ 4,182	\$ (3,276)	\$ 8,834

* Does not include nuclear fuel, net of amortization

NOTE 3 - Investments

Interest rate risk: In accordance with its investment policy, Energy Northwest manages its exposure to declines in fair values by limiting investments to those with maturities as designated in specific bond resolutions to coincide with expected use of the funds.

Credit risk: Energy Northwest's investment policy restricts investments to debt securities and obligations of the U.S. Treasury, U.S. government agencies Federal National Mortgage Association and the Federal Home Loan Banks, certificates of deposit and other evidences of deposit at financial institutions qualified by the Washington Public Deposit Protection Commission (PDPC), and general obligation debt of state and local governments and public authorities recognized with one of the three highest credit ratings (AAA, AA+, AA,

or equivalent). This investment policy is more restrictive than the state law.

Concentration of credit risk: Energy Northwest's investment policy has restrictions on concentration of credit risk. No limits of concentration are set on U.S. Treasury related to securities or cash holdings. Excluding the exceptions noted, no more than 50% of the entity's total Investment portfolio will be invested in a single security type or with a single financial Institution.

Custodial credit risk, deposits: For a deposit, this is the risk that in the event of bank failure, Energy Northwest's deposits may not be returned to it. Energy Northwest's demand deposit interest bearing accounts and certificates of deposits are covered up to \$250,000 by Federal Depository Insurance (FDIC) while time and savings deposit non-interest-bearing accounts are covered up to an additional \$250,000 by FDIC.

All interest and non-interest-bearing deposits are covered by collateral held in a multiple financial institution collateral pool administered by the Washington state Treasurer's Local Government Investment Pool (PDPC). Under state law, public depositories under the PDPC may be assessed on a prorated basis if the pool's collateral is insufficient to cover a loss. All deposits are insured by collateral held in the multiple financial institution collateral pool. State law requires deposits may only be made with institutions that are approved by the PDPC.

Custodial credit risk, investments: For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, Energy Northwest will not be able to recover the value of its investments or collateral securities in possession of an outside party. Energy Northwest's investment policy addresses this risk. All securities owned by Energy Northwest are held by a third-party custodian, acting as an agent for Energy Northwest under the terms of a custody agreement.

Fair Value: Energy Northwest investments have been adjusted to reflect available fair value as of June 30, 2021 obtained from available financial industry valuation sources. Investments are valued using Bloomberg Investor Service by taking the information available on the last business day of each month. Energy Northwest categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All Energy Northwest fair market measurements are quoted at Level 2.

Investments (Dollars in thousands)

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value (1) (2)
Columbia	\$ 106,685	\$ -	\$ (5)	\$ 106,680
Packwood	-	-	-	-
Nuclear Project No. 1	-	-	-	-
Nuclear Project No. 3	-	-	-	-
Business Development Fund	3,945	-	-	3,945
Internal Service Fund	19,290	227	(39)	19,478
Nine Canyon Wind	12,956	3	(26)	12,933

(1) All investments are in U.S. Government backed securities including U.S. Government Agencies and Treasury Bills.

(2) The majority of investments have maturities of less than 1 year. Approximately \$14.4 million have a maturity beyond 1 year with the longest maturity being March 31st, 2026.

Investment Concentration

Investment Type	Rating	June 30, 2021
Federal Home Loan Bank	AA+	14%
Federal National Mortgage Assn.	AA+	5%
U.S. Treasury	AA+	81%
		100%

NOTE 4 - Long-Term Debt

Each Energy Northwest business unit is financed separately. The resolutions of Energy Northwest authorizing issuance of revenue bonds for each business unit provide that such bonds are payable from the revenues of that business unit. All bonds issued under resolutions Nos. 769, 775 and 640 for Nuclear Projects Nos. 1, 3 and Columbia, respectively, have the same priority of payment within the business unit (the "prior lien bonds"). No prior lien bonds remain outstanding related to Columbia authorized under resolution No. 640. No prior lien bonds remain outstanding related to Project 1 authorized under resolution No. 769. No prior lien bonds remain outstanding related to Project 3 authorized under resolution No. 775. All bonds issued under resolutions Nos. 835, 838 and 1042 (the "electric revenue bonds") for Nuclear Projects Nos. 1, 3 and Columbia, respectively, are subordinate to the prior lien bonds and have the same subordinated priority of payment within the business unit. Nine Canyon's bonds were authorized by the following resolutions: Resolution No. 1214 (2001 Bonds), Resolution No. 1299 (2003 Bonds), Resolution No. 1376 (2005 Bonds), Resolution No. 1482 (2006 Bonds), Resolution No. 1722 (2012 Bonds), Resolution No. 1789 (2014 Bonds), and Resolution No. 1824 (2015 Bonds). No 2001, 2003, 2005, or 2006 Nine Canyon bonds remained outstanding as of June 30, 2021 under Resolution Nos. 1214, 1299, 1376, and 1482 respectively.

During the year ended June 30, 2021, Energy Northwest issued, for Project 1, Columbia, and Project 3 2021-A, fixed-rate bonds. Energy Northwest also issued, for Project 1 and Columbia the 2021-B fixed rate bonds. The Project 1 bonds were issued with a coupon interest rate ranging from 0.90 percent to 5.00 percent. Columbia bonds were issued with a coupon interest rate ranging from 0.90 percent to 5.00 percent. Project 3 bonds were issued with a coupon interest rate ranging from 4.00 percent to 5.00 percent.

The Series 2021-A bonds issued for Project 1, Columbia, and Project 3 are tax-exempt fixed-rate bonds. Series 2021-B bonds issued for Project 1 and Columbia are taxable fixed-rate bonds. The 2021-A and 2021-B bonds were issued in majority to refund prior Project 1, Columbia, and Project 3 bonds and associated unamortized premium (represented as a portion of interest expense) along with the issuance of \$77.3 million to fund fiscal year 2022 capital related expenses and \$98.4 million to fund fuel procurements at Columbia. The 2021-A refunding bonds resulted in a economic gain of \$8.6 million for Project 1, \$10.5 million for Columbia, and \$0.7 million for Project 3.

Energy Northwest also defeased certain revenue bonds by placing the net proceeds from the refunding bonds in irrevocable trusts to provide for all required future debt service payments on the refunded bonds until the dates of redemption. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the

financial statement. In FY 2021 total defeasements included \$65.6 million for Project 1 and \$484.5 million for Columbia.

The Weighted Average Coupon Interest Rates and Total Defeased Bonds for 2021-A and 2021-B are presented in the following tables:

Weighted Average Coupon Interest Rate for Refunded Bonds

	2021A	2021B
Project 1	5.00%	N/A
Columbia	4.94%	N/A
Project 3	N/A	N/A
Total	4.94%	N/A

Weighted Average Coupon Interest Rate for New Bonds

	2021A	2021B
Project 1	4.77%	0.90%
Columbia	4.80%	2.20%
Project 3	4.00%	N/A
Total	4.77%	2.20%

Total Defeased (Dollars in thousands)

	2021A	2021B	Total
Project 1	\$ 65,615	N/A	\$ 65,615
Columbia	\$ 484,460	N/A	\$ 484,460
Project 3	N/A	N/A	\$ -
Total	\$ 550,075	\$ -	\$ 550,075

2021 Refunding Results

Outstanding principal on revenue and refunding bonds as of June 30, 2021, and future debt service requirements for these bonds are presented in the following tables:

2021-A (Tax-Exempt) Transaction	Columbia	Project 1	Project 3
Cash flow difference			
Old debt service cash flows	\$ 547,236	\$ 101,673	\$ 20,171
New debt service cash flows	678,657	97,205	30,747
Net cash flow savings (dissavings)	\$ (131,421)	\$ 4,468	\$ (10,576)
Economic gain / loss			
Present value of old debt service cash flows	\$ 536,907	\$ 95,391	\$ 20,145
Present value of new debt service cash flows	528,276	84,898	20,080
Economic Gain (Loss)	\$ 8,631	\$ 10,493	\$ 65

Columbia Generating Revenue and Refunding Bonds (Dollars in thousands)

Series	Coupon Rate (%)	Serial or Term Maturities	Original Issue Amount	Amount Outstanding
2006D	5.80	7-1-2023	3,425	3,425
2009B	6.80	7-1-23/2024	18,515	9,780
2010C	4.82-5.12	7-1-22/2024	75,770	46,895
2010D	5.61-5.71	7-1-23/2024	155,805	155,805
2012D	4.00-5.00	7-1-25/2044	34,140	34,140
2012E	2.80-4.14	7-1-21/2037	748,515	252,865
2014A	4.00-5.00	7-1-22/2040	517,720	310,490
2014B	4.05	7-1-2030	90,520	41,515
2015A	4.00-5.00	7-1-22/2038	330,460	296,335
2015B	2.81-3.84	7-1-21/2038	329,175	53,705
2015C	5.00	7-1-30/2031	38,525	38,525
2016A	5.00	7-1-22/2032	89,055	81,150
2016B	3.20	7-1-2028	4,085	1,985
2017A	5.00	7-1-22/2035	188,130	176,465
2017B	3.39	7-1-2029	3,795	3,285
2018A	4.00-5.00	7-1-22/2034	320,510	271,725
2018B	2.85	7-1-2021	1,410	1,410
2018C	5.00	7-1-22/2034	229,025	225,095
2018D	3.03	7-1-2021	2,865	2,865
2019A	5.00	7-1-22/2038	251,575	228,930
2019B	2.48-3.46	7-1-22/2035	18,300	17,880
2020A	4.00-5.00	7-1-22/2039	288,560	287,085
2020B	1.15-2.45	7-1-22/2032	14,830	14,830
2021A	4.00-5.00	7-1-22/2042	524,090	524,090
2021B	0.90-2.35	7-1-25/2034	100,750	100,750

Revenue bonds payable \$ 3,181,025

Nuclear Project No. 1 Refunding Revenue Bonds (Dollars in thousands)

Series	Coupon Rate (%)	Maturities	Amount	Outstanding
2014C	5.00	7-1-25/2027	197,110	197,110
2015A	5.00	7-1-27/2028	117,815	50,345
2015C	3.00-5.00	7-1-2025	44,005	44,005
2016A	5.00	7-1-2025	195,525	129,910
2017A	5.00	7-1-26/2028	237,685	237,685
2017B	2.94	7-1-2025	2,160	525
2020A	5.00	7-1-27/2028	52,760	52,760
2020B	1.15	7-1-2022	395	395
2021A	5.00	7-1-26/2042	69,835	69,835
2021B	0.90	7-1-2025	375	375

Revenue bonds payable \$ 782,945

Nuclear Project No. 3 Refunding Revenue Bonds

(Dollars in thousands)

Series	Coupon Rate (%)	Serial or Term Maturities	Original Issue Amount	Amount Outstanding
2014C	5.00	7-1-2028	72,305	72,305
2015A	5.00	7-1-25/2026	79,040	74,585
2015C	5.00	7-1-2026	26,675	26,675
2016A	5.00	7-1-26/2027	198,535	190,110
2016B	3.05	7-1-2027	5,420	4,070
2017A	5.00	7-1-25/2028	154,435	141,780
2017B	2.94	7-1-2025	1,645	905
2018C	4.00-5.00	7-1-23/2028	399,155	399,155
2018D	3.03	7-1-2021	2,380	2,380
2021A	4.00	7-1-2042	16,675	16,675
Revenue bonds payable			\$	928,640

Nine Canyon Wind Project Revenue and Refunding Bonds

(Dollars in thousands)

Series	Coupon Rate (%)	Serial or Term Maturities	Original Issue Amount	Amount Outstanding
2012	4.00-5.00	7-1-21/2023	13,750	4,440
2014	5.00	7-1-21/2023	36,750	14,070
2015	4.00-5.00	7-1-21/2030	54,895	42,760
Revenue bonds payable			\$	61,270

Debt Service Requirements As of June 30, 2021 (Dollars in thousands)

COLUMBIA GENERATING STATION

FISCAL YEAR*	PRINCIPAL	INTEREST	TOTAL
6/30/2021 Balance:**	\$ 102,225	\$ 74,913	\$ 177,138
2022	345,855	147,734	493,589
2023	290,755	129,646	420,401
2024	315,905	115,332	431,237
2025	19,110	99,096	118,206
2026	19,875	98,485	118,360
2027-2031	527,120	461,045	988,165
2032-2036	859,420	280,493	1,139,913
2037-2041	585,650	104,971	690,621
2042-2044	115,110	4,987	120,097
	\$ 3,181,025	\$ 1,516,702	\$ 4,697,727

* Fiscal year for this report indicates the cash funding requirement year.

** Principal and Interest due July 1, 2021.

NUCLEAR PROJECT NO. 1

FISCAL YEAR*	PRINCIPAL	INTEREST	TOTAL
6/30/2021 Balance:**	\$ -	\$ 19,620	\$ 19,620
2022	395	38,967	39,362
2023	0	38,639	38,639
2024	0	38,639	38,639
2025	237,340	38,639	275,979
2026	199,420	27,098	226,518
2027-2031	329,540	27,617	357,157
2032-2036		3,250	
2037-2041		3,250	
2042-2044	16,250	650	
	\$ 782,945	\$ 236,369	\$ 1,019,314

* Fiscal year for this report indicates the cash funding requirement year.

** Principal and Interest due July 1, 2021.

NUCLEAR PROJECT NO. 3

FISCAL YEAR*	PRINCIPAL	INTEREST	TOTAL
6/30/2021 Balance:**	\$ 2,380	\$ 22,695	\$ 25,075
2022	0	45,919	45,919
2023	68,275	45,855	114,130
2024	63,290	42,571	105,861
2025	120,440	39,440	159,880
2026	175,390	33,437	208,827
2027-2031	482,190	42,779	524,969
2032-2036	0	3,335	3,335
2037-2041	0	3,335	3,335
2042-2044	16,675	667	
	\$ 928,640	\$ 280,033	\$ 1,208,673

* Fiscal year for this report indicates the cash funding requirement year.

** Principal and Interest due July 1, 2021.

NINE CANYON WIND PROJECT

FISCAL YEAR*	PRINCIPAL	INTEREST	TOTAL
6/30/2021 Balance:**	\$ 9,295	\$ 1,427	\$ 10,722
2022	9,755	2,404	12,159
2023	10,255	1,916	12,171
2024	3,960	1,404	5,364
2025	4,160	1,205	5,365
2026	4,370	998	5,368
2027-2030	19,475	1,986	21,461
	\$ 61,270	\$ 11,340	\$ 72,610

* Fiscal year for this report indicates the cash funding requirement year.

** Principal and Interest due July 1, 2021.

NOTE 5 - Net Billing

Security - Nuclear Projects Nos. 1 and 3 and Columbia

The participants have purchased all of the capability of Nuclear Projects Nos. 1 and 3 and Columbia. BPA has in turn acquired the entire capability from the participants under contracts referred to as net-billing agreements. Under the net-billing agreements for each of the business units, participants are obligated to pay Energy Northwest a pro-rata share of the total annual costs of the respective projects, including debt service on bonds relating to each business unit. BPA is then obligated to reduce amounts from participants under BPA power sales agreements by the same amount. The net-billing agreements provide that participants and BPA are obligated to make such payments whether or not the projects are completed, operable or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the projects' output.

On May 13, 1994, Energy Northwest's Board of Directors adopted resolutions terminating Nuclear Projects Nos. 1 and 3. The Nuclear Projects Nos. 1 and 3 project agreements and the net-billing agreements, except for certain sections which relate only to billing processes and accrued liabilities and obligations under the net-billing agreements, ended upon termination of the projects. Energy Northwest previously entered into an agreement with BPA to provide for continuation of the present budget approval, billing and payment processes. With respect to Nuclear Project No. 3, the ownership agreement among Energy Northwest and private companies was terminated in FY 1999 (See Note 10).

Security - Packwood Lake Hydroelectric Project

Power produced by Packwood is provided to the 12 member utilities. The member utilities pay the annual costs, including any debt service, of Packwood and are obligated to pay these annual costs whether or not Packwood is operational. The Packwood participants also share project revenue to the extent that the amounts exceed project costs.

NOTE 6 - Pension Plans

The following table represents the aggregate pension amounts for all plans as of and for the fiscal year ended June 30, 2021 (in thousands):

Pension Liabilities	\$	46,171
Pension Assets	\$	-
Deferred Outflows of Resources	\$	25,490
Deferred Inflows of Resources	\$	19,939
Pension Expense	\$	(3,592)

State Sponsored Pension Plans - Substantially all of Energy Northwest's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for each plan. The DRS report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98540-8380

Or the DRS report may be downloaded from the DRS website at www.drs.wa.gov

Public Employees Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments, and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 - provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least 5 years of service. Members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of 5 years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions - The PERS Plan 1 member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates.

The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) were as follows for the fiscal year ended June 30, 2021:

PERS Plan 1 Actual Contribution Rates	Employer	Employee
July 2020 through August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.00%
September 2020 through June 2021		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%

Energy Northwest's actual contributions to the plan were \$7,095 thousand for the fiscal year ended June 30, 2021

PERS Plan 2/3 - provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least 5 years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3% for each year before age 65, or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5% for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor

benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at 3% annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing 5 years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after 5 years of service if 12 months of that service are earned after age 44.

PERS Plan 3 - defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5% and escalate to 15% with a choice of 6 options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions - The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 unfunded actuarially accrued liability (UAAL) and an administrative expense that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates.

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) were as follows fiscal year ended June 30, 2021:

PERS Plan 2/3 Actual Contribution Rates	Employer 2/3	Employee 2	Employee 3
July 2020 through August 2020			
PERS Plan 2/3	7.92%	7.90%	Varies
PERS Plan 1 UAAL	4.76%		
Administrative Fee	0.18%		
Total	12.86%	7.90%	Varies
September 2020 through June 2021			
PERS Plan 2/3	7.92%	7.90%	Varies
PERS Plan 1 UAAL	4.87%		
Administrative Fee	0.18%		
Total	12.97%	7.90%	Varies

Energy Northwest's actual contributions to the plan were \$11,604 thousand for the fiscal year ended June 30, 2021

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the actuarial valuation completed in 2020, with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2013-2018 Experience

Study and the 2019 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019 to June 30, 2020, reflecting each plan’s normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 2.75% total economic inflation; 3.50% salary inflation
- Salary increases: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.4%

Mortality rates were developed using the Society of Actuaries’ Pub. H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions in 2020 since the 2019 valuation.

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA’s 2013-2018 Demographic Experience Study at leg.wa.gov/osa.
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan’s fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA’s assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation, are summarized in the table below. The inflation component used to create the table is 2.2% and represents the WSIB’s most recent long-term estimate of broad economic inflation.

Best estimates as of June 30, 2020:

Asset Class	Target Allocation	Percent Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
Total	100%	

Sensitivity of NPL

The table below presents Energy Northwest's proportionate share of the net pension liability calculated using the discount rate of 7.4%, as well as what Energy Northwest's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4%) or 1-percentage point higher (8.4%) than the current rate (in thousands).

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 39,300	\$ 31,376	\$ 24,465
PERS 2/3	92,058	14,795	(48,831)

The pension liability has been allocated to the business units based on the percentages listed in Note 1. The total pension liability for each unit as of June 30, 2021 is as follow (in thousands):

	Energy Northwest's proportionate share of the PERS Plan 1 net pension liability:	Energy Northwest's proportionate share of the PERS Plan 2/3 net pension liability:	Total
Packwood	\$ 72	\$ 34	\$ 106
Business Development	734	346	1,080
Nuclear Project No. 1	59	28	87
Nine Canyon	256	121	377
Columbia	30,255	14,266	44,521
Total	\$ 31,376	\$ 14,795	\$ 46,171

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At June 30, 2021 Energy Northwest reported a total pension liability (asset) for its proportionate share of the net pension liabilities as follows (measured as of June 30, 2020 in thousands):

PERS 1	\$	31,376
PERS 2/3		14,795
Total	\$	46,171

Energy Northwest's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	1.02%	0.89%	-0.13%
PERS 2/3	1.32%	1.16%	-0.16%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the Schedules of Employer and Nonemployer Allocations.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the fiscal year ended June 30, 2020, Energy Northwest's recognized pension expense as follows (in thousands):

PERS 1	\$	(3,996)
PERS 2/3		140
Expenses		264
Total	\$	(3,592)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2021, Energy Northwest reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS 1:		
Differences between expected and actual economic experience	\$ -	\$ -
Changes in actuarial assumptions	-	-
Net difference between projected and actual investment earnings	-	175
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions paid to PERS subsequent to the measurement date	7,095	-
Total	\$ 7,095	\$ 175
PERS 2/3:		
Differences between expected and actual economic experience	\$ 5,297	\$ 1,854
Changes in actuarial assumptions	211	10,106
Net difference between projected and actual investment earnings	-	751
Changes in proportion and differences between contributions and proportionate share of contributions	1,283	7,053
Contributions paid to PERS subsequent to the measurement date	11,604	-
Total	\$ 18,395	\$ 19,764
Total All Plans	\$ 25,490	\$ 19,939

Deferred outflows of resources related to pensions resulting from Energy Northwest's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30	PERS 1	PERS 2/3
2022	\$ (793)	\$ (7,070)
2023	(25)	(2,399)
2024	(242)	(668)
2025	(401)	127
2026	-	(1,526)
Thereafter	-	(1,437)
Total	(175)	(12,973)

NOTE 7 - Deferred Compensation Plans

Energy Northwest provides a 401(k) deferred compensation plan (401(k) plan), and a 457 deferred compensation plan. Both plans are defined contribution plans that were established to provide a means for investing savings by employees for retirement purposes. All permanent, full-time employees are eligible to enroll in the plans. Participants are immediately vested in their contributions and direct the investment of their contribution. Each participant may elect to contribute pre-tax annual compensation, subject to current Internal Revenue Service limitations.

For the 401(k) plan, Energy Northwest may elect to make an employer matching contribution for each of its employees who is a participant during the plan year. The amount of such an employer match shall be 50 percent of the maximum salary deferral percentage. During FY 2021 Energy Northwest contributed \$4.0 million in employer matching funds while employees contributed \$12.8 million.

NOTE 8 - Nuclear Licensing and Insurance

Nuclear Licensing

Energy Northwest is a licensee of the Nuclear Regulatory Commission ("NRC") and is subject to routine licensing and user fees. Additionally, Energy Northwest may be subject to license modification, suspension, revocation, or civil penalties in the event regulatory or license requirements are violated.

Nuclear Insurance

Nuclear insurance includes liability coverage, property damage, decontamination and premature decommissioning coverage and accidental outage and/or extra expense coverage. The liability coverage is governed by the Price-Anderson Act (Act), while the property damage, decontamination and premature decommissioning coverage are defined by the Code of Federal Regulations. Energy

Northwest continues to maintain all regulatory required limits as defined by the NRC, Code of Federal Regulations, and the Act. The NRC requires Energy Northwest to certify nuclear insurance limits on an annual basis. Energy Northwest intends to maintain insurance against nuclear risks to the extent such insurance is available on reasonable terms and in an amount and form consistent with customary practice. Energy Northwest is self-insured to the extent that losses (i) are within the policy deductibles, (ii) are not covered per policy exclusions, terms and limitations, (iii) exceed the amount of insurance maintained, or (iv) are not covered due to lack of insurance availability. Such losses could have an effect on Energy Northwest's results of operations and cash flows. All dollar figures noted below are as of June 30, 2021.

American Nuclear Insurance (ANI) Coverage: The Act provides financial protection for the public in the event of a significant nuclear generation plant incident. The Act sets the statutory limit of public liability for a single nuclear incident at \$13.348 billion. Energy Northwest addresses this requirement through a combination of private insurance and an industry-wide retrospective payment program called Secondary Financial Protection (SFP). Energy Northwest has \$450 million of liability insurance as the first layer of protection. If any US nuclear generation plant has a significant event which exceeds the plant's first layer of protection, every operating licensed reactor in the US is subject to an assessment up to \$137.61 million. Assessments are limited to \$20.496 million per reactor, per year, per incident, excluding tax. The SFP is adjusted at least every 5 years to account for inflation and any changes in the number of operating plants. The SFP and liability coverage are not subject to any deductibles.

Nuclear Electrical Insurance Limited (NEIL) Coverage: The Code of Federal Regulations requires nuclear generation plant license-holders to maintain at least \$1.06 billion nuclear decontamination and property damage insurance and requires the proceeds thereof to be used to place a plant in a safe and stable condition, to decontaminate it pursuant to a plan submitted to and approved by the NRC before the proceeds can be used for plant repair or restoration or to provide for premature decommissioning. Energy Northwest has aggregate coverage in the amount of \$2.75 billion which is subject to a \$5 million deductible per accident.

The Agency anticipates exposure to a variety of risks of loss as a normal part of conducting business (for example: torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation). These anticipated risks of losses are covered through a combination of self-insurance, commercial property and liability insurance, nuclear property and liability insurance, professional services liability insurance, Directors & Officers (including employment practices liability) insurance, and fiduciary

insurance. Claims for loss to the Agency are infrequent and have not exceeded the liability policy limits in the past three years.

NOTE 9 - Decommissioning and Site Restoration - Asset Retirement Obligation (ARO)

Energy Northwest implemented GASB Statement No. 83 - "Certain Asset Retirement Obligations" and applied the statement in fiscal year 2019. For the purposes of this statement, an ARO is a legally enforceable liability associated with the retirement of a tangible capital asset (that is, the tangible capital asset is permanently removed from service). The retirement of a tangible capital asset encompasses its sale, abandonment, recycling, or disposal in some manner; however, it does not encompass temporary idling of a tangible capital asset.

AROs result from the normal operations of a tangible capital assets, whether acquired or constructed, and include legally enforceable liabilities with all of the following activities:

- Retirement of a tangible capital asset
- Disposal of a replaced part that is a component of a tangible capital asset
- Environmental remediation associated with the retirement of a tangible capital asset that results from the normal operation of that capital asset

The measurement of Energy Northwest's AROs are based on the best estimate of the current value of outlays expected to be incurred. Current value is the amount that would be paid if all equipment, facilities, and services included in the estimate were acquired at the end of the accounting period. The current estimate is the basis for the ARO and corresponding liability. The recognition of the ARO at current value also results in a corresponding deferred outflow of resources. For each ARO recognized by Energy Northwest, the beginning financial statement balances for accounts related to the implementation of GASB No. 83 were adjusted for the cumulative effect of the change in accounting practice. Each ARO identified below will detail the impact of changes to the beginning balances as a result of implementation of GASB No. 83.

Energy Northwest has identified the following AROs subject to GASB No. 83:

- Columbia Generating Station (includes related Columbia Site Restoration)
- Independent Spent Fuel Storage Installation (ISFSI)
- Nine Canyon Wind Farm
- Nuclear Project No. 1 site restoration
- Horn Rapid Battery Energy Storage System (BESS)

- Excluded from GASB No. 83 reporting is the Packwood Hydroelectric Project. The timing and extent of any liabilities associated with operations is not determinable at this time. Packwood remains operable with no foreseeable change in operations; assumptions is the current facility is not subject to the requirements of obtaining a current estimate of a liability with offset to deferred outflows. As such, Packwood's obligation has not been calculated because the time frame and extent of the obligation under this statement was considered indeterminate. As a result, no estimate of the ARO obligation was completed; an ARO will be recorded if future events warrant a change.

Decommissioning and site restoration requirements for Columbia, ISFSI are governed by the NRC regulations. Columbia, ISFSI and Nuclear Project No. 1 are also governed by site certification agreements between Energy Northwest and the state of Washington and regulations adopted by the Washington Energy Facility Site Evaluation Council (EFSEC) and a lease agreement with the Department of Energy ("DOE"). (See Notes 1 & 10). Nine Canyon decommissioning requirements are governed by participant agreements which are part of the 2nd Amended and Restated Nine Canyon Wind Project Power Agreement and associated land leases for location of the wind turbines. The BESS decommissioning requirements are governed by a participant agreement with the City of Richland.

Decommissioning Activity

Columbia Generation Station (Including Site Restoration)

Columbia is a 1,174-megawatt electric (MWe Design Electric rating, net) boiling water reactor located on the DOE Hanford Site north of Richland, Washington.

Columbia was issued a construction permit in March of 1973 and NRC licensing was completed in December of 1983. Columbia began commercial generation in December of 1984. The estimate for the ARO was updated in February of 2019 to account for the liability associated with the dismantling and decommissioning of the Columbia asset along with restoration of the leased DOE land. Both the asset decommissioning and site restoration are governed by agreements and regulations signed as part of construction and completion of Columbia.

The FY 2019 Columbia study was a joint effort between BPA and Energy Northwest to comply with the provisions of adopting GASB No. 83 to provide a current estimate for future accounting and funding requirements. The study was completed by a national firm that is involved with approximately 90% of cost studies completed in the United States nuclear industry. Original plan specifications and

drawings were used as basis for costing estimates and mapped for design changes that have occurred since construction. Current estimates for labor and materials were obtained and used as basis for coming up with the estimates of work to be performed. Phasing of the costs were scheduled and flowed according to two scenarios currently accepted by the NRC, DECON and SAFSTOR.

- DECON - method in which structures, systems, and components that contain radioactive contamination are removed from a site and safely disposed at a commercially operated low-level waste disposal facility, or decontaminated to a level that permits the site to be released for unrestricted use shortly after it ceases operation.
- SAFSTOR - method in which a nuclear facility is placed and maintained in a condition that allows the facility to be safely stored and subsequently decontaminated (deferred decontamination) to levels that permit release for unrestricted use.

Both DECON and SAFSTOR are acceptable methods of accounting for decommissioning estimates with differences in method and timing of when the expenditures will occur after termination of the plant (currently planned for December 2043). A joint decision between BPA and Energy Northwest was made to adopt the DECON method for accounting purposes.

The Columbia study estimate using DECON as the scenario has an estimated decommissioning activity completion date of June 2097. The estimated liability in current dollars (2019) for the decommissioning of Columbia was \$1.45 billion. The decommissioning of the Columbia asset made up \$1.29 billion of the estimate with the remainder (\$135.1 million) associated with specific site restoration activities. Approximately \$816.5 million of the new estimate has already been recognized as part of the previous decommissioning accounting activity recognized from FY 1984 through FY 2018. The remaining amount of \$613.9 million (adjusted for standard index) as of June 30, 2019, will be amortized over the remaining expected life of Columbia. In FY 2021, \$25.7 million of amortization expense was recognized and the index adjustment for FY 2021 was \$73.4 million resulting in the overall increase in deferred outflow of \$47.7 million. The index adjustment increased the estimated liability as of June 30, 2021 from \$1.47 billion to \$1.54 billion.

Each year the ARO is evaluated to determine if there are any material changes in timing or costs. If there are material changes, the estimate will be adjusted accordingly. If there are no material changes impacting the estimate, then a standard index will be used each year to determine current changes to the estimated derived from the original study. The amount

for both the liability and deferred outflow will be increased or decreased accordingly and change the out year straight line amount for decommissioning. There were no material changes in timing or costs related to the Columbia ARO.

At the time of termination of Columbia and commencing of decommissioning activities, the liability will be decreased as cash expenditures occur through the estimated completion date of FY 2097. Upon settlement of the liability, there is potential for variances from the original estimates. If there are differences from the estimate and actual payment a gain or loss on the ARO will be recorded for the difference. However, with regard to the net-billed projects, BPA is obligated to provide for the entire cost of decommissioning and site restoration; therefore, any gain or loss recognized upon settlement of the ARO results in an adjustment to either the billings in excess of costs (liability) or costs in excess of billings (asset), as appropriate, as no net revenue or loss is recognized, and no net position is accumulated for the net-billed projects.

Independent Spent Fuel Storage Installation

Energy Northwest's Independent Spent Fuel Storage Installation (ISFSI) at the Columbia Generating Station is a temporary dry cask storage facility intended to store spent nuclear reactor fuel in NRC-approved dry storage casks until the DOE completes its plan for a national repository. The ISFSI consists of two concrete pads storing a total of 36 casks and one additional pad with the capacity of 18 casks. The last ISFSI campaign, which began in March 2018, was completed in May 2018 for an additional nine casks. In order to accommodate spent fuel to be generated through the end of the plant's operating license period of December 20, 2043, Energy Northwest is planning the ISFSI facility expansion to store an additional 72 casks. The final phase of the ISFSI pad expansion project will be completed in the FY 2021-2024-time frame and commissioned in FY 2025. The four additional pads will have capacities of 18 casks each. Energy Northwest previously financed a portion of the cost for the construction of the existing ISFSI pads.

No additional issues are anticipated with the ISFSI expansion project. However, the NRC is in the process of developing additional security rulemaking that may potentially impose additional requirements beyond currently planned security controls. The extent of those additional requirements or when they will be imposed on Columbia are not known at this time but are not anticipated to become effective within the next two or three years.

Energy Northwest established a decommissioning and site restoration plan for the ISFSI in 1997. Annual payments to a fund established pursuant to this plan began in 2003 and were held by Energy Northwest. These payments were currently scheduled to occur annually through 2044. Adoption of asset retirement accounting for the ISFSI project took place in FY

2005. The Columbia cost study completed in February 2019 included the ISFSI and revised both the timing and estimate. ISFSI decommissioning is projected to be completed in a five-month period in 2097 under the DECON scenario and is estimated at \$7.5 million (in 2019 dollars). Approximately \$2.6 million of the new estimate has already been recognized as part of the previous decommissioning accounting activity recognized from FY 2005 through FY 2018. The remaining amount of \$4.7 million (adjusted for standard index) as of June 30, 2019, will be amortized over the remaining expected live of Columbia. In FY 2021, \$197 thousand of amortization expense was recognized and the index adjustment for FY 2021 was \$381 thousand resulting in the overall increase in deferred outflow of \$184 thousand. The index adjustment increased the estimated liability as of June 30, 2021 from \$7.6 million to \$8.0 million.

Each year the ARO evaluation for the ISFSI is included as part of the Columbia review, as such, accounting and any eventual net-billed project impacts will follow the same process described above for the Columbia ARO and net-billed obligations.

The above estimates and timing do not take into account any of the impacts of the current DOE litigation or potential changes in DOE handling of accumulated spent fuel being stored at the ISFSI. Note 10 - Commitments and Contingencies under other litigations and commitments describes the current status of the ISFSI settlement.

On March 21, 2021 Energy Northwest agreed to transfer existing ownership of the ISFSI trust fund to Bonneville, allowing Bonneville to appropriately manage the ISFSI fund, and in addition, access investment options unavailable to Energy Northwest under current law. Similar to the Columbia trust fund agreement with Bonneville, Energy Northwest retains all rights duties and obligations related to the decommissioning and remediation of the ISFSI facility. Such transfer from Energy Northwest to Bonneville occurred on April 1, 2021. The value of the cash and investments transferred was \$2,663,203.

Nine Canyon Wind Project

The Nine Canyon Wind Farm Project (Nine Canyon) is wholly owned and operated by Energy Northwest on leased ground located in the Horse Heaven Hills area southwest of Kennewick, Washington in Benton County. Electricity generated by Nine Canyon is purchased undersigned agreements with an end date of 2030. Under the current agreement, Nine Canyon has the obligation to remove the generation facilities upon expiration of the lease agreement if requested by the lessors. The Nine Canyon Wind Project recorded the related original ARO in FY 2003 for Phase I and II. Phase III began commercial operation in FY 2008 and the original ARO was adjusted to reflect the change in scenario for the retirement obligation,

with current lease agreements reflecting a 2030 expiration date. Previous scenarios for the ARO have been factored into the participant agreements, derives the rate plan and drives the cash requirements for debt repayment and cost of operations. Possible adjustments may be necessary to future rates depending on operating costs and any changes to the ARO.

A cost estimate was completed in FY 2018 for Nine Canyon and revised both the timing and estimate of decommissioning activities. The Nine Canyon decommissioning is projected to be completed following the 2030 expiration date of the power purchase and lease agreements and was estimated at \$18.0 million (in 2019 dollars). Approximately \$9.9 million of the new estimate had already been recognized as part of the previous decommissioning accounting activity recognized from FY 2003 through FY 2018. The remaining amount of \$7.4 million (adjusted for standard index) as of June 30, 2019, will be amortized over the remaining expected life of Nine Canyon. In FY 2021, \$691 thousand of amortization expense was recognized and the index adjustment for FY 2021 was \$907 thousand resulting in the overall increase in deferred outflow of \$216 thousand. The index adjustment also increased the estimated liability as of June 30, 2021 from \$18.1 million to \$19.0 million

Each year the ARO will be evaluated to determine if there are any material changes in timing or costs. If there are material changes, the estimate will be adjusted accordingly. If there are no material changes impacting the estimate, then a standard index will be used each year to determine current changes to the estimated derived from the original study. The amount for both the liability and deferred outflow will be increased or decreased accordingly and change the out year straight line amount for decommissioning. There were no material changes in timing or costs for the Nine Canyon ARO.

At the time of termination of Nine Canyon and commencing of decommissioning activities, the liability will be decreased as cash expenditures occur through the estimated completion date of FY 2031. Upon settlement of the liability, there is potential for variances from the original estimates. If there are differences from the estimate and actual payment a gain or loss on the ARO will be recorded for the difference.

Nuclear Project No. 1

Project 1 is a partially completed nuclear electric generating project located on DOE's Hanford reservation, approximately one and one-half miles east of Columbia. Project 1 was terminated in May 1994. Energy Northwest has planned for the demolition and restoration of Nuclear Project No. 1 and is now maintaining the site to support re-use activities. The Nuclear Project No. 1 Post Termination agreement requires BPA to fund this site remediation plan. The current plan estimates final decommissioning (site remediation) to be complete in

June 2023. The estimate from FY 2020 was updated to reflect some updated costs to be incurred; the remaining estimate was \$11.8 million as of June 30, 2020. The June 30, 2020 estimate was revised downward by \$1.7 million; FY 2021 costs incurred of \$4.3 million resulted in the remaining estimate of \$5.8 million. Total site remediation activity costs to date are \$14.2 million. Due to the re-valuation of the ARO estimate each year there are no prior year accounting impacts to the Nuclear Project No. 1 ARO as a result of adopting GASB No. 83. The asset retirement calculation has been adjusted yearly for actual costs incurred and yearly revised estimates. BPA has placed funds in an external interest-bearing trust account in order to have sufficient funds for ongoing remediation costs. The amount in the trust fund is approximately \$23.0 million as of June 30, 2021. Any funds remaining after final remediation efforts are complete will be returned to BPA.

Horn Rapids Battery Storage System

The Horn Rapids Battery Energy Storage System (BESS) is a collaborative effort between Energy Northwest and the City of Richland and is part of an overall project effort commonly known as the Horn Rapids Solar, Storage, and Training Project (HRSST). HRSST is a four MWdc Photovoltaic solar project (Energy Northwest does not own the solar portion) paired with a 1 MW/4 MWh basic lithium ion battery storage system. Energy Northwest will operate and maintain the BESS portion of the project for the City of Richland. The City of Richland has signed a purchase power agreement for 100% of the power and reimbursement of construction and operating costs of the BESS. The BESS is located on leased property in Richland Washington. The BESS was essentially complete and operational June 30, 2021.

Total BESS projected costs were estimated at \$6.4 million, with \$6.3 million incurred as of June 30, 2021. The estimate for the grant closure requirements involving analytics and testing are \$0.1 million. Energy Northwest was the recipient of a Washington State Department of Commerce (Commerce) grant in 2017. Commerce awarded up to \$3.0 million under the Clean Energy Funds' Grid Modernization Grant Program to offset the construction of the BESS. Grant proceeds received as of June 30, 2021 were \$2.6 million with the remainder of \$0.4 million to be billed in FY 2022 after analytics and testing is complete. Decommissioning costs are part of the agreement for reporting operating costs under the City of Richland participant agreement, therefore financial assurance is for total costs to be reimbursed by the City of Richland under the existing participant agreement. The decommissioning plan was finalized as part of the project deliverables prior to operation. Projected decommissioning costs are \$40 thousand in 2021 dollars and expected to be incurred after 25 years of operation.

ARO Financial ASSURANCE

The NRC has issued rules to provide guidance to licensees of operating nuclear plants on providing financial assurance for decommissioning plants at the end of each plant's operating life. In September 1998, the NRC approved and published its "Final Rule on Financial Assurance Requirements for Decommissioning Power Reactors." As provided in this rule, each power reactor licensee is required to report to the NRC the status of its decommissioning funding for each reactor or share of a reactor it owns. This reporting requirement began March 31, 1999, and reports are required every two years thereafter. Energy Northwest submitted its most recent report to the NRC for Columbia decommissioning in March 2020. A separate requirement for providing financial assurance for ISFSI decommissioning states that a report must be provided at least every three years. Energy Northwest submitted its most recent report to the NRC for ISFSI decommissioning in November 2018.

Energy Northwest's assurance funding estimate (10 CFR 50.75 - Reporting and Recordkeeping for Decommissioning) of Columbia's plant decommissioning costs in FY 2019 dollars is \$569.3 million and assurance funding estimate (10 CFR 72.30 - Reporting and Recordkeeping for Decommissioning) of Columbia's ISFSI decommissioning costs in FY 2020 dollars is \$7.0 million. These estimates are updated biannually for the Columbia decommissioning and every three years for the ISFSI decommissioning with the last update for the Columbia occurring in fiscal year 2020 and for the ISFSI in fiscal year 2019. The estimates are based on the NRC minimum amount (NRC 2018 study for Columbia and 2019 study for the ISFSI) required to demonstrate reasonable financial assurance for a boiling water reactor with the power level of Columbia.

Site restoration requirements for Columbia and Nuclear Project No. 1 are governed by the site certification agreements between Energy Northwest and the state of Washington and by regulations adopted by the EFSEC. Energy Northwest submitted a site restoration plan that was approved by the EFSEC on June 12, 1995. Energy Northwest's funding estimate of Columbia's site restoration costs in FY 2020 dollars is \$105.1 million and is updated biannually along with the Columbia decommissioning estimate. Both decommissioning and site restoration estimates are used as the basis for establishing a funding plan that includes escalation and interest earnings until decommissioning activities occur. Payments to the decommissioning and site restoration funds have been made since January 1985.

The fair value of cash and investment securities in the Columbia decommissioning, ISFSI decommissioning and site restoration funds as of June 30, 2021 totaled approximately \$428.7 million, \$2.7 million, and \$66.9 million, respectively. The fair value of cash and investment securities in the site restoration fund for Nuclear Project No. 1 is \$23.0 million.

Since September 1996, the Columbia and Nuclear Project No. 1 amounts have been held in an irrevocable trust that recognizes asset retirement obligations according to the fair value of the dismantlement and restoration costs of certain Energy Northwest assets. The ISFSI amounts were transferred from Energy Northwest to Bonneville as discussed above and are held in same manner as the trust funds mentioned for both Columbia and Nuclear Project No. 1. The trustee is a domestic U.S. bank that certifies the funds for use when needed to retire the asset. The trusts are funded by BPA ratepayers and managed by BPA in accordance with NRC requirements and site certification agreements; the balances in these external trust funds are not reflected on Energy Northwest's balance sheet.

Nine Canyon billing rates to power purchase participants are set to cover cash requirements of debt repayment and cost of operations. Any increases or decreases to rates will be based on cost of operations in the future. Adjustments to billing rates may be necessary in the future to cover estimated costs incurred for the eventual decommissioning of Nine Canyon.

Financial assurance and estimates for Nuclear Project No. 1 are discussed in the previous section - Decommissioning - Nuclear Project No. 1.

Financial assurance and estimates for the BESS are discussed in the previous section - Decommissioning - Horn Rapids Battery Storage System.

NOTE 10 - Commitments and Contingencies

Nuclear Project No. 1 Termination

Since the Nuclear Project No.1 termination, Energy Northwest has been planning for the demolition of Nuclear Project No. 1 and restoration of the site, recognizing the fact that there is no market for the sale of the project in its entirety, and no viable alternative use has been found to-date. The final level of demolition and restoration will be in accordance with agreements discussed below under "Nuclear Project No. 1 Site Restoration."

Nuclear Project No. 3 Termination

In June 1994, the Nuclear Project No. 3 Owners Committee voted unanimously to terminate the project. In 1995, a group from Grays Harbor County, Washington, formed the Satsop Redevelopment Project (SRP). The SRP introduced legislation with the state of Washington under Senate Bill No. 6427, which passed and was signed by the governor of the state of Washington on March 7, 1996. The legislation enables local governments and Energy Northwest to negotiate an arrangement allowing such local governments to assume an interest in the site on which Nuclear Project No. 3 exists for economic development by transferring ownership of all or a

portion of the site to local government entities. This legislation also provides for the local government entities to assume regulatory responsibilities for site restoration requirements and control of water rights. In February 1999, Energy Northwest entered into a transfer agreement with the SRP to transfer the real and personal property at the site of Nuclear Project No. 3. The SRP also agreed to assume regulatory responsibility for site restoration. Therefore, Energy Northwest is no longer responsible to the state of Washington and EFSEC for any site restoration costs.

Nuclear Project No. 1 Site Restoration

Site restoration requirements for Nuclear Project No. 1 are governed by site certification agreements between Energy Northwest and the state of Washington and regulations adopted by EFSEC, and a lease agreement with DOE. Energy Northwest submitted a site restoration plan for Nuclear Project No. 1 to EFSEC on March 8, 1995, which complied with EFSEC requirements to remove the assets and restore the sites by demolition, burial, entombment, or other techniques such that the sites pose minimal hazard to the public. EFSEC approved Energy Northwest's site restoration plan on June 12, 1995. In its approval, EFSEC recognized that there is uncertainty associated with Energy Northwest's proposed plan. Accordingly, EFSEC's conditional approval provides for additional reviews once the details of the plan are finalized. The plan is updated every five years with the last update submitted in 2019.

Business Development Fund Interest in Northwest Open Access Network (NoaNet)

Energy Northwest, along with 9 other Washington State public entities, is a member of NoaNet, a Washington nonprofit mutual corporation. NoaNet was formed in February 2000 to provide broadband communications over public benefit fibers leased from Bonneville Power Administration throughout the Pacific Northwest. The network began commercial operation in January 2001.

As a member of NoaNet as allowed by RCW 54.16, Energy Northwest has guaranteed certain portions of NoaNet debt based on its proportionate membership share. Energy Northwest's membership share is 8.04% with a step-up provision of 25 percent of the membership share. NoaNet reserves the right to assess the members to cover deficits from operations. In November 2020 NoaNet obtained bond funding for \$25 million with \$22.5 outstanding at December 2020; EN backed this debt at 10%. In Calendar Year 2020 NoaNet met all the debt obligations through profitable operations. There have been no assessments since 2011.

NoaNet did report a decrease in net position (excluding grant proceeds) of \$4.1 million for Calendar Year 2020. In accordance with GAAP, Energy Northwest did not record their

proportionate share of these gains/losses.

Financial statements for NoaNet may be obtained by writing to: Northwest Open Access Network, Chief Financial Officer, 7195 Wagner Way, Suite 104, Gig Harbor, WA 98335.

Other Litigation and Commitments

Energy Northwest is a party to various claims and legal actions arising in the normal course of business. The following is a discussion of certain litigation and claims relating to the Net Billed Projects to which Energy Northwest is a party:

Energy Northwest v. United States of America (DOE). On August 28, 2014, Energy Northwest and the United States entered into a Settlement Agreement (“Settlement Agreement”) under Energy Northwest v. United States, No. 11-447C (Fed. Cl. filed July 7, 2011). In addition to settling litigation for the U.S. Department of Energy’s (“DOE”) continuing breach of contract for its failure to dispose of spent nuclear fuel and high-level radioactive waste, the Settlement Agreement provided that Energy Northwest could be reimbursed by the government for its allowable expenses, as defined in the Settlement Agreement, related to DOE’s continued failure to accept used nuclear fuel under the Standard Contract Energy Northwest signed with DOE in 1983. The Settlement Agreement also settled the litigation filed by Energy Northwest in the U.S. Court of Federal Claims in July 2011 for damages incurred between September 1, 2006, and June 30, 2012 in the amount of \$23.6 million. Energy Northwest received \$48.7 million in 2011 under the first action that resulted in a Stipulation for Entry of Final Judgment in Favor of Plaintiff Energy Northwest which covered damages prior to September 1, 2006.

Under the Settlement Agreement, Energy Northwest is required to submit a claim for reimbursement to DOE annually for each year, July 1, 2012 through December 31, 2016. The claim submission deadline is January 31 of the following calendar year. After submission, DOE has a set time to review and request additional information from Energy Northwest. At the end of the review period, Energy Northwest can accept DOE’s determination and be paid the amount determined by DOE or Energy Northwest can reject the determination and proceed to binding arbitration.

Under the Settlement Agreement, Energy Northwest submitted its first claim to DOE by the deadline. The first claim covers Fiscal Years 2013 through 2014 (a catch-up claim). Energy Northwest was reimbursed \$15,143,888 in September 2015. In early 2016, Energy Northwest submitted its second claim for costs incurred from July 1, 2014 to June 30, 2015. DOE agreed to pay and Energy Northwest accepted the sum of \$4,531,664 in full satisfaction of the claim for costs incurred by Energy Northwest for the time period. Payment from the Judgment Fund was received in fall 2016. The third claim for costs incurred between July 1, 2015 and June 30, 2016,

was submitted January 31, 2017. Energy Northwest received confirmation that it would receive \$7,200,184 in reimbursed costs on June 6, 2017. The reimbursement was received by Energy Northwest on June 26, 2017. In March of 2017, Energy Northwest was able to extend the Settlement Agreement, by addendum, for an annual claims process terminating December 31, 2019. The first claim under the extended Settlement Agreement, covering costs incurred between July 1, 2016 to June 30, 2017, was submitted January 31, 2018. Energy Northwest received reimbursement of \$11,139,345 in in September 2018. The second claim under the extended Settlement Agreement, covering costs incurred from July 1, 2017 to June 30, 2018, was submitted January 30, 2019. On June 26, 2019, Energy Northwest received confirmation that it would receive \$17,832,584 in reimbursed costs. The third claim under the extended Settlement Agreement, covering costs incurred from July 1, 2018 to June 30, 2019, was submitted January 31, 2020. On July 17, 2020, Energy Northwest received \$1,178,445 in reimbursed costs. In August of 2020, Energy Northwest was able to extend the Settlement Agreement, by addendum, for an annual claims process terminating December 31, 2022. The first claim under the second Addendum to the Settlement Agreement, covering costs incurred from July 1, 2019 to June 30, 2020 was submitted January 29, 2021. On June 25, 2021 Energy Northwest received \$8,488,241 in reimbursed costs.

NOTE 11 - Nuclear Fuels

In May 2012, Energy Northwest entered into agreements with three other parties for processing high assay uranium tails. The Program consists of several agreements between the parties involved, entered into as a joint effort between the Department of Energy (DOE), Tennessee Valley Authority (TVA), United States Enrichment Corporation (USEC) and Energy Northwest to enrich approximately 9,082 metric tons (MTU) of Depleted Uranium Hexafluoride (DUF6) with an average assay of 0.44 weight percent U235 (wt%) that will yield approximately 482 MTU of enriched uranium product (EUP) with an average assay of 4.4 wt%.

DOE and Energy Northwest have entered into an agreement for the transfer of the DUF6 to Energy Northwest. The agreement addresses delivery and transfer of title of the DUF6, return of residual DUF6 after enrichment, storage of the EUP, and payment of DOE’s costs. The costs for the handling of the DUF6 and storage of the EUP were anticipated to be \$5 million or less. As of December 31, 2015, Energy Northwest had removed all EUP stored with DOE to a commercial facility in New Mexico. Energy Northwest had recorded \$0.9 million in total charges to the DOE for delivery of the DUF6, storage and loading of the EUP, which is capitalized as cost of the fuel being purchased.

Under the Depleted Uranium Enrichment Program (DUEP), Energy Northwest purchased from USEC all of the Separative

Work Units (SWU) contained in the EUP. Upon finalization of the program, Energy Northwest had purchased a total of 481.6 MTU of EUP from USEC at a cost of \$687.2 million, which is recorded in nuclear fuel, net of accumulated amortization, as of June 30, 2013. There have been no additional purchases since the conclusion of the program in May of 2013.

Energy Northwest and TVA have entered into an agreement for the sale and purchase of a portion of the SWU and Feed Component of the EUP. The sales under the agreement are expected to total approximately \$730 million. The payment for the fifth delivery of 485,000 SWU and 1,050,000 KgU of uranium was received August 30, 2019 for \$230.42 million. The payment for the sixth delivery of 385,000 SWU was received June 1, 2020 for \$67.46 million. The total gain reported for the fifth and sixth sale was \$76.2 million and reported on the Statements of Revenues, Expenses, and Changes in Net Position under Other. The remaining sales under this agreement are scheduled to take place between July 2021 and September 2022.

Energy Northwest has a contracts with Global Nuclear Fuel - Americas LLC valued at \$139.4 million for fuel fabrication services through FY2027 with an option to extend for two additional reloads through 2031. The delivery of new fuel assemblies coincides with each refueling outage year, with the refueling complete in June 2021 (R-25).

Energy Northwest has a contract with DOE that requires DOE to accept title and dispose of spent nuclear fuel. Although the courts have ruled that DOE had the obligation to accept title to spent nuclear fuel by January 31, 1998, currently, there is no known date established when DOE will fulfill this legal obligation and begin accepting spent nuclear fuel. On November 19, 2013, the D.C. Circuit Court ordered the DOE to submit to Congress a proposal to reduce the current waste disposal fee to zero, unless and until there is a viable disposal program. On January 3, 2014, the DOE filed a petition for rehearing which was denied by the D.C. Circuit Court on March 18, 2014. Also, on January 3, 2014, the DOE submitted a proposal to Congress to reduce the current waste disposal fee to zero. On May 9, 2014, the DOE notified Energy Northwest that the waste disposal fee will remain in effect through May 15, 2014, after which time the fee will be set to zero. Until such time as a new fee structure is in effect, Energy Northwest will not accrue any further costs related to waste disposal fees. When the fuel is placed in the reactor the fuel cost is amortized to operating expense on the basis of quantity of heat produced for generation of electric energy. The amount moved to spent fuel for cooling decreased \$90.24 million.

The current period operating expense for Columbia was \$47.27 million for amortization of fuel used in the reactor. There were no DOE spent fuel disposal charges.

Energy Northwest has an Independent Spent Fuel Storage Installation (ISFSI), which is a temporary dry cask storage

facility to be used until DOE completes its plan for a national repository. ISFSI will store the spent fuel in commercially available dry storage casks on a concrete pad at the Columbia site. There were 9 casks issued from inventory in fiscal year 2018. Spent fuel is transferred from the spent fuel pool to the ISFSI periodically to allow for future refueling. The FY2018 ISFSI loading campaign filled a total of 9 casks. The next ISFSI loading campaign is scheduled for March of 2022 for a total of 9 casks.

NOTE 12 - Other Post Employment Benefits

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year ended June 30, 2021 (in thousands):

OPEB Liabilities	\$	29,254
Deferred Outflows of Resources		1,343
OPEB Expense		1,652

The Agency provides to its retirees employer subsidies for postemployment medical insurance benefits (OPEB) provided through the Public Employees Benefits Board (PEBB). The actual medical costs are paid through annual fees and premiums to the PEBB.

General Information about the OPEB Plan

Plan Description

The PEBB was created within the Washington State Health Care Authority to administer medical, dental and life insurance plans for public employees and retirees and their dependents as a single employer plan. Agency employees who end public employment are eligible to continue PEBB insurance coverage as a retiree if they retire under the public employees' retirement system and are vested in that system.

Benefits Provided

The Washington State Health Care Authority (HCA) administers PEBB plan benefits. For medical insurance coverage, the HCA has two claims pools: one covering employees and non-Medicare eligible retirees, and the other covering retirees enrolled in Medicare Parts A and B. Each participating employer pays a portion of the premiums for active employees. For retirees, participating employers provide two different subsidies: an explicit subsidy and an implicit subsidy.

The explicit subsidies are monthly amounts paid per post-65 retiree and spouse. As of the valuation date of June 30, 2020, the explicit subsidy for post-65 retirees and spouses is the lesser of \$183 or 50% of the monthly premiums. The retirees and spouses currently pay the premium minus \$183 when the premium is over \$366 per month and pay half the

premium when the premium is lower than \$366.

The implicit medical subsidy is the difference between the total cost of medical benefits and the premiums. For pre-65 retirees and spouses, the retiree pays the full premium amount, but that amount is based on a pool that includes active employees. Active employees will tend to be younger and healthier than retirees on average, and therefore can be expected to have lower average health costs. For post-65 retirees and spouses, the retiree does not pay the full premium due to the subsidy discussed above.

Employees Covered by Benefit Terms

At June 30, 2020 (measurement date), the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	458
Inactive Employees Entitled to But Not Yet Receiving Benefit Payments	-
Active Employees	1,038

Funding Policy

The plan is funded on a pay-as-you-go basis and there are no assets accumulating in a qualifying trust.

Contributions

The OPEB relationship between PEBB employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

Total OPEB Liability

The Agency's total OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation dated June 30, 2020.

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Methodology:	
Actuarial Cost Method	Entry Age Normal (Level Percent of Salary)
Assumptions:	
Discount Rate - Based on Bond Buyer General Obligation 20-Bond Municipal Index:	2.25%
Beginning of Measurement Year	2.25%
End of Measurement Year	2.25%
Projected Salary Changes	3.50%
	Plus Merit-Based Increases

Medical Care Trend	Actual for the first year, then 6.4% decreasing to 5.0%
Actuarial Assumptions - Based on experience study conducted in 2020 using Public Employees' Retirement System (PERS) experience from 2013-2018	
Mortality Assumptions - PubG.H-2010 mortality tables adjusted for future mortality improvements using the MP-2017 fully generational improvement scale.	
Inflation Rate	2.00%
Post Retirement Participation Percentage - 100% of active employees currently electing coverage. Upon exhaustion of HRA VEBA funds, 50% are assumed to self-pay premiums. 3% of covered retirees are assumed to let their coverage lapse each year.	
Percentage with Spouse Coverage	70.00%

Changes in the Total OPEB Liability (in thousands)

Balance - July 1	\$	28,850
Service Cost		1,006
Interest		646
Benefit Payments		(1,248)
Total	\$	29,254

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate and Discount Rate.

The following presents the total OPEB liability of the Agency calculated using a discount rate and healthcare cost trend rates that are 1-percentage point lower or 1-percentage-point higher than the current discount rate and health care cost trend rates (in thousands):

	1% Decrease	Current Rate	1% Increase
Discount Rate	\$ 33,455	\$ 29,254	\$ 25,815
Healthcare Cost Trend Rate	25,483	29,254	34,014

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Agency recognized OPEB expense for the years ended December 31 as follows (in thousands):

Service Cost	\$	1,006
Interest Cost		646
Total	\$	1,652

At December 31, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

Deferred Outflows of Resources		
Contributions Subsequent to the Measurement Date	\$	1,343

Deferred outflows of resources resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the following year.

Schedule of the Energy Northwest's Proportionate Share of the Net Pension Liability (in thousands)

Measurement Date Ended June 30	PERS 1							
	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of the net pension liability (asset)	0.89%	1.02%	1.08%	1.13%	1.08%	1.24%	1.22%	1.19%
Proportionate share of the net pension liability (asset)	\$ 31,376	\$ 39,358	\$ 48,192	\$ 53,781	\$ 58,147	\$ 65,005	\$ 61,291	\$ 71,094
Covered-employee payroll	134,853	143,601	143,282	142,483	128,944	154,431	144,597	140,409
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	23.27%	27.41%	33.63%	37.75%	45.09%	42.09%	42.39%	50.63%
Plan fiduciary net position as a percentage of the total pension liability	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%	55.70%

Measurement Date Ended June 30	PERS 2/3							
	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of the net pension liability (asset)	1.16%	1.32%	1.38%	1.45%	1.38%	1.60%	1.55%	1.55%
Proportionate share of the net pension liability (asset)	\$ 14,795	\$ 12,831	\$ 23,584	\$ 50,411	\$ 69,510	\$ 57,017	\$ 31,410	\$ 66,351
Covered-employee payroll	134,852	143,502	143,015	142,140	128,634	154,080	144,158	139,637
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	10.97%	8.94%	16.49%	35.47%	54.04%	37.00%	21.79%	47.52%
Plan fiduciary net position as a percentage of the total pension liability	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%	84.60%

Schedule of Energy Northwest's Contributions (in thousands)

Fiscal Year Ended June 30	PERS 1									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 7,095	\$ 6,441	\$ 7,339	\$ 7,213	\$ 6,818	\$ 6,141	\$ 5,711	\$ 5,385	\$ 3,078	\$ 70
Contributions in Relation to the Contractually Required Contribution Subtotal	(7,095)	(6,441)	(7,339)	(7,213)	(6,818)	(6,141)	(5,711)	(5,385)	(3,078)	(70)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 146,520	\$ 134,853	\$ 143,601	\$ 143,282	\$ 142,483	\$ 128,944	\$ 154,431	\$ 144,597	\$ 140,409	\$ 996
Contributions as a Percentage of Covered Employee Payroll	4.84%	4.78%	5.11%	5.03%	4.79%	4.76%	3.70%	3.72%	2.19%	7.03%

Fiscal year Ended June 30	PERS 2/3									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 11,604	\$ 10,657	\$ 10,789	\$ 10,658	\$ 8,862	\$ 8,200	\$ 7,108	\$ 6,564	\$ 6,020	\$ 8,760
Contributions in Relation to the Contractually Required Contribution	(11,604)	(10,657)	(10,789)	(10,658)	(8,862)	(8,200)	(7,108)	(6,564)	(6,020)	(8,760)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 146,520	\$ 134,852	\$ 143,502	\$ 143,015	\$ 142,140	\$ 128,634	\$ 154,080	\$ 144,158	\$ 139,637	\$ 134,777
Contributions as a Percentage of Covered Employee Payroll	7.92%	7.90%	7.52%	7.45%	6.23%	6.37%	4.61%	4.55%	4.31%	6.50%

Notes to Schedules

- DRS allocates certain portion of contributions from PERS Plan 2/3 to PERS Plan 1 in order to fund its unfunded actuarially accrued liability (UAAL).
- There were no changes in actuarial as assumptions between the valuation date of June 30, 2013 and the measurement date of June 30, 2014.
- There were no changes in actuarial as assumptions between the valuation date of June 30, 2014 and the measurement date of June 30, 2015.
- There were no changes in actuarial as assumptions between the valuation date of June 30, 2015 and the measurement date of June 30, 2016.
- There were no changes in actuarial as assumptions between the valuation date of June 30, 2016 and the measurement date of June 30, 2017.
- There were no changes in actuarial as assumptions between the valuation date of June 30, 2017 and the measurement date of June 30, 2018.
- There were changes in actuarial as assumptions between the valuation date of June 30, 2018 and the measurement date of June 30, 2019.
 - Lowered the valuation interest rate from 7.70% to 7.50% for all plans.
 - Lowered the assumed general salary growth from 3.75% to 3.50% for all plans.
 - Lowered assumed inflation from 3.00% to 2.75% for all plans.
 - Lowered assumed investment rate of return from 7.50% to 7.40% for all plans.
- There were no changes in actuarial assumptions between the valuation date of June 30, 2019 and the measurement date of June 30, 2020.
- There were no changes in actuarial assumptions between the valuation date of June 30, 2020 and the measurement date of June 30, 2021.

Schedule of the Energy Northwest's Changes in the Total OPEB Liability and Related Ratios (in thousands)

Measurement Date Ended June 30	2020
Total OPEB Liability - Beginning	\$ 28,850
Service Cost	1,006
Interest	646
Changes in Experience and Data Assumptions	-
Changes in Benefit Terms	-
Benefit Payments	(1,248)
Total OPEB Liability - Ending	\$ 29,254
Covered-Employee Payroll	\$ 113,576
Total OPEB Liability as a % of Covered-Employee Payroll	25.76%

Notes to Schedules

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

* Until a full 10-year trend is compiled, only information for those years available is presented.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

To the Executive Board of
Energy Northwest

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Energy Northwest as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Energy Northwest's basic financial statements, and have issued our report thereon dated September 23, 2021. Our report disclosed that the Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position as of July 1, 2020 have been restated to correct a misstatement related to the recording of another post employment benefit plan not previously identified that related to prior periods. Our opinions are not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Energy Northwest's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Energy Northwest's internal control. Accordingly, we do not express an opinion on the effectiveness of Energy Northwest's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Energy Northwest's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Madison, Wisconsin
September 23, 2021