NEW ISSUE | **Moody's Rating: A2**
BOOK-ENTRY | **Fitch's Rating: A-**
See "RATINGS"

In the opinion of Bond Counsel, under existing federal law and assuming compliance with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issue date of the Bonds, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals. However, while interest on the Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by corporations is taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by certain S corporations may be subject to tax, and interest on the Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. Receipt of interest on the Bonds may have other federal tax consequences for certain taxpayers. See "TAX MATTERS."

$54,895,000
ENERGY NORTHWEST
Wind Project Revenue Refunding Bonds, Series 2015

Dated: Date of Delivery | **Due: July 1, as shown on the inside cover**

The Wind Project Revenue Refunding Bonds, Series 2015 (the "Bonds") are being issued by Energy Northwest for the purpose of advance refunding a portion of Energy Northwest's outstanding Wind Project Revenue Bonds, Series 2006, and to pay costs of issuing the Bonds. See "PURPOSE AND APPLICATION OF BOND PROCEEDS." The Bonds will be issued only as fully registered bonds under a book-entry system, registered in the name of Cede & Co. (the "Registered Owner"), as nominee for The Depository Trust Company, in New York, New York ("DTC"), which will act as initial securities depository for the Bonds. Individual purchases of the Bonds will be made in the principal amount of $5,000 or any integral multiple thereof within a single maturity. Purchasers of the Bonds (the "Beneficial Owners") will not receive certificates representing their beneficial ownership interests in the Bonds.

The Bonds will be dated as of the date of their initial delivery. Interest on the Bonds is payable on January 1 and July 1, commencing July 1, 2015, until maturity by U.S. Bank National Association (the "Bond Registrar"). As long as DTC or its nominee is the Registered Owner of the Bonds, such payments will be made by the Bond Registrar to DTC, which in turn is obligated to remit such principal and interest to its broker-dealer Participants, which in turn are obligated to remit such payments to the Beneficial Owners of the Bonds as described under Appendix E—"DTC AND THE BOOK-ENTRY SYSTEM."

MATURITY SCHEDULE – See Inside Cover

The Bonds are subject to redemption by Energy Northwest prior to their stated maturities. See "DESCRIPTION OF THE BONDS–Redemption Provisions."

The Bonds are payable solely from and secured by the Net Revenue of the Wind Project System (as defined herein). Phase III Purchasers are responsible for paying their share of debt service on the outstanding 2006 Bonds and the Bonds, together with their share of operation and maintenance costs of the Project and of debt service on bonds issued to finance other Phases of the Project in which they participate. This pledge constitutes a lien and charge upon the Net Revenue on a parity with that of other Parity Bonds and superior to any other liens or charges. Gross Revenue of the Wind Project System consists of all income and revenues received by Energy Northwest from the sale of power derived from the Wind Project System. See "SECURITY FOR THE BONDS."

THE BONDS ARE *NOT* SECURED BY AN INTEREST IN THE REVENUES OR ASSETS OF ANY OTHER ENERGY NORTHWEST PROJECT OR SYSTEM. SEE "SECURITY FOR THE BONDS" HEREIN. THE BONDS WILL NOT BE SECURED BY A MORTGAGE, DEED OF TRUST OR OTHER SECURITY INTEREST IN THE PHYSICAL ASSETS OF THE PROJECT. ENERGY NORTHWEST HAS NO TAXING POWER.

The Bonds are offered for delivery when, as and if issued and received by Merrill Lynch, Pierce, Fenner & Smith Incorporated and KeyBanc Capital Markets Inc. (the "Underwriters"), subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Foster Pepper PLLC, Bond Counsel, Seattle, Washington. Certain legal matters will be passed upon for the Underwriters by Fulbright & Jaworski LLP, New York, New York, a member of Norton Rose Fulbright. It is expected that the Bonds will be available for delivery through the facilities of DTC, by Fast Automated Securities Transfer on or about January 14, 2015.

This cover page contains certain information for quick reference only. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

BofA Merrill Lynch | **KeyBanc Capital Markets Inc.**

Dated: December 10, 2014

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS

$54,895,000
Energy Northwest
Wind Project Revenue Refunding Bonds, Series 2015

Base CUSIP No. 29270M

Due July 1	Principal Amounts	Interest Rates	Yields	CUSIP No.*
2017	$ 2,815,000	5.00%	0.75%	29270MEB5
2018	2,955,000	5.00	1.08	29270MEC3
2019	3,105,000	5.00	1.40	29270MED1
2020	3,260,000	5.00	1.70	29270MEE9
2021	3,425,000	5.00	1.95	29270MEF6
2022	3,595,000	5.00	2.20	29270MEG4
2023	3,775,000	5.00	2.37	29270MEH2
2024	3,960,000	5.00	2.53	29270MEJ8
2025	4,160,000	5.00	2.70	29270MEK5
2026	4,370,000	5.00	2.84**	29270MEL3
2027	4,585,000	4.00	3.06**	29270MEM1
2028	4,770,000	4.00	3.19**	29270MEN9
2029	4,960,000	4.00	3.29**	29270MEP4
2030	5,160,000	4.00	3.34**	29270MEQ2

* The CUSIP numbers are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by Standard & Poor's. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for CUSIP service. CUSIP numbers used throughout this Official Statement are provided for convenience and reference only, and are subject to change. Neither Energy Northwest nor the Underwriters take responsibility for the accuracy of the CUSIP numbers.

** Priced to the July 1, 2025 par call date.

TABLE OF CONTENTS

No dealer, broker, salesperson or other person has been authorized by Energy Northwest or by the Underwriters to give any information or to make any representations in connection with the issuance and sale of the Bonds, other than as contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by Energy Northwest or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy by, nor shall there be any sale of the Bonds to, any person in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

The information set forth herein has been furnished by Energy Northwest and the Purchasers and includes information obtained from other sources which are believed to be reliable; however Energy Northwest and the Purchasers make no representation regarding the accuracy or completeness of the information in Appendix E—"DTC AND BOOK-ENTRY SYSTEM," which has been obtained from DTC's website. Estimates and opinions should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions and such summaries are qualified by references to the entire contents of the summarized documents. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Energy Northwest or the Purchasers since the date hereof.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, may constitute "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. A number of important factors affecting Energy Northwest's or the Purchasers' business and financial results could cause actual results to differ materially from those stated in the forward-looking statements. Energy Northwest and the Purchasers do not plan to issue any updates or revisions to the forward-looking statements.

The Underwriters have provided the following sentence for inclusion in this Official Statement: "The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information."

The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Energy Northwest or any Purchaser since the date hereof.

In connection with the offering of the Bonds, the Underwriters may overallot or effect transactions that stabilize or maintain the market price of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Bond Resolution has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary may be a criminal offense.

ENERGY NORTHWEST
P.O. Box 968
Richland, Washington 99352
Telephone (509) 372-5000

Executive Board Members

Sid W. Morrison, Chair
Jack Janda, Vice Chair
Lori Kays-Sanders, Secretary
David Remington, Assistant Secretary
Marc Daudon
Linda Gott
James Moss
Skip Orser
Will Purser
Tim Sheldon
Kathleen Vaughn

Administrative Staff

Chief Executive Officer	Mark E. Reddemann
Chief Operating Officer	Bradley J. Sawatzke
Vice President, Corporate Services/Chief Financial Officer	Brent J. Ridge
Vice President, Engineering	Alex Javorik
Vice President, Operations	William G. Hettel
General Manager, Energy Services and Development	James W. Gaston
General Counsel and Chief Ethics Officer	Robert A. Dutton

Phase III Purchasers

Public Utility District No. 1 of Benton, County, Washington
Public Utility District No. 1 of Franklin County, Washington
Public Utility District No. 1 of Grays Harbor County, Washington
Public Utility District No. 1 of Lewis County, Washington
Public Utility District No. 3 of Mason County, Washington

Financial Advisor

Public Financial Management, Inc.

Bond and Disclosure Counsel

Foster Pepper PLLC, Seattle, Washington

Bond Registrar

U.S. Bank National Association

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

$54,895,000
ENERGY NORTHWEST

WIND PROJECT REVENUE REFUNDING BONDS, SERIES 2015

Energy Northwest, a municipal corporation and a joint operating agency organized under the laws of the State of Washington, furnishes this Official Statement, which includes the cover page, the inside cover page and the Appendices hereto, in connection with the sale of its $54,895,000 aggregate principal amount of Wind Project Revenue Refunding Bonds, Series 2015 (the "Bonds").

INTRODUCTION

This Introduction is not intended to provide all information material to a prospective purchaser of the Bonds and is qualified in all respects by the more detailed information set forth elsewhere in this Official Statement. Unless otherwise specifically defined, certain capitalized terms used in this Introduction have the meanings given to such terms elsewhere in this Official Statement.

Energy Northwest

Energy Northwest was organized in 1957. Energy Northwest now has 27 members, consisting of 22 public utility districts and the cities of Centralia, Port Angeles, Richland, Seattle and Tacoma, all located in the State of Washington. Energy Northwest has the authority, among other things, to acquire, construct and operate plants, works and facilities for the generation and transmission of electric power and energy and to issue bonds and other evidences of indebtedness to finance the same. See "ENERGY NORTHWEST."

Purpose and Authority

Energy Northwest is issuing the Bonds to refund all of its Wind Project Revenue Bonds, Series 2006 (the "2006 Bonds") maturing on and after July 1, 2017, and to pay costs of issuance of the Bonds. See "PURPOSE AND APPLICATION OF BOND PROCEEDS—Plan of Refunding."

The 2006 Bonds were issued in the original aggregate principal amount of $69,410,000 pursuant to Resolution No. 1482 adopted on December 14, 2006 to finance the acquisition, development and construction of Phase III of the Nine Canyon Wind Project ("Phase III"). Phase I of the Project (hereinafter defined) commenced Commercial Operation (as defined in Appendix C hereto) in September 2002 and consists of 37 wind turbines with an aggregate generating capacity of approximately 48 megawatts ("MW"). Phase II of the Project commenced Commercial Operation in December 2003 and consists of 12 wind turbines with an aggregate generating capacity of approximately 15.6 MW ("Phase II"). Phase III of the Project commenced Commercial Operation in spring 2008 and consists of 14 turbines with an aggregate generating capacity of approximately 32 MW ("Phase III," and collectively with Phase I and Phase II, the "Project"). The Project is located in the Horse Heaven Hills area southwest of Kennewick, Washington (approximately 185 miles southeast of Seattle, Washington). The Project turbines were manufactured by Siemens (previously known as BONUS Energy A/S, a Denmark corporation), and installed by Renewable Energy Systems (USA) Inc., a Delaware corporation (the "General Contractor"), pursuant to an engineer-procure-construct contract.

The Bonds are being issued pursuant to chapters 43.52 and 39.53 RCW and Resolution No. 1824 adopted by Energy Northwest's Executive Board on November 13, 2014 (the "Bond Resolution"). See Appendix B—"SUMMARY OF THE BOND RESOLUTION."

Security for the Bonds

The Bonds will be issued on a parity of lien and charge with the 2006 Bonds that will remain outstanding upon the issuance of the Bonds; the $11,740,000 principal amount of outstanding Energy Northwest Wind Project Revenue

Refunding Bonds, Series 2012 (the "2012 Bonds"); and the $36,570,000 principal amount of outstanding Energy Northwest Wind Project Revenue Refunding Bonds, Series 2014 (the "2014 Bonds," and, collectively with the 2006 Bonds, the 2012 Bonds, the Bonds and any Future Parity Bonds, the "Parity Bonds"). See "DEBT SERVICE REQUIREMENTS."

The Bonds are payable solely from and secured by a pledge of the Net Revenue of the Wind Project System (as defined in Appendix B). This pledge constitutes a lien and charge upon the Net Revenue on a parity with that of other Parity Bonds and superior to any other liens or charges. Gross Revenue of the Wind Project System consists of all income and revenues received by Energy Northwest from the sale of power derived from the Wind Project System and from various public utility districts ("PUDs") under the Power Purchase Agreement described below. Phase III Purchasers are responsible for paying their share of debt service on the outstanding 2006 Bonds and the Bonds, together with their share of operation and maintenance costs of the Project and of debt service on bonds issued to finance other Phases of the Project in which they participate. THE BONDS ARE *NOT* SECURED BY AN INTEREST IN THE REVENUES OR ASSETS OF ANY OTHER ENERGY NORTHWEST PROJECT OR SYSTEM. See "SECURITY FOR THE BONDS" herein. THE BONDS WILL NOT BE SECURED BY A MORTGAGE, DEED OF TRUST OR OTHER SECURITY INTEREST IN THE PHYSICAL ASSETS OF THE PROJECT.

The Bonds and other Parity Bonds additionally are secured by money on deposit in the Reserve Account of Energy Northwest's "Wind Project Revenue Bond Account." The Reserve Account was funded with proceeds of the Parity Bonds and as of October 1, 2014 contained $9,832,282 of cash and securities. Energy Northwest will use available funds in the Reserve Account to satisfy the Reserve Account Requirement for the Bonds, which is $4,530,457. Energy Northwest has reserved the right to substitute certain financial instruments for cash on deposit in the Reserve Account. See "SECURITY FOR THE BONDS—Reserve Account" herein.

Energy Northwest has reserved the right to issue additional bonds and incur other debt ("Future Parity Bonds") with a lien on the Net Revenue that is equal to the lien thereon securing the outstanding 2006 Bonds, 2012 Bonds, the 2014 Bonds and Bonds, as described under the heading "SECURITY FOR THE BONDS—Future Parity Bonds."

For more information regarding the security and sources of payment for the Bonds, see "SECURITY FOR THE BONDS."

The Wind Project System

The Wind Project System, including Phase I, Phase II, and Phase III, has been created as a separate system of Energy Northwest. The Bond Resolution defines the Wind Project System to include the properties, rights and assets to be owned or operated by Energy Northwest as the Project and used or useful for the provisioning and sale of power from the Project. See "THE PROJECT AND THE WIND PROJECT SYSTEM" herein. The Wind Project System does not include Energy Northwest's other projects, facilities or systems, or any future facilities that are constructed or acquired by Energy Northwest as part of a system declared by Energy Northwest's Board of Directors to be separate from the Wind Project System.

The Power Purchase Agreement

Energy Northwest has entered into the Second Amended and Restated Nine Canyon Wind Project Power Purchase Agreement dated October 30, 2006 (the "Power Purchase Agreement") with the following PUDs: PUD No. 1 of Benton County, PUD No. 1 of Chelan County, PUD No. 1 of Cowlitz County, PUD No. 1 of Douglas County, PUD No. 1 of Franklin County, PUD No. 2 of Grant County, PUD No. 1 of Grays Harbor County, PUD No. 1 of Lewis County, PUD No. 3 of Mason County and PUD No. 1 of Okanogan County (collectively, the "Phase I Purchasers"). The Power Purchase Agreement sets forth the terms and conditions under which the Phase I Purchasers obtain shares of Project Output in exchange for paying certain costs of the Project, including amounts equal to debt service on the outstanding 2014 Bonds. In addition, the Power Purchase Agreement sets forth the terms and conditions under which PUD No. 1 of Chelan County, PUD No. 1 of Douglas County, PUD No. 1 of Grays Harbor County, PUD No. 1 of Okanogan County and PUD No. 3 of Mason County (collectively, the "Phase II Purchasers") obtain additional shares of Project Output in exchange for paying certain costs of the Project, including debt service on the 2012 Bonds. The Power Purchase Agreement also sets forth the terms and conditions under which PUD No. 1 of

Benton County, PUD No. 1 of Franklin County, PUD No. 1 of Grays Harbor County, PUD No. 1 of Lewis County and PUD No. 3 of Mason County (collectively, the "Phase III Purchasers") obtain additional shares of Project Output in exchange for paying costs of the Project, including debt service on the 2006 Bonds and the Bonds. The Phase I Purchasers, the Phase II Purchasers, and the Phase III Purchasers are collectively referred to in this Official Statement as the "Purchasers."

Bondowners' Considerations and Risks

In assessing the security provided by the Power Purchase Agreement, prospective purchasers of the Bonds should consider the following factors, as well as other information contained in this Official Statement, prior to purchasing the Bonds:

- Phase I Purchasers are obligated to pay a share of the annual operating and maintenance costs in addition to a share of the amount equal to debt service on the 2014 Bonds. Phase II Purchasers are required to pay a share of annual operating and maintenance costs in addition to a share of an amount equal to debt service on the 2012 Bonds. Phase III Purchasers are required to pay a share of annual operating and maintenance costs in addition to a share of an amount equal to debt service on the outstanding 2006 Bonds and the Bonds. Phase II Purchasers or Phase III Purchasers (that are not also Phase I Purchasers), if any, are *not* required to pay an amount calculated as a share of debt service on the 2014 Bonds. Phase I and III Purchasers (that are not also Phase II Purchasers) are not required to pay an amount calculated as a share of debt service on the 2012 Bonds. Phase I and II Purchasers (that are not also Phase III Purchasers) are not required to pay an amount calculated as a share of debt service on the 2006 Bonds and the Bonds. However, since the Bonds are secured by a pledge of Net Revenue on a parity with the outstanding 2006 Bonds, 2012 Bonds and 2014 Bonds, a default by a Phase I or Phase II Purchaser may affect Bondowners.

- The obligations of each Purchaser under the Power Purchase Agreement are in each case special and limited obligations, payable solely from the revenues derived from the ownership and operation of the retail distribution electric system of the Purchaser. No Purchaser has pledged or agreed to use its taxing power to meet its payment obligations to Energy Northwest under the Power Purchase Agreement. See "Factors Affecting Purchasers" below. The payment obligation of each Purchaser under the Power Purchase Agreement is a several and not a joint obligation with that of any other Purchaser. Except as described in the following bullet item, no Purchaser is the guarantor of the obligations of any other Purchaser.

- If one or more Purchasers fails to pay amounts due under the Power Purchase Agreement with regard to any of Phase I, Phase II or Phase III, Energy Northwest may require each non-defaulting Purchaser of the applicable phase to pay up to an additional 25% of its Purchaser's Share of that phase to cover the deficiency caused by the defaulting Purchaser's failure to pay. Each nondefaulting Purchaser will be assigned a portion calculated based on such Purchaser's share of the unpaid Annual O&M Budget and Phase I, Phase II and/or Phase III Debt Service, as applicable. No Phase II Purchaser or Phase III Purchaser will be assigned a share of debt service on the 2014 Bonds (other than in its capacity as a Phase I Purchaser); no Phase I Purchaser or Phase III Purchaser will be assigned a share of debt service on the 2012 Bonds (other than in its capacity as a Phase II Purchaser); and no Phase I Purchaser or Phase II Purchaser will be assigned a share of debt service on the outstanding 2006 Bonds and the Bonds (other than in its capacity as a Phase III Purchaser). In addition, each Purchaser's total payment obligation in any Fiscal Year is limited by a Payment Cap, as defined in the Power Purchase Agreement. THE "STEP-UP" PROVISION IS NOT SUFFICIENT TO COVER A DEFAULT BY ANY SINGLE PURCHASER (OR COMBINATION OF PURCHASERS) HAVING A SHARE (OR COMBINED SHARES) IN A PARTICULAR PHASE IN EXCESS OF 20%. See "THE PROJECT AND THE WIND PROJECT SYSTEM—The Power Purchase Agreement—*Purchasers' Shares*" for a table showing each Purchaser's share of Project output.

- Energy Northwest may terminate the Power Purchase Agreement in whole, or with regard to a single Purchaser, to the extent a Purchaser has materially breached a material representation, warranty, or covenant in the Power Purchase Agreement and the breach continues without cure for a specified period of time after notice thereof. If the Power Purchase Agreement is terminated in whole or with respect to a single Purchaser, the defaulting Purchaser will remain obligated to pay its respective share of debt service on the Parity Bonds.

See “THE PROJECT AND THE WIND PROJECT SYSTEM” and Appendix C herein for a description of the Power Purchase Agreement. See Appendix A for information regarding the Phase III Purchasers.

The Purchasers

The Purchasers are municipal corporations under State law, nine of which also are members of Energy Northwest. Each Purchaser owns, maintains and operates a retail distribution electric system. Each Purchaser is entitled to receive a specific share of Project Output. PUD No. 1 of Grays Harbor County, PUD No. 1 of Okanogan County and PUD No. 2 of Grant County are entitled to receive the largest shares of Project Output. See “THE PROJECT AND THE WIND PROJECT SYSTEM—The Power Purchase Agreement—*Purchaser's Shares*” for a table showing each Purchaser's respective share of the Project Output. A Purchaser may assign its rights, interests and obligations under the Power Purchase Agreement with the prior written approval of Energy Northwest and the other Purchasers. See “SECURITY FOR THE BONDS—Certain Covenants” herein for a description of conditions that must be satisfied before Energy Northwest will approve any such assignment. All of the Purchasers except Douglas PUD are members of Energy Northwest.

For more information regarding the Purchasers, see “THE PURCHASERS” herein and Appendix A (with respect to the Phase III Purchasers).

Factors Affecting the Purchasers

Various factors could affect the ability of the Purchasers to meet their payment obligations to Energy Northwest under the Power Purchase Agreement. The obligation of a Purchaser under the Power Purchase Agreement is payable solely from the revenues of the retail distribution electric system operated by such PUD (and not from the revenues of any generating systems operated by such PUD). Accordingly, the factors affecting such Purchasers' ability to meet their obligations under the Power Purchase Agreement include the factors now affecting the operations of electric utilities generally and the operations of Pacific Northwest electric utilities in particular. For more information regarding the Purchasers, see “THE PURCHASERS” herein and Appendix A (with respect to the Phase III Purchasers).

Forward-Looking Statements

Statements in this Official Statement that are not historical information are forward-looking statements within the meaning of the federal securities laws. These forward-looking statements include the discussions of Energy Northwest's expectations regarding the operation and utilization of the Project, the performance by the Purchasers of their obligations under the Power Purchase Agreement, factors affecting the electric utility industry and other matters. In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. Although Energy Northwest believes that its expectations regarding future events are based on reasonable assumptions within the scope of its knowledge, Energy Northwest can give no assurance that its goals will be achieved or that its expectations regarding future developments will be realized. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by these statements.

DESCRIPTION OF THE BONDS

General

The Bonds will be dated as of their date of delivery. The Bonds will be issued in the aggregate principal amount set forth on the cover page of this Official Statement, in denominations of $5,000 or any integral multiple thereof within a maturity, and will bear interest from their date of delivery. Interest on the Bonds will be payable semiannually on each January 1 and July 1, commencing July 1, 2015. The Bonds will bear interest at the rates, and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Bonds are being issued only as fully registered bonds under a book-entry system and will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC") in New York, New York, which will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing their interest in such Bonds. Payments on the Bonds will be made by U.S. Bank National Association, as Bond Registrar, to DTC, which is obligated to remit both principal and interest when due to its participants for subsequent disbursements to beneficial owners of the Bonds. See Appendix E attached hereto for a description of DTC and its book-entry system.

If the book-entry system of transfer for the Bonds is discontinued, Energy Northwest will execute and deliver to the beneficial owners of the Bonds, Bonds in fully registered form, in authorized denominations. Thereafter, the principal of the Bonds shall be payable upon due presentment and surrender thereof at the principal corporate trust office of the Bond Registrar, interest on the Bonds will be payable by check mailed on the date on which due to the Bondowners in whose names such Bonds are registered, at the address appearing upon the registration books on the 15th day of the month preceding the interest payment date (the "record date") (or, if so requested in writing by the Registered Owner of at least $1,000,000 principal amount of Bonds, such interest will be paid by electronic transfer on the date due to an account with a bank located within the United States), and the Bonds will be transferable as described under the following heading.

Transfer and Exchange

General. Beneficial ownership interests in the Bonds will be subject to transfer and exchange pursuant to DTC's operating procedures, as described in Appendix E hereto.

Transfer and Exchanges of Bonds if the Book-Entry System Is Discontinued. During any period in which the Bonds are not subject to DTC's book-entry system, the Bonds may be transferable only upon the Bond Registrar's registration books upon surrender thereof to the Bond Registrar together with the assignment form duly executed by the Bondowner or the Bondowner's duly authorized agent. During any time the Bonds are not subject to DTC's book-entry system, the Bonds may be exchanged at the principal office of the Bond Registrar for a like aggregate principal amount of Bonds of an authorized denominations of the same maturity date and interest rate. The Bond Registrar is not obligated to transfer or exchange any Bond during the period beginning on the record date preceding an interest payment date and ending on the interest payment date.

Redemption Provisions

Optional Redemption. The Bonds maturing on or prior to July 1, 2025 are not subject to redemption prior to their stated maturity dates. The Bonds maturing on and after July 1, 2026, are subject to redemption at the option of the District prior to their stated maturity dates at any time on or after July 1, 2025, as a whole or in part (within one or more maturities selected by the District), at a price equal to the stated principal amount to be redeemed plus accrued interest, if any, to the date fixed for redemption.

Partial Redemption of any Bond. If less than all of the Bonds are to be redeemed at the option of Energy Northwest, Energy Northwest may select the maturity or maturities to be redeemed. If less than all of the Bonds of any maturity are to be optionally redeemed, the Bonds or portions thereof to be redeemed are to be selected randomly by the Bond Registrar or DTC, as applicable, in accordance with their respective standard procedures.

The portion of any Bonds of a denomination of more than $5,000 to be redeemed will be in the principal amount of $5,000 or any integral multiple thereof and in selecting portions of such Bonds for redemption, the Bond Registrar will treat each such Bonds as representing that number of such Bonds of $5,000 denomination that is obtained by dividing the principal amount of such Bonds to be redeemed in part by $5,000.

Notice of Redemption. Written notice of any optional redemption of Bonds shall be given by Energy Northwest, which notice shall specify the Bonds to be redeemed, the redemption date and the place or places where the amount due upon such redemption will be payable and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that upon the date fixed for redemption there shall become due and payable upon each Bond to be redeemed the principal amount thereof plus the premium, if any, due thereon upon the redemption date, together with interest accrued to the redemption date, and that from and after the redemption date interest thereon, or on the portion of any Bond to be redeemed in part (unless Energy Northwest shall default in the payment of the Bonds, or of the portion of any Bond so to be redeemed in part) shall cease to accrue and become payable. Such notice shall be mailed by first class mail, postage prepaid, not less than 20 days nor more than 60 days before the redemption date to the Registered Owners of Bonds which are to be redeemed in whole or in part at their last addresses, if any, appearing upon the Bond Register. Whenever notice of redemption has been duly given as herein provided, Energy Northwest shall transfer to the Bond Registrar so to be redeemed amounts in cash which, in addition to other money, if any, held by such Bond Registrar for such purpose, will be sufficient to redeem, on the redemption date, all the Bonds so to be redeemed.

In the case of an optional redemption, the notice may state that Energy Northwest retains the right to rescind the redemption notice and the related optional redemption of the Bonds by giving a notice of rescission to the affected registered owners at any time prior to the scheduled optional redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

The foregoing notice provisions, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

Open Market Purchases. Energy Northwest may purchase any of the Bonds offered to Energy Northwest at any price deemed reasonable by Energy Northwest at any time.

PURPOSE AND APPLICATION OF BOND PROCEEDS

Energy Northwest is issuing the Bonds to advance refund all of the 2006 Bonds maturing on and after July 1, 2017, as described below, and to pay the costs of issuing the Bonds.

Refunding Plan

In order to effect debt service savings, all of the following 2006 Bonds (the "Refunded Bonds") will be refunded with a portion of the proceeds of the Bonds.

REFUNDED BONDS

Bond	Maturity Date	Par Amount	Interest Rate	Redemption Date	Redemption Price	CUSIP Numbers
Term Bond	7/1/2021	$16,470,000	5.00%	7/1/2016	100%	29270MCT8
Term Bond	7/1/2026	21,025,000	5.00	7/1/2016	100	29270MCU5
Term Bond	7/1/2030	20,770,000	4.50	7/1/2016	100	29270MCV3
Total		$58,265,000				

A portion of the net proceeds from the sale of the Bonds will be irrevocably deposited in the Refunding Account (the "Refunding Account") and held in cash or may be used to purchase direct, non-callable obligations of the United States of America (the "Escrow Obligations") to be held by U.S. Bank National Association (the "Refunding Trustee") under a refunding trust agreement (the "Refunding Trust Agreement"), dated the date of delivery of the Bonds, between the District and the Refunding Trustee. The Escrow Obligations will mature at such times and pay interest in such amounts that will provide, with other available funds held by the Refunding Trustee under the Refunding Trust Agreement, sufficient money to pay the interest on the Refunded Bonds coming due on and prior to the redemption date set forth above and to redeem and retire the Refunded Bonds on the redemption date set forth above at a price of 100% of the principal amount to be redeemed. Since all payments of principal of and interest on the Refunded Bonds will thereafter be provided for from money and securities on deposit with the Refunding Trustee under the Refunding Trust Agreement, the liens, pledges and covenants of the Refunded Bonds will terminate and be discharged and released.

An independent verification shall be obtained from BLX Group LLC stating that the Escrow Obligations held by the Refunding Trustee and the interest to be earned thereon, together with any money held by the Refunding Trustee, will be sufficient to make all interest payments to the redemption date for the Refunded Bonds and to pay the redemption price of the Refunded Bonds on the date fixed for redemption. The verification will also confirm the correctness of the mathematical computations supporting the conclusion of Bond Counsel that the Bonds are not "arbitrage bonds" as defined by Section 148 of the Internal Revenue Code of 1986, as amended.

Sources and Uses of Funds

Energy Northwest expects to use Bond proceeds as follows:

Sources of Funds	
Par Amount of the Bonds	$ 54,895,000
Original Issue Premium	7,671,165
Total	$ 62,566,165
Uses of Funds	
Deposit to Refunding Account	$ 62,153,488
Costs of Issuance(1)	412,677
Total	$ 62,566,165

(1) Includes the fees of the Underwriters, Bond Counsel, Bond Registrar, Energy Northwest's financial advisor and independent accountants, Refunding Trustee, Verification Agent and rating agencies. Amounts are rounded to nearest dollar.

SECURITY FOR THE BONDS

Pledge Under the Bond Resolution

Energy Northwest has pledged as security for the payment of the principal of, premium, if any, and interest on all Parity Bonds: (i) the Net Revenue (exclusive of any money credited to a fund or account for the purpose of paying arbitrage rebate to the federal government) and (ii) the proceeds of the sale of Parity Bonds until applied in accordance with the Bond Resolution, and the income therefrom, to the extent held in the funds and accounts established under the Bond Resolution or any resolution authorizing the issuance of Future Parity Bonds (other than a refunding escrow established to defease and redeem bonds). The Bond Resolution provides that such lien is binding as against all parties having claims of any kind in tort, contract or otherwise against Energy Northwest, regardless of whether such parties have notice thereof. It also declares the pledge of the Net Revenue to be a prior lien and charge on the Net Revenue superior to all other liens and charges of any kind or nature and on a parity of lien with the outstanding 2006 Bonds, 2012 Bonds, 2014 Bonds, the Bonds and any Future Parity Bonds.

Energy Northwest is obligated under the Bond Resolution to deposit Net Revenue into the Bond Account in an amount sufficient (together with other available funds on hand in the Bond Account) to pay the principal of, premium, if any, and interest on all Parity Bonds as such become due and payable. Deposits into the Debt Service Account are required to be made on or before each date upon which an installment of interest or principal becomes due on the Parity Bonds.

Limitations on Security

Limited Obligations of Wind Project System. The Bonds are special limited obligations of the Wind Project System and are not secured by an interest in the revenues or assets of any other Energy Northwest project or system. THE BONDS DO NOT CONSTITUTE A GENERAL OBLIGATION OF ENERGY NORTHWEST OR ANY PURCHASER OR OTHER MEMBER OF ENERGY NORTHWEST, NOR ARE THE FULL FAITH AND CREDIT OF ENERGY NORTHWEST OR ANY PURCHASER OR OTHER MEMBER OF ENERGY NORTHWEST PLEDGED TO THE PAYMENT OF PARITY BONDS.

No Recourse to Physical Assets of the Project. Washington State law does not authorize Energy Northwest to grant a security interest in the ground leases, the wind turbines or the other physical assets of the Project. The Bonds are not secured by a mortgage, deed of trust or other security interest in the physical assets of the Project. Bondowners will have no right to foreclose upon the Project's assets in the event Energy Northwest defaults with respect to its obligations under the Bond Resolution.

No Assignment for Benefit of Bondowners. Energy Northwest is not required by the Bond Resolution or any other agreement to assign to Bondowners, or a trustee acting on their behalf, its rights under the Project ground leases, the Benton Agreement or any other agreement, permit or approval relating to the Project. If an Event of Default occurs under the Bond Resolution, Bondowners will have no ability to compel parties other than Energy Northwest to perform under such agreements. Furthermore, the rights of any one Bondowner to institute any action, suit or proceeding at law or in equity for the enforcement of Energy Northwest's obligations under the Bond Resolution will be limited, as described in Appendix B hereto, under the heading "Suits by Individual Bondowners Restricted." Generally, the owners of all Parity Bonds must be represented by a single Bondowners' Trustee in any action to compel performance by Energy Northwest of its obligations under the Bond Resolution. See Appendix B hereto under the heading "Bondowners' Trustee." The Bondowners' Trustee likewise will have no ability to compel parties other than Energy Northwest to perform under the various Project agreements.

Flow of Funds

The primary source of payment for the Parity Bonds is Net Revenue. Net Revenue means Gross Revenue minus Costs of Maintenance and Operation. Gross Revenue means all income and revenues received by Energy Northwest from the sale of power through the ownership or operation of the Wind Project System and all other commodities, services and facilities sold, furnished or supplied by Energy Northwest through the ownership or operation of the Wind Project System, including payments received from the Purchasers under the Power Purchase Agreement and the proceeds of any performance bond or insurance securing performance under any construction contract, together with the investment income earned on money held in any fund or account of Energy Northwest, including any bond redemption funds and the accounts therein, in connection with the ownership and operation of the Wind Project System (but exclusive of income derived from investments irrevocably pledged to the payment of any specific revenue bonds of Energy Northwest, such as bonds refunded or defeased, investment income earned on money in any arbitrage rebate account, and grants for capital purposes). See the Bond Resolution, a summary of which is attached as Appendix B hereto for other capitalized terms used but not defined herein.

Energy Northwest is required to deposit all Gross Revenue into the Revenue Fund (other than earnings on money in any arbitrage rebate account or any bond account), and to use Gross Revenue only for the following purposes and in the following order of priority:

(i) to pay Costs of Maintenance and Operation and to fund the Operating Reserve Account (including REPI Subaccounts therein);

(ii) to make all payments required to be made into the Bond Account for the payment of accrued interest on Parity Bonds on the next interest payment date;

(iii) to make all payments required to be made into the Debt Service Account in the Bond Account for the payment of the principal amount of Serial Bonds next coming due, and into such Debt Service Account for the mandatory redemption amount of Term Bonds when due, and to make any Payment Agreement Payments with respect to any Payment Agreement;

(iv) to make all payments required to be made into the Reserve Account in the Bond Account, or to meet a reimbursement obligation with respect to any Qualified Insurance or Qualified Letter of Credit or other credit enhancement device, if so required by resolution of Energy Northwest's Executive Board;

(v) to make all payments required to be made into any special fund or account created to pay or secure the payment of the principal of and interest on any revenue bonds or other revenue obligations of Energy Northwest having a lien upon Gross Revenue and money in the Revenue Fund and Bond Account junior to the lien thereon for the payment of the principal of and interest on the Parity Bonds; and

(vi) after all of the above payments and credits have been made, amounts remaining in the Revenue Fund may be used for any other lawful purpose of the Wind Project System.

Reserve Account

The Parity Bonds are secured by money, if any, on deposit in the Reserve Account in the Bond Account held by Energy Northwest under the terms of the Bond Resolution. Energy Northwest is required to cure any deficiency in the Debt Service Account from cash and investments in the Reserve Account. If a deficiency still exists after cash is withdrawn from the Reserve Account, Energy Northwest is required to draw upon any Qualified Letter of Credit or Qualified Insurance credited to the Reserve Account. Any reduction in the Reserve Account by reason of any such withdrawal must be made up within 90 days of such reduction from money in the Revenue Fund first available after making the specified payments into the Debt Service Account and after paying and making necessary provision for the payment of Costs of Maintenance and Operation and deposits into the Operating Reserve Account (including the REPI Subaccounts therein).

The Reserve Account was funded with proceeds of the outstanding Parity Bonds and from Revenues of the Project. The Reserve Account contained $9,832,282 as of October 1, 2014, all of which is in cash and securities. The Reserve Account Requirement for the 2006 Bonds upon the issuance of the Bonds will be $393,351, for the 2012 Bonds is $775,000, for the 2014 Bonds is $4,085,000 and for the Bonds is $4,530,457. The amount in the Reserve Account for the 2006 Bonds in excess of the Reserve Account Requirement for the 2006 Bonds upon the issuance of the Bonds will be used to fund the Reserve Account Requirement for the Bonds. Each resolution authorizing the issuance of Future Parity Bonds is required to specify the Reserve Account Requirement, if any, for such Future Parity Bonds. The Reserve Account Requirement for all Parity Bonds is the sum of the Reserve Account Requirements of each series of Parity Bonds. The security for the Bonds provided by the Reserve Account may be diluted if Future Parity Bonds are issued and no Reserve Account Requirement is specified for such bonds.

Energy Northwest may reduce the Reserve Account Requirement on a pro rata basis upon the defeasance of any Parity Bonds. Energy Northwest may transfer to the Revenue Fund amounts in the Reserve Account that are in excess of the Reserve Account Requirement for any issue of Parity Bonds. If the amount in the Reserve Account is valued at less than the Reserve Account Requirement for any issue of Parity Bonds, Energy Northwest must credit to the Reserve Account, by the 25th day of each of the six succeeding calendar months, one-sixth of the amount necessary to fund the Reserve Account to the Reserve Account Requirement for such issue of Parity Bonds.

Energy Northwest may obtain Qualified Insurance or a Qualified Letter of Credit for specific amounts required to be maintained in the Reserve Account. The face amount of any such Qualified Insurance or Qualified Letter of Credit will be credited against the amounts required to be maintained in the Reserve Account. Such Qualified Letter of Credit or Qualified Insurance shall not be cancelable on less than five years' notice.

If Energy Northwest elects to use a Qualified Letter of Credit or Qualified Insurance to satisfy its obligations to maintain amounts in the Reserve Account as to one issue of Parity Bonds, Energy Northwest may contract with the entity providing such Qualified Letter of Credit or Qualified Insurance that Energy Northwest's reimbursement obligation, if any, to such entity ranks on a parity of lien with payments into the Reserve Account to secure the Bonds.

Certain Covenants

In the Bond Resolution and the resolutions authorizing the 2006 Bonds, the 2012 Bonds and the 2014 Bonds, Energy Northwest makes certain covenants relating to the security for the Bonds. These include covenants:

- to bill Phase I Purchasers under the Power Purchase Agreement for their share of annual costs of the Project and debt service on the 2014 Bonds, to bill Phase II Purchasers under the Power Purchase Agreement for their share of annual costs of the Project, and debt service on the 2012 Bonds, and to bill Phase III Purchasers under the Power Purchase Agreement for their share of annual costs of the Project, and debt service on the outstanding 2006 Bonds and the Bonds;

- to collect Gross Revenues that are sufficient for the payment of the principal of, and interest on, all outstanding Parity Bonds, for the proper operation and maintenance of the Wind Project System, and for the payment of all amounts that Energy Northwest may become obligated to pay from the Gross Revenue;

- to maintain the Wind Project System in good repair, working order and condition, and to operate the Wind Project System in an efficient manner and at reasonable cost;

- not to amend the Power Purchase Agreement in any manner that would increase or reduce a Phase I Purchaser, Phase II Purchaser or Phase III Purchaser's obligation to pay its share of debt service on the outstanding 2006 Bonds, the 2012 Bonds, the 2014 Bonds and the Bonds, as applicable, other than to allow for the substitution of a Phase I Purchaser, Phase II Purchaser, or Phase III Purchaser(s) if (1) the new purchaser is rated at least "A3" or better by Moody's or "A-" or better by S&P, (2) the new Phase I Purchaser, Phase II Purchaser or Phase III Purchaser's Share of Phase I, Phase II, or Phase III Debt Service, respectively (as those terms are defined in the Power Purchase Agreement) does not exceed 25%, (3) the tax-exempt status of the Bonds will not be affected, and (4) the new purchaser executes the Power Purchase Agreement or an agreement substantially in the form of the Power Purchase Agreement (for purposes of this paragraph, to the extent any Phase I Purchaser, Phase II Purchaser or Phase III Purchaser's obligation to pay debt service on the outstanding 2006 Bonds, the 2012 Bonds, the 2014 Bonds and the Bonds, as applicable, is increased, that Phase I Purchaser, Phase II Purchaser, or Phase III Purchaser will be treated as a "new" Phase I Purchaser, Phase II Purchaser or Phase III Purchaser, respectively, and to the extent any new Phase I Purchaser, Phase II Purchaser or Phase III Purchaser becomes an Obligated Person, Energy Northwest will cause that Phase I Purchaser, Phase II Purchaser or Phase III Purchaser to execute and deliver to Energy Northwest a continuing disclosure undertaking that satisfies the requirements of Rule 15c2-12);

- to enforce, on behalf of Bondholders, all continuing disclosure undertakings made by Obligated Persons;

- not to issue any obligation or create additional indebtedness that has a lien and charge on the Gross Revenue and funds of the Wind Project System prior to the lien and charge thereon established by the Bond Resolution; and

- not to issue bonds or other obligations on a parity of lien with the Bonds, the outstanding 2006 Bonds, 2012 Bonds and 2014 Bonds, other than Future Parity Bonds, reimbursement obligations associated therewith and Payment Agreements.

Future Parity Bonds

Energy Northwest has reserved the right to issue Future Parity Bonds (and to incur obligations under reimbursement agreements) for any lawful purpose relating to the Wind Project System, subject to the conditions in the Bond Resolution and summarized below. "Future Parity Bonds" are defined to be bonds and other debt issued by Energy Northwest that have a lien upon Net Revenue for the payment thereof equal to the lien upon Net Revenue for the payment of the outstanding 2006 Bonds, 2012 Bonds, 2014 Bonds and Bonds. Before Future Parity Bonds can be issued, the following conditions must be satisfied:

- at the time such Future Parity Bonds are issued, there must be no deficiency in the Bond Account or in any account therein;

- the Power Purchase Agreement (or an agreement substantially in the form of the Power Purchase Agreement) must be in effect such that all amounts payable on account of such Future Parity Bonds are obligated to be paid;

- the resolution authorizing the issuance of the Future Parity Bonds must require that an amount (if any) be deposited into the Reserve Account, when the Future Parity Bonds are issued, equal to the Reserve Account Requirement (if any) for such Future Parity Bonds; and

- no Event of Default must have occurred and be continuing under the Bond Resolution.

If Energy Northwest elects to secure any issue of variable rate bonds through the use of a letter of credit, insurance or other credit enhancement device, Energy Northwest may contract with the entity providing such letter of credit, insurance or other credit enhancement device that Energy Northwest's reimbursement obligation, if any, to such entity ranks on a parity of lien with the Parity Bonds; provided that the payments due under such reimbursement obligation are such that, if such reimbursement obligation were a series of Future Parity Bonds and assuming that such credit enhancement device were to be drawn upon for the full amount available, such Future Parity Bonds could be issued in compliance with the conditions for issuing Future Parity Bonds that are summarized above.

See Appendix B hereto under the heading "Payment Agreements" for a summary of the Bond Resolution provisions allowing for Payment Agreements to have a parity of lien with the Parity Bonds.

Other than potentially refunding Parity Bonds, Energy Northwest does not expect to issue additional Future Parity Bonds.

Subordinate Bonds

Energy Northwest may issue bonds, notes or other obligations payable from and secured by a lien on the Net Revenue and funds of the Wind Project System that is junior to the lien on such Net Revenue established in favor of the Parity Bonds.

No Acceleration

Neither a Bondowner nor any Bondowners' Trustee has the right under the Bond Resolution to accelerate the payment of debt service on the Bonds upon the occurrence of an Event of Default. Energy Northwest thus would be liable only for principal and interest payments as they became due, and the Bondowners would be required to seek a separate judgment for each payment, if any, not made. Any such action for money damages would be subject to any limitations on legal claims and remedies against public bodies under Washington law. Amounts recovered would be applied to unpaid installments of interest prior to being applied to unpaid principal and premium, if any, which had become due. See Appendix B hereto for a summary of Bondowner rights under the Bond Resolution if an Event of Default occurs.

DEBT SERVICE REQUIREMENTS

The following table gives debt service requirement for the 2006 Bonds, the 2012 Bonds, the 2014 Bonds and for the Bonds. Principal payments on term bonds are shown during the years in which Sinking Fund Installments are due.

Annual Debt Service Requirements for the Parity Bonds(1)

Bond Year Ending July 1	2006 Bonds Debt Service(2)	2012 Bonds Debt Service	2014 Bonds Debt Service	The Bonds Principal	The Bonds Interest	The Bonds Total	Total Debt Service
2015	$ 2,843,625	$ 1,615,650	$ 5,120,250	--	$ 1,182,917	$ 1,182,917	$ 10,762,442
2016	2,982,000	1,617,150	5,122,250	--	2,550,000	2,550,000	12,271,400
2017	--	1,621,550	5,124,250	$ 2,815,000	2,550,000	5,365,000	12,110,800
2018	--	1,618,400	5,132,500	2,955,000	2,409,250	5,364,250	12,115,150
2019	--	1,621,900	5,141,250	3,105,000	2,261,500	5,366,500	12,129,650
2020	--	1,620,100	5,145,000	3,260,000	2,106,250	5,366,250	12,131,350
2021	--	1,622,850	5,158,500	3,425,000	1,943,250	5,368,250	12,149,600
2022	--	1,626,250	5,165,750	3,595,000	1,772,000	5,367,000	12,159,000
2023	--	1,627,500	5,176,500	3,775,000	1,592,250	5,367,250	12,171,250
2024	--	—	—	3,960,000	1,403,500	5,363,500	5,363,500
2025	--	—	—	4,160,000	1,205,500	5,365,500	5,365,500
2026	--	—	—	4,370,000	997,500	5,367,500	5,367,500
2027	--	—	—	4,585,000	779,000	5,364,000	5,364,000
2028	--	—	—	4,770,000	595,600	5,365,600	5,365,600
2029	--	—	—	4,960,000	404,800	5,364,800	5,364,800
2030	--	—	—	5,160,000	206,400	5,366,400	5,366,400
Total	$ 5,825,625	$ 14,591,350	$ 46,286,250	$ 54,895,000	$23,959,717	$ 78,854,717	$ 145,557,942

(1) Columns may not total due to rounding.
(2) Excludes the Refunded Bonds.

THE PROJECT AND THE WIND PROJECT SYSTEM

Authorization

Energy Northwest's Board of Directors approved the development and construction of Phase I by Resolution No. 1295 adopted on January 24, 2001, approved the development and construction of Phase II by Resolution No. 1310 adopted on April 23, 2003, and approved the development and construction of Phase III by Resolution No. 1326 adopted on April 26, 2006. Each Purchaser has approved the Power Purchase Agreement executed on behalf of such Purchaser.

The Power Purchase Agreement

Purchaser Payments. The Power Purchase Agreement obligates each Purchaser to pay, on a monthly basis, its share of the Project's Annual O&M Budget (as defined in the Power Purchase Agreement, the "Annual O&M Budget"), plus, in the case of each Phase I Purchaser, its share of debt service on the outstanding 2014 Bonds ("Phase I Debt Service"), in the case of each Phase II Purchaser, its share of debt service on the 2012 Bonds ("Phase II Debt Service"), and in the case of each Phase III Purchaser, its share of debt service on the 2006 Bonds and the Bonds ("Phase III Debt Service"), in each case, whether or not the Project is operating or capable of operating.

The Purchasers are required to make payments to Energy Northwest under the Power Purchase Agreement only from the revenues derived from the ownership and operation of their retail electric distribution systems. The Purchasers are not required to make payments under the Power Purchase Agreement from the revenues of their generating systems if such systems are separate from their electric distribution system. Each Purchaser agrees in the Power Purchase Agreement to establish, maintain and collect rates and charges for power and energy and other services, facilities and commodities sold, furnished or supplied by it through its electric utility properties which will be adequate, in the sole judgment of each Purchaser, to provide revenues sufficient to enable the Purchaser to make its required payments under the Power Purchase Agreement. THE PURCHASERS' OBLIGATIONS TO MAKE PAYMENTS UNDER THE POWER PURCHASE AGREEMENT ARE NOT SECURED BY ANY SECURITY INTEREST IN THE PURCHASERS' ASSETS OR BY ANY STATUTORY LIEN ON THE INCOME AND REVENUES DERIVED BY THE OPERATION OF THE PURCHASERS' ELECTRIC UTILITY SYSTEMS.

Each Purchaser's payments under the Power Purchase Agreement are treated as payment of an operating expense for so long as the Project is generating electricity or is capable of generating electricity. For all Purchasers, payments made under the Power Purchase Agreement will be senior to payments on the Purchasers' outstanding and future indebtedness relating to their retail distribution electric systems, at least for so long as the Project generates electricity. If the Project ceases to generate electricity, the Purchasers' obligations under the Power Purchase Agreement likely will be junior to the Purchasers' operating and maintenance costs and debt service expenses.

Purchaser's Shares. The following table shows the Purchasers and their respective Purchaser's Shares of Phase I, Phase II, and/or Phase III Debt Service, and the Annual O&M Budget.

Purchaser's Share Information(1)

Purchaser	Phase I Debt Service	Phase II Debt Service	Phase III Debt Service	Annual O&M Budget and Project Output
Grays Harbor PUD No. 1	12.50%	12.50%	37.52%	20.89%
Okanogan PUD No. 1	25.00	25.00	0.00	16.61
Grant PUD No. 2	25.00	0.00	0.00	12.54
Franklin PUD No. 1	4.17	0.00	25.00	10.49
Douglas PUD No. 1	6.25	43.59	0.00	10.23
Benton PUD No. 1	6.25	0.00	18.63	9.39
Chelan PUD No. 1	12.50	12.50	0.00	8.30
Lewis PUD No. 1	2.08	0.00	15.71	6.32
Mason PUD No. 3	2.08	6.41	3.14	3.14
Cowlitz PUD No. 1	4.16	0.00	0.00	2.09

(1) Rounded to the nearest hundredth; may not add due to rounding.

Step-Up Provisions. If a Phase I Purchaser, Phase II Purchaser or Phase III Purchaser fails to pay amounts due under a monthly billing statement for a period of more than 30 days, Energy Northwest may assign to all non-defaulting Purchasers of the applicable phase, on a pro rata basis, certain rights and obligations of the defaulting Purchaser (the "step-up" provision). The portion to be assigned to each nondefaulting Purchaser will be calculated based on such nondefaulting Purchaser's Share of the Annual O&M Budget and Phase I Debt Service, Phase II Debt Service or Phase III Debt Service not paid, as applicable. No Purchaser's Share (as defined in the Power Purchase Agreement) allocable to any Purchaser for a particular phase can be increased by more than 25% as a result of the "step-up" provision. In addition, no Phase II Purchaser or Phase III Purchaser will be assigned a share of debt service on the outstanding 2014 Bonds (other than in its capacity as a Phase I Purchaser), no Phase I Purchaser or Phase III Purchaser will be assigned a share of debt service on the 2012 Bonds (other than in its capacity as a Phase II Purchaser) and no Phase I Purchaser or Phase II Purchaser will be assigned a share of debt service on the 2006 Bonds and the Bonds (other than its capacity as a Phase III Purchaser). THE "STEP-UP" PROVISION IS NOT SUFFICIENT TO COVER A DEFAULT BY ANY SINGLE PURCHASER (OR COMBINATION OF PURCHASERS) HAVING A SHARE (OR COMBINED SHARES) IN A PARTICULAR PHASE IN EXCESS OF 20%.

Payment Cap. No Purchaser is required during any Fiscal Year to pay any amount of any Annual O&M Budget or applicable Debt Service budget in excess of a "Payment Cap" multiplied by its Purchaser's Share, without the consent of the Purchaser. The Payment Cap for each Purchaser has a fixed cost component (based on the applicable annual debt service requirements) and variable cost components. The fixed cost component is not subject to change. The variable cost components of the Payment Cap is subject to annual revision. For a summary of how this Payment Cap is determined, see Appendix C under the heading "Payment Cap." If the sum of the Annual O&M

Budget and the Debt Service budget for Purchasers of either Phase I, Phase II, or Phase III (after adjustment for any voluntary contribution by a Purchaser or Purchasers) for any year is greater than the payment cap for the applicable phase for that year, and the Purchasers do not consent to the excess amount, then Energy Northwest must terminate the Project. The defaulting Purchasers will remain obligated to pay debt of the applicable phase, including, in the case of the Phase III Purchasers, the principal of and interest on the Bonds.

Operating Reserve Account. The Power Purchase Agreement provides that the Operating Reserve Account balance will be maintained at $750,000 (not including amounts on deposit or credited to the applicable REPI Subaccount) or such other amount established by the Purchaser Committee. As of October 1, 2014, the balance in the Operating Reserve Account was $754,867. Money in the Operating Reserve Account will be used to pay operation and maintenance expenses included in an approved Annual O&M Budget and not covered by the monthly billing statement. See Appendix C hereto for a summary of other provisions of the Power Purchase Agreement relating to the Operating Reserve Account.

Reserve and Contingency Account. The Reserve and Contingency Account will be used for capital improvements, repairs and replacements described in the Annual O&M Budget. Energy Northwest deposited $800,000 of the proceeds of its Wind Project Revenue Bonds, Series 2001, which were used to construct Phase I of the Project, into the Reserve and Contingency Account. As of October 1, 2014, the balance in the Reserve and Contingency Account was $810,587. See Appendix C hereto for a summary of other provisions of the Power Purchase Agreement relating to the Reserve and Contingency Account.

Termination of Power Purchase Agreement. The Purchasers cannot terminate the Power Purchase Agreement unless the Project ceases to operate for 12 consecutive months and the Purchaser Committee determines that the continued operation of the Project is uneconomic; however, in such event, the Purchasers will remain obligated to pay their respective shares of debt service on the Parity Bonds.

Energy Northwest may terminate the Power Purchase Agreement in whole, or with regard to a single Purchaser, to the extent a Purchaser has materially breached a material representation, warranty, or covenant in the Power Purchase Agreement and the breach continues without cure for a specified period of time after notice thereof. If the Power Purchase Agreement is terminated by Energy Northwest in whole or with respect to a single Purchaser, the defaulting Purchasers (or Purchaser) will remain obligated to pay their respective shares of debt service on the Parity Bonds.

Energy Northwest is obligated under the Bond Resolution to use Parity Bond proceeds (and the income therefrom), if any, remaining in the Debt Service Account, the Reserve Account, the Operating Reserve Account and the Reserve and Contingency Account to repay the Parity Bonds. See "SECURITY FOR THE BONDS—Pledge Under the Bond Resolution" herein.

See Appendix C hereto for a more detailed summary of the payment and termination provisions of the Power Purchase Agreement.

Description of the Project

Description of Phase I. Phase I of the Project commenced Commercial Operation on September 25, 2002. Phase I's physical assets are comprised of 37 wind turbines, each of which has a rated capacity of 1.3 MW. The total capacity of Phase I of the Project is approximately 48.1 MW. Phase I also included a 4,800-square foot maintenance building and gravel access roads.

Description of Phase II. Phase II of the Project commenced Commercial Operation on December 31, 2003. Phase II's physical assets are comprised of 12 wind turbines substantially identical to the 37 Phase I wind turbines. Each turbine has a rated capacity of 1.3 MW, for a combined Phase II peak output of approximately 15.6 MW.

Description of Phase III. Phase III of the Project commenced Commercial Operation on May 8, 2008. Phase III's physical assets are comprised of 14 wind turbines of similar technology to the 49 Phase I and Phase II wind turbines. Each turbine has a rated capacity of 2.3 MW, for a combined Phase III peak output of approximately 32.2 MW.

Warranty. In November 2012, Energy Northwest requested Siemens to prepare a proposal for providing a Long Term Service Agreement ("LTSA") for Phase III of the Project. The original Site Maintenance and Warranty Agreement ("SMWA") expired on August 31, 2013. In March 2013, the Purchasers voted to authorize Energy Northwest to negotiate and execute a 15-year warranty extension contract with Siemens at an estimated cost of approximately $1.2 million per year (payable quarterly) over the 15-year period.

On August 23, 2013, Energy Northwest entered into the LTSA for the Phase III wind turbines to remain under a warranty provided by the original equipment manufacturer. The LTSA includes the following major components: continuous remote monitoring, SCADA maintenance, major component replacement, annual maintenance, broke fix coverage and availability guarantees.

Major Equipment Issues. Forty one gearbox and 30 main bearing failures have been experienced on Phase I and Phase II turbines. All failed gearboxes and all of the main bearings have been replaced. All but six of the gearboxes that failed were covered under warranty. The general warranty provisions covering the main bearings and gearboxes have expired for Phase I and Phase II. There was a settlement reached with Siemens in regards to Phase I and Phase II main bearings in April 2010. A resolution for both the prior gearbox and main bearing failures was implemented. Three gearboxes failed in December 2013 and January 2014, including the first failure of a gearbox that is not original equipment, all of which have been repaired without material cost.

Distribution and Transmission Facilities. PUD No. 1 of Benton County ("Benton PUD") holds legal title to and operates all of the distribution, substation and transmission interconnection facilities required for the delivery of Project output. The point of interconnection of the Project with Benton PUD's system is the 34.5-kV bushings of the pad-mounted step-up transformers located at the base of each wind turbine. Benton PUD's system connects to Bonneville Power Administration's ("Bonneville's") transmission system at a point approximately three miles from the Project site. See "Transmission Arrangements—*Benton PUD Responsibilities*" below. Any income Benton PUD and Bonneville derive from operating their respective transmission systems are not pledged to the payment of the Bonds.

Project Ownership. The Project facilities are owned and operated by Energy Northwest, subject to the leases with private land owners described below. The Project's generating capacity is owned by the Purchasers. Benton PUD holds legal title to the substation facility, on-site distribution system and related transmission facilities on land easements granted by the landowners described above. While the assets owned by Benton PUD are instrumental to the Project, they are not assets of the Project or the Wind Project System.

Location; Ground Leases. The Project is located on a 5,120-acre site in an unincorporated area of Benton County in Southeast Washington. The Project site is approximately 185 miles southeast of Seattle, Washington, approximately eight miles southeast of Kennewick, Washington, and straddles Jump Off Joe Butte in the Horse Heaven Hills. Primary access to the Project site is by means of Nine Canyon Road. The nearest community is the Town of Finley.

Energy Northwest leased the Project site from private landowners for the purpose of constructing the Project. The leases expire no earlier than December 1, 2040, subject to earlier termination if an event of default under a lease occurs and is not cured. The termination of the leases will affect the amount of output available from the Project (including all output if all leases are terminated). However, the Power Purchase Agreement nonetheless requires that the Purchasers pay Energy Northwest their respective Purchaser's Shares of the amount necessary to pay debt service on the Parity Bonds. See "THE PROJECT AND THE WIND PROJECT SYSTEM—The Power Purchase Agreement—*Termination of the Power Purchase Agreement*" herein. Energy Northwest is aware of no circumstances that reasonably can be expected to cause any lease agreement to be terminated before December 1, 2040.

Energy Northwest paid each landowner a one-time sum of $500 per megawatt generating capacity for wind turbines proposed to be erected on such landowner's property. Energy Northwest is required to pay rent on an annual basis in an amount equal to the greater of $1,500 per megawatt or 3.5% (which percentage can increase up to 4.5% based on monthly generation levels) of the gross revenues paid to Energy Northwest by the Purchasers that is allocable to the wind turbines located on the leased land. Energy Northwest anticipates that it may amend the lease terms relating to rent payments from time to time. The leases also require Energy Northwest to compensate the landowners if their property taxes are increased because the land is re-valued as a result of the Project or the land can no longer be classified as "open space" under State law. Energy Northwest has agreed to pay certain landowners the costs incurred if "Conservation Resource Program" leases between such landowners and the U.S. Department of Agriculture must be changed due to the Project. Energy Northwest may construct other electric generating projects on the land leased under such leases, including projects that are not included within the Wind Project System.

Plan of Operations

The Power Purchase Agreement requires Energy Northwest to operate and maintain the Project according to Prudent Utility Practice and in compliance with all applicable laws, regulations and ordinances. The Purchasers are required to provide Energy Northwest with management guidance, direction, and oversight with respect to the Project. The following is a discussion of certain factors relating to the operation of the Project.

Key Operating Statistics. Energy Northwest has nine full-time equivalent wind turbine technicians employed at the Project site. Certain administrative services for the Project are now and are expected to continue to be provided by Energy Northwest's current staff. Certain operating decisions for the Project—such as plans for scheduled outages—are developed by the Purchasers, as described in Appendix C hereto.

Operating results for the Project depend, in part, on matters over which Energy Northwest has no control, including weather. The Project (including Phase I, Phase II, and Phase III) has an average annual capacity factor of approximately 29%.

Scheduling and Shaping Arrangements. The Power Purchase Agreement obligates the Purchasers to arrange all scheduling, shaping and wheeling services required to accept delivery of their shares of Project Output. The Purchasers have developed satisfactory arrangements for these matters.

Historical Operating Results

The following tables show the historical operating results, annual generation and costs to Purchasers and Project cost and capacity performance for the Fiscal Years ending June 30, 2010 through June 30, 2014. As described under "SECURITY FOR THE BONDS," the Bond Resolution requires that Gross Revenue be sufficient to pay all obligations of the Project, including debt service. In addition to revenues collected in a year, Project funds on hand are used to pay debt service.

Nine Canyon Wind Project
Historical Operating Results
(Fiscal Year Ending June 30)[(1)]

	2010	2011	2012	2013	2014
Operating Revenue	$15,757,000	$16,250,000	$16,172,000	$18,999,000	$19,181,000
Operating Expenses					
Decommissioning	$ 78,000	$ 80,000	$ 82,000	$ 84,000	$ 86,000
Depreciation and Amortization	6,789,000	6,790,000	6,808,000	6,814,000	6,804,000
Operations and Maintenance	5,076,000	3,938,000	4,295,000	6,121,000	6,236,000
Administrative and General	34,000	34,000	41,000	34,000	401,000
Generation Tax	49,000	57,000	56,000	49,000	51,000
Total Operating Expenses	$12,026,000	$10,899,000	$11,282,000	$13,102,000	$13,578,000
Net Operating Revenues	$ 3,731,000	$ 5,351,000	$ 4,890,000	$ 5,897,000	$ 5,603,000
Adjustments to Net Operating Revenue					
Depreciation and Amortization	$ 6,773,000	$ 6,770,000	$ 6,780,000	$ 6,793,000	$ 6,793,000
Decommissioning	33,000	33,000	33,000	33,000	33,000
Other	48,000	(97,000)	84,000	37,000	770,000
Change in Operating Assets and Liabilities	176,000	139,000	(491,000)	173,000	(397,000)
Total Adjustments	$ 7,030,000	$ 6,845,000	$ 6,406,000	$ 7,036,000	$ 7,199,000
Other Revenues	$ 2,000,000[(2)]	$ 0	$ 0	$ 0	$ 0
Net Cash Provided (Used) by Operating and Other Activities	$ 12,761,000	$ 12,196,000	$ 11,296,000	$ 12,933,000	$ 12,801,000
Parity Bond Debt Service					
2003 Bonds	$ 1,741,013	$ 1,739,913	$ 0	$ 0	$ 0
2005 Bonds	5,648,100	5,648,475	5,641,600	5,735,100	5,737,850
2006 Bonds	3,446,650	3,552,650	3,658,150	5,787,900	5,790,400
2012 Bonds	0	0	0	1,602,528	1,612,400
2014 Bonds	0	0	0	0	438,839
Total debt service	$10,835,763	$10,941,038	$9,299,750	$13,125,528	$13,579,489

[(1)] Rounded to the nearest thousand.
[(2)] This amount is from the Siemens main bearing settlement agreement.

Nine Canyon Wind Project
Historical Annual Generation, Cost of Power
(Fiscal Year Ending June 30)

	2010	2011	2012	2013	2014
Net Annual Generation (GWh)	226.73	264.74	261.63	228.23	239.39
Cost of Power to Purchasers (cents/kWh)	7.88¢	6.56¢	6.69¢	7.91¢	7.83¢

Nine Canyon Wind Project
Project Cost and Capacity Performance

Fiscal Year	Cost of Power (Cents/KWh)	Average Capacity Factor	Actual Generation (GWh)	Total Operating Costs ($000s)
2014	7.83¢	29.4%	239.39	$18,750
2013	7.91	28.0	228.23	18,805
2012	6.69	32.0	261.63	17,467
2011	6.56	32.6	264.74	17,466
2010	7.88	28.0	226.73	16,506
2009	7.79	27.8	226.27	17,632
2008	6.05	32.3	237.33	15,484
2007	8.20	30.8	156.71	12,672
2006	7.30	29.5	158.34	10,890
2005	6.47	28.8	154.52	10,521

Insurance

The Power Purchase Agreement requires Energy Northwest to maintain (or cause to be maintained) property and casualty loss insurance for the depreciated value of the Project and other appropriate insurance for the Project in accordance with prudent wind industry practice. Energy Northwest is required to apply the proceeds of any insurance to replace the damaged portion of the Project and/or to retire Parity Bonds and other obligations relating to the Project. See Appendix C hereto for a summary of the insurance requirements of the Power Purchase Agreement.

Transmission Arrangements

The electrical output of each wind turbine is collected via a distribution system at 34.5-kV. That power is sent to the Nine Canyon Substation that is adjacent to the Project, where the power is transformed to 115-kV. The Project is connected to Bonneville's transmission system by means of the Benton PUD four-mile 115-kV transmission line extending from the Nine Canyon Substation to Bonneville's existing Badger-McNary 115-kV transmission line.

Benton PUD Responsibilities. On July 12, 2001, Energy Northwest and Benton PUD entered into a Construction, Operation, and Maintenance Agreement, as modified by Modification 6 effective June 7, 2006 (the "Benton Agreement"). The Benton Agreement required Benton PUD to design, construct and install a substation facility serving Phase I of the Project, the on-site distribution system, and related transmission facilities for Phase I.

The specific improvements owned and operated by Benton PUD include: (i) 34.5-kV underground and overhead distribution lines, together with related distribution fusing and switch equipment; (ii) 115-kV transmission lines and overhead switch equipment; and (iii) a substation that includes power circuit breakers and/or reclosers, protective relaying, supervisory control and data acquisition ("SCADA") and communications equipment, revenue metering equipment, power transformer(s), a control building and a 115-kV circuit switcher (collectively, "Interconnection Facilities"). The point of interconnection of the Project with the Interconnection Facilities is the 34.5-kV bushings of the step-up transformers located at each wind turbine. Benton PUD is responsible for operating and maintaining the step-up transformers located at each wind turbine.

Energy Northwest, under the Benton Agreement, financed the costs of designing, procuring and constructing the Interconnection Facilities out of bond proceeds and reimbursed Benton PUD for the costs Benton PUD incurred under its interconnection agreement with Bonneville. Energy Northwest is required to pay Benton PUD $5,000 per month, subject to annual escalation after 2002 (currently $99,000 a year), and established a $300,000 line item within the Operating Reserve Account to provide for the operation, maintenance and capital costs of the Interconnection Facilities (which amount may be increased in future years).

In anticipation of Phase II, Energy Northwest and Benton PUD amended the Benton Agreement to provide for the construction, operation and maintenance of the distribution system and substation modifications to provide interconnection of Phase II of the Project to the Bonneville electric grid. Subsequently, in anticipation of Phase III

Energy Northwest and Benton PUD amended the Benton Agreement to provide for the construction, operation and maintenance of the distribution system and substation modifications to provide interconnection of Phase III of the Project to the Bonneville electric grid.

Benton PUD may connect additional users to the Interconnection Facilities subject to Energy Northwest's approval. Prior to such connection, Benton PUD and Energy Northwest must agree upon a pro rata cost sharing to be paid by the new user or users which will offset Energy Northwest's costs of construction and operation of the Project.

Bonneville Transmission System. None of the Purchasers have a direct intertie to the Project. Each Purchaser takes deliveries of Project power through Bonneville's transmission system. Benton PUD and Bonneville entered into an agreement providing for the delivery and transmission of the electric energy produced at the Project to Bonneville's transmission system for the Project. This point of interconnection serves as the point of receipt for each Purchaser purchasing Nine Canyon generation. It is each Purchaser's responsibility to arrange for transmission service related to its respective share of Project output.

ENERGY NORTHWEST

General

Energy Northwest, a municipal corporation and a joint operating agency of the State of Washington, was organized in January 1957 pursuant to Chapter 43.52 of the Revised Code of Washington, as amended (the "Act"). Energy Northwest was formerly known as Washington Public Power Supply System. The name was officially changed to Energy Northwest on June 2, 1999. Energy Northwest has authority, among other things, to acquire, construct and operate plants, works and facilities for the generation of and transmission of electric power and energy and to issue bonds and other evidences of indebtedness for such purposes. Energy Northwest has the power of eminent domain, but is specifically precluded from the condemnation of any plants, works or facilities owned and operated by any city, public utility district or investor-owned utility. Energy Northwest has no taxing power.

In addition to the Project, Energy Northwest owns and operates the Columbia Generating Station and the Packwood Hydroelectric Project, which are currently in operation, and have net design electric ratings of 1,157 MW and 27.5 MW, respectively. Energy Northwest had four nuclear electric generating projects that have been terminated: Projects 1, 3, 4 and 5.

Each of Energy Northwest's projects is treated and accounted for by Energy Northwest as a separate utility system, with the exception of Projects 4 and 5, which together comprised a single utility system. Under Washington law, a joint operating agency may create separate special funds for each of its utility systems and Energy Northwest has done so. The resolutions of Energy Northwest pursuant to which its various series of bonds are issued provide that the income, receipts and revenues of each utility system are pledged solely to the payment of obligations incurred in connection with that utility system. See Appendix G—"AUDITED FINANCIAL STATEMENTS OF ENERGY NORTHWEST PROJECTS FOR THE YEAR ENDED JUNE 30, 2014" for the audited financial statements of each of Energy Northwest's projects, including the report of the independent auditors, PricewaterhouseCoopers LLP, for the fiscal year ended June 30, 2014. PricewaterhouseCoopers LLP has not participated in the preparation of or performed any procedures related to this Official Statement.

Organizational Structure

Energy Northwest currently has a membership of 27, consisting of 22 public utility districts and the cities of Centralia, Port Angeles, Richland, Seattle and Tacoma, all located in the State of Washington. Any public utility district and any municipal entity within the State of Washington authorized to engage in the business of generating or distributing electricity may join Energy Northwest.

Energy Northwest has its principal office in Richland, Washington. The Board of Directors of Energy Northwest is comprised of 27 utility members, one from each of the member utilities. Pursuant to the Act, the powers and duties of the Board of Directors are limited to (i) final authority on any decision to acquire, construct, terminate or decommission any power plants, works and facilities, except that once such a final decision is made with respect to a nuclear power plant, the Executive Board has authority to make all subsequent decisions regarding such plant; (ii) the election and removal of, and establishment of salaries for, the five members of the Executive Board selected from among the members of the Board of Directors; and (iii) the selection of three of the six members of the Executive Board who are outside directors. All other powers and duties of Energy Northwest, including but not limited to the authority to sell any power plant, works and facilities, are vested in the Executive Board.

The Act provides that five of the members of the Executive Board of Energy Northwest are elected by the Board of Directors from among its members and six are outside directors representative of policy makers in business, finance or science, or having expertise in the construction or management of facilities such as those owned by Energy Northwest. Three of these six outside directors are selected by the Board of Directors and three by the Governor of the State of Washington subject to confirmation by the Washington State Senate.

The five members of the Executive Board who are elected from among the Board of Directors serve for four-year terms and may be removed by a majority vote of the Board of Directors. The other members of the Executive Board serve for four-year terms and may be removed by the Governor of the State of Washington for incompetence, misconduct or malfeasance in office; provided, however, the three members appointed by the Governor may be removed without cause prior to their confirmation with the consent of the Washington State Senate. The Chief Executive Officer and other staff of Energy Northwest serve at the will of the Executive Board.

Executive Board

Present Executive Board members are listed below.

Name	Occupation	Term Expires
Sid W. Morrison, Chair	Retired Executive	June 2017
Jack Janda, Vice Chair	Public Utility District Commissioner	June 2018
Lori Kays-Sanders, Secretary	Public Utility District Commissioner	June 2018
David Remington, Assistant Secretary	Financial Consultant	June 2016
Marc Daudon	Management Consultant	June 2018
Linda Gott	Public Utility District Commissioner	June 2018
James Moss	Director of Energy, United Association of Plumbers & Pipefitters	June 2018
Skip Orser	Retired Nuclear Executive	June 2018
Will Purser	Public Utility District Commissioner	June 2018
Tim Sheldon	Washington State Senator	June 2016
Kathleen Vaughn	Public Utility District Commissioner	June 2018

Management

The following is a list of certain key senior staff of Energy Northwest.

Name	Position	Nuclear Industry Experience
Mark E. Reddemann	Chief Executive Officer	36 years
Bradley J. Sawatzke	Chief Operating Officer	32 years
Alex Javorik	Vice President, Engineering	34 years
William G. Hettel	Vice President, Operations	32 years
James W. Gaston	General Manager, Energy Services and Development	30 years
		Experience
Brent J. Ridge	Vice President, Corporate Services//Chief Financial Officer	24 years
Robert A. Dutton	General Counsel and Chief Ethics Officer	33 years

Employees

Energy Northwest currently employs approximately 1,194 employees. Of these employees, 317 are members of the International Brotherhood of Electrical Workers ("IBEW"), 136 are members of the United Steel Workers ("USW") and six are members of the Hanford Atomic Metal Trades Council ("HAMTC") unions. The IBEW union members comprise the Administrative, Nuclear, Travelers and Plant bargaining groups; the USW union members constitute the Security Force bargaining group; and the HAMTC union members comprise part of the Standards Lab Instrument Technicians. All bargaining agreements have been renegotiated and extend to either 2015 or 2016 depending on the agreement. A no-strike clause is included in each of the agreements. Energy Northwest considers labor relations to be satisfactory.

Investment of Funds

Energy Northwest invests its funds in accordance with the resolutions authorizing the issuance of its outstanding bonds, and its investment policy covers all funds and investment activities under the direct authority of Energy Northwest. Investment securities purchased consist generally of obligations of, or obligations the principal of and interest on which is unconditionally guaranteed by, the United States of America or other investment securities permitted by the related resolutions. The current investment policy does not permit the purchase of leveraged or derivative-based investments. See Note 3 of Appendix G.

Insurance

Energy Northwest maintains a risk management and insurance program that incorporates a combination of self-insurance, commercial insurance and nuclear property and liability insurance. Energy Northwest, as a licensee of the United States Nuclear Regulatory Commission, is subject to retrospective premiums for nuclear liability and property insurance for the Columbia Generating Station.

Commercial liability insurance is purchased to cover all Energy Northwest premises and operations. This insurance provides coverage for injury or damage arising from non-nuclear accidents or occurrences. Energy Northwest maintains nuclear insurance in accordance with regulatory and Energy Northwest risk management policies. See "THE PROJECT AND THE WIND PROJECT SYSTEM—Insurance" for information regarding insurance for the Project.

Retirement Plans and Other Post-Employment Benefits

Energy Northwest participates in certain retirement plans administered by the State of Washington. In addition, Energy Northwest offers a 401(k) Deferred Compensation Plan, a 457 Deferred Compensation Plan and other post-employment benefits. For information on these plans, see Notes 7 through 9 in the Audited Financial Statements of Energy Northwest Projects for the Year Ended June 30, 2014, attached hereto as Appendix G.

Energy Northwest and the Purchasers all participate in the State Public Employees Retirement System ("PERS"), which consists of defined benefit Plans 1 and 2 and a hybrid defined benefit/defined contribution Plan 3. PERS participants who joined the system by September 30, 1977 are Plan 1 members. Members now have the option of choosing Plan 2 or Plan 3. The current employer contribution rate to each plan is 9.21% of the covered payroll. Employees also contribute a percentage of their payroll. The State Actuary's actuarial valuation for Plan 1 as of June 20, 2013 showed a 63% funded ratio (unfunded liability of $4.831 billion) while Plans 2 and 3 had valuation assets that exceed their accrued liability by $537 million (a 102% funded ratio).

All systems are administered by the Washington State Department of Retirement Systems. Contributions by both employees and employers are based on gross wages. State law requires systematic actuarial funding to finance the retirement plans. Actuarial calculations to determine employer and employee contributions are prepared by the Office of the State Actuary, a nonpartisan legislative agency charged with advising the State Legislature and Governor on pension benefits and funding policy. The current contribution rates of employees and employers for PERS are 9.21% for employers and for employees 6.00% for PERS Plan 1, 4.92% for PERS Plan 2 and vary between 5.0% to 15.0% for PERS Plan 3. In July 2014, the State's Pension Funding Council adopted contribution rates to be phased in over three biennia, beginning with the 2015-2017 State biennium. For the 2015-2017 State biennium, employer rates for PERS Plans 1, 2 and 3 will be 11% (excluding any administrative fee) and the employee rate for PERS Plan 2 will be 6.12%. These rates are subject to revision by the State legislature. The Office of the State Actuary uses the Projected Unit Credit ("PUC") cost method and the Actuarial Value of Assets ("AVA") to report a plan's funded status. PUC is one of several acceptable measures of a plan's funded status under current GASB rules. The PUC cost method projects future benefits under the plan, using salary growth and other assumptions and applies the service that has been earned as of the valuation date to determine accrued liabilities. AVA is calculated using a methodology which smoothes the effect of short-term volatility in the Market Value of Assets ("MVA") by deferring a portion of annual investment gains or losses over a period of up to eight years.

Pension costs for Energy Northwest employees and post-employment life insurance benefit costs for retirees are calculated and allocated to each Energy Northwest business unit based on direct labor dollars. Nine Canyon accounted for less than 1% of Energy Northwest's total contribution to PERS in fiscal year 2014 of $19.1 million.

The Columbia Generating Station

The Columbia Generating Station ("Columbia") is an operating nuclear electric generating station located about 160 miles southeast of Seattle, Washington, near Richland, Washington on the Department of Energy's ("DOE") Hanford Reservation. The site has been leased from DOE for a term of 50 years commencing July 1, 1972, with options to extend the lease for two consecutive ten-year periods.

Columbia commenced commercial operation in 1984 and has a net design electric rating of 1,157 MW. Columbia consists of a General Electric Company-designed boiling water reactor and nuclear steam supply system, a Westinghouse turbine-generator and the necessary transformer, switching and transmission facilities to deliver the output to Bonneville transmission facilities located in the vicinity of Columbia. Bonneville has acquired the entire capability of Columbia under the Columbia Net Billing Agreements.

Columbia received a full operating license in March 1984, commenced commercial operation in December 1984, and has been in operation since that time. Since commencing commercial operation, Columbia has operated at a cumulative capacity factor of 73.6% and has generated 210,058,579 megawatt hours ("MWh") (net of station use) of electric power through June 2014. In the 10-fiscal years ending June 30, 2014, however, the cumulative capacity factor was 85.7%.

In May 2012, the Nuclear Regulatory Commission ("NRC") approved Columbia's 40-year operating license for an additional 20-years, extending operation of Columbia to 2043.

Packwood Lake Hydroelectric Project

Energy Northwest owns and operates Packwood, a hydroelectric generating facility which is capable of generating 26 MW of electricity. Packwood is located near the town of Packwood in Lewis County, Washington, approximately 75 miles southeast of Seattle, Washington. Packwood was granted a FERC operating license on March 1, 1960, and began commercial operation in June 1964. The initial FERC license has a duration of 50 years and expired on February 28, 2010. Based on the existing FERC licensing process, Energy Northwest initiated relicensing efforts in fiscal year 2005 and submitted an application requesting a new 50-year license to FERC in April 2008. On March 4, 2010, FERC issued a one-year extension to operate under the original license, which is indefinitely extended annually for continued operations, until a formal decision is issued by FERC and a new operating license is granted.

In fiscal year 2014, production at Packwood totaled 115,040 net MWhs, up 11% from the previous year primarily due to above average snowfall in the Cascade Mountains and a late spring runoff. Packwood's average availability during the last 12 years has been 98.6%, and has produced 4,735,798 MWh since commercial operation began. The electric power produced at the facility is expected to generate enough revenues to pay all Packwood costs. The Packwood participants are required to pay their share of the annual budget of the project, which includes debt service on Packwood bonds, if any, whether or not the project is producing power or capable of producing power.

Project 1

Project 1 is a partially completed nuclear electric generating project located about 160 miles southeast of Seattle, Washington, on DOE's Hanford Reservation, approximately one and one-half miles east of Columbia. Project 1 was terminated in May 1994. The Project 1 Project Agreement and the Project 1 Net Billing Agreements ended upon termination of Project 1, except for certain provisions relating to billing and payment processes. The Project 1 Post Termination Agreement facilitates the administration, budgeting and payment processes post termination. After termination, Energy Northwest offered to sell assets in the form of uninstalled operating equipment and construction materials since there was no market for the sale of Project 1 in its entirety. Certain of these assets have been sold.

Energy Northwest has planned for the demolition and restoration of Project 1 and is now maintaining the site to support re-use activities. In addition to funding for the payment of debt service on Project 1 Net Billed Bonds, funding has continued for administrative efforts associated with site maintenance activities for Project 1. Sources of funding are derived through the Project 1 Net Billing Agreements. The Project 1 Post Termination Agreement requires Bonneville to fund this site remediation plan for Projects 1 and 4. The cost for both sites' remediation is estimated at $16.6 million in calendar year 2014 dollars. Bonneville has placed funds in an external interest-bearing account in order to have sufficient funds for the eventual final remediation.

Project 3

Project 3 is a partially complete nuclear electric generating project located in southeastern Grays Harbor County, Washington, approximately 70 miles southwest of Seattle, Washington. Project 3 was terminated in June 1994. The Project 3 Project Agreement and the Project 3 Net Billing Agreements ended upon termination of Project 3, except for certain provisions relating to billing and payment processes. The Project 3 Post Termination Agreement facilitates the administration, budgeting and payment processes post termination.

After termination, Energy Northwest offered to sell assets in the form of uninstalled operating equipment and construction materials since there was no market for the sale of Project 3 in its entirety. In 1995, a group from Grays Harbor County, Washington, interested in local economic development, formed the Satsop Redevelopment Project. The Satsop Redevelopment Project is a coalition of governments established by inter-local agreement between Grays Harbor County, the Port of Grays Harbor and PUD No. 1 of Grays Harbor County. In 1999, Energy Northwest transferred the Project 3 site properties and facilities (other than the Satsop combustion turbine site) to such local public agencies for purposes of economic development. In connection with that transfer, these local public agencies assumed responsibility for any required site remediation. The Satsop combustion turbine site was sold in 2001 to Duke Energy Grays Harbor LLC for $10 million.

Projects 4 and 5

Nuclear Projects No. 4 and 5 ("Projects 4/5") were terminated in January 1982. The bonds issued for Projects 4/5 went into default on July 22, 1983. After extended litigation and ultimate settlement, all trusts created under the resolution authorizing the Projects 4/5 bonds were terminated, and Energy Northwest and the trustee under the resolution were released from all of their obligations thereunder.

Energy Services and Development

More than a decade ago, Energy Northwest set out to develop new sources of electricity generation and provide energy and environmental related services to meet the needs of its member utilities and the region. Since 1992, Energy Northwest has provided a wide range of chemical analysis and environmental monitoring services to utility, municipal, commercial, and nuclear customers. Energy Northwest is a founding member of the Northwest Open Access Network ("NoaNet"), offering access to a fiber-optic cable network licensed from Bonneville and other broadband providers. Energy Northwest supports the local economy and Department of Energy by offering facilities for lease to early stage businesses, the Pacific Northwest National Laboratory and Hanford contractors.

Energy Northwest has done a preliminary feasibility study on NuScale Power's small modular reactor initiative, which has received U.S. DOE funding.

THE PURCHASERS

The information under this heading summarize the general powers of the Purchasers relating to their ability to own, operate and maintain retail distribution electric systems. Certain additional financial information and operating data regarding the Phase III Purchasers also is contained in Appendix A attached hereto.

General Authority

Each of the Purchasers is a public utility district ("PUD") organized and existing under Title 54 RCW. PUDs are empowered to purchase electric energy, sell electric energy at wholesale and retail, acquire, construct and operate electric generating plants and transmission and distribution facilities, and issue revenue obligations, among other things. Washington cities and towns also have statutory authority to provide water, sewer and electric service. PUD facilities in any city or town, and a PUD's right to provide water, sewer and electric service in any city or town, are subject to the reasonable police power regulation of such city or town. PUDs are also empowered and required by Title 54 RCW to establish, maintain and collect rates and charges for services which will be fair, nondiscriminatory and adequate to provide revenues sufficient for (1) the payment of principal of and interest on their revenue obligations for which payment has not otherwise been provided, (2) the proper operation and maintenance of their electric facilities, and (3) renewals and replacements thereto.

Governing Bodies

PUDs are governed by a three- or five-member commission. Commissioners are elected to staggered six-year terms by the PUD's qualified electors. If a commissioner is appointed by the commission to fill a vacancy, the commissioner serves until the next general election during an even-numbered year, at which time the PUD's electors elect a commissioner to serve for the unexpired portion of the vacated term.

Accounting and Auditing

State law requires that the Purchasers' accounting and reporting policies conform to the rules and regulations adopted by the State Auditor's Office. Each Purchaser's financial statements are required to be audited by the State Auditor. See "INCLUSION BY SPECIFIC REFERENCE" herein for references to the audited annual financial statements of certain Purchasers.

Environmental Legislation and Climate Change

Initiative 937 (Renewable Portfolio Standard). State Initiative 937 ("I-937"), approved by the State's voters in 2006, requires electric utilities that serve more than 25,000 customers to obtain at least (a) 3% of their electricity from renewable resources by January 1, 2012, and each year thereafter through December 31, 2015; (b) 9% of their electricity from renewable resources by January 1, 2016, and each year thereafter through December 31, 2019; and (c) 15% of their electricity from renewable resources by January 1, 2020, and each year thereafter. I-937 also requires qualifying electric utilities to undertake various cost-effective energy conservation efforts. I-937 applies to certain Purchasers.

Climate Change. Federal, regional, state and international initiatives have been proposed or adopted to address global climate change by controlling or monitoring greenhouse gas emissions, by encouraging renewable energy development and by implementing other measures. It cannot be predicted if or when new laws and regulations or proposed initiatives would take effect, or whether the recent greenhouse gas reduction initiatives and legislation would adversely impact any of the Purchasers.

The Washington Legislature enacted legislation requiring the Governor to develop policy recommendations for achieving specific greenhouse gas reduction targets and requiring that power supply contracts of five years or more comply with certain emission standards. Various federal energy legislation proposed could set national standards for renewable energy generation, conservation efforts, and encourage greenhouse gas reduction.

Various Factors Affecting the Electric Utility Industry

The electric utility industry in general has been, or in the future may be, affected by a number of factors which could impact the financial condition and competitiveness of many electric utilities and the level of utilization of generating and transmission facilities. Such factors include, among others, (1) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements, (2) changes from a market restructuring and/or implementation of centralized coordinated markets in the Western Electricity Coordinating Council, including energy imbalance markets, (3) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (4) changes resulting from a national energy policy, (5) effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and "strategic alliances" of competing electric and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity, (6) Federal laws and regulations and congressional inaction, (7) increased competition from independent power producers and marketers, brokers and federal power marketing agencies, (8) issues integrating wind generation, (9) cybersecurity and other security breaches, (10) "self-generation" or "distributed generation" (such as microturbines and fuel cells) by industrial and commercial customers and others, (11) issues relating to the ability to issue tax-exempt obligations, including severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects and transmission service from transmission line projects financed with outstanding tax-exempt obligations, (12) effects of inflation on the operating and maintenance costs of an electric utility and its facilities, (13) changes from projected future load requirements, (14) increases in costs and uncertain availability of capital, (15) shifts in the availability and relative costs of different fuels (including the cost of natural gas), (16) sudden and dramatic changes in the price of energy purchased or sold on the open market that may occur in times of high peak demand and/or oversupply in an area of the country experiencing such high peak demand, such as has occurred in California and the Pacific Northwest, (17) inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity, (18) other legislative changes, voter initiatives, referenda and statewide propositions, (19) effects of the changes in the economy, (20) effects of possible manipulation of the electric markets, (21) natural disasters or other physical calamities, including, but not limited to, earthquakes, mudslides, wind storms and floods, (22) man-made physical and operational disasters, including, but not limited to, terrorism, cyber attacks and collateral damage from untargeted computer viruses, (23) failures or problems with dams and other equipment and infrastructure and (24) changes to the climate. Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility and likely will affect individual utilities in different ways.

The Purchasers are unable to predict what impact such factors will have on their business operations and financial condition. This Official Statement includes a brief discussion of certain of these factors. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is available from the legislative and regulatory bodies and other sources in the public domain, and potential purchasers of the Bonds should obtain and review such information.

TAX MATTERS

Tax Exemption

Exclusion From Gross Income. In the opinion of Bond Counsel, under existing federal law and assuming compliance with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issue date of the Bonds, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals.

Continuing Requirements. Energy Northwest is required to comply with certain requirements of the Code after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Bond proceeds and the facilities financed or refinanced with Bond proceeds, limitations on investing gross proceeds of the

Bonds in higher yielding investments in certain circumstances, and the requirement to comply with the arbitrage rebate requirement to the extent applicable to the Bonds. Energy Northwest has covenanted in the Bond Resolution to comply with those requirements, but if Energy Northwest fails to comply with those requirements, interest on the Bonds could become taxable retroactive to the date of issuance of the Bonds. Bond Counsel has not undertaken and does not undertake to monitor Energy Northwest's compliance with such requirements.

Corporate Alternative Minimum Tax. While interest on the Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, under Section 55 of the Code, tax exempt interest, including interest on the Bonds, received by corporations is taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations (as defined for federal income tax purposes). Under the Code, alternative minimum taxable income of a corporation will be increased by 75% of the excess of the corporation's adjusted current earnings (including any tax exempt interest) over the corporation's alternative minimum taxable income determined without regard to such increase. A corporation's alternative minimum taxable income, so computed, that is in excess of an exemption of $40,000, which exemption will be reduced (but not below zero) by 25% of the amount by which the corporation's alternative minimum taxable income exceeds $150,000, is then subject to a 20% minimum tax.

A small business corporation is exempt from the corporate alternative minimum tax for any taxable year beginning after December 31, 1997, if its average annual gross receipts during the three-taxable-year period beginning after December 31, 1993, did not exceed $5,000,000, and its average annual gross receipts during each successive three-taxable-year period thereafter ending before the relevant taxable year did not exceed $7,500,000.

Tax on Certain Passive Investment Income of S Corporations. Under Section 1375 of the Code, certain excess net passive investment income, including interest on the Bonds, received by an S corporation (a corporation treated as a partnership for most federal tax purposes) that has Subchapter C earnings and profits at the close of the taxable year may be subject to federal income taxation at the highest rate applicable to corporations if more than 25% of the gross receipts of such S corporation is passive investment income.

Foreign Branch Profits Tax. Interest on the Bonds may be subject to the foreign branch profits tax imposed by Section 884 of the Code when the Bonds are owned by, and effectively connected with a trade or business of, a United States branch of a foreign corporation.

Possible Consequences of Tax Compliance Audit. The Internal Revenue Service (the "IRS") has established a general audit program to determine whether issuers of tax-exempt obligations, such as the Bonds, are in compliance with requirements of the Code that must be satisfied in order for interest on those obligations to be, and continue to be, excluded from gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS would commence an audit of the Bonds. Depending on all the facts and circumstances and the type of audit involved, it is possible that commencement of an audit of the Bonds could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of its ultimate outcome.

Certain Other Federal Tax Consequences

Bonds Not "Qualified Tax-Exempt Obligations" for Financial Institutions. Section 265 of the Code provides that 100% of any interest expense incurred by banks and other financial institutions for interest allocable to tax-exempt obligations acquired after August 7, 1986, will be disallowed as a tax deduction. However, if the tax exempt obligations are obligations other than private activity bonds, are issued by a governmental unit that, together with all entities subordinate to it, does not reasonably anticipate issuing more than $10,000,000 of tax exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) in the current calendar year, and are designated by the governmental unit as "qualified tax exempt obligations," only 20% of any interest expense deduction allocable to those obligations will be disallowed.

Energy Northwest is a governmental unit that, together with all subordinate entities, reasonably anticipates issuing more than $10,000,000 of tax exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) during the current calendar year and has **not** designated the Bonds as "qualified tax exempt obligations" for purposes of the 80% financial institution interest expense deduction.

Therefore, no interest expense of a financial institution allocable to the Bonds is deductible for federal income tax purposes.

Original Issue Premium. The Bonds have been sold at prices reflecting original issue premium ("Premium Bonds"). An amount equal to the excess of the purchase price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity. The amount of amortizable premium allocable to an interest accrual period for a Premium Bond will offset a like amount of qualified stated interest on such Premium Bond allocable to that accrual period, and may affect the calculation of alternative minimum tax liability described above. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Bonds.

Reduction of Loss Reserve Deductions for Property and Casualty Insurance Companies. Under Section 832 of the Code, interest on the Bonds received by property and casualty insurance companies will reduce tax deductions for loss reserves otherwise available to such companies by an amount equal to 15% of tax exempt interest received during the taxable year.

Effect on Certain Social Security and Retirement Benefits. Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take receipts or accruals of interest on the Bonds into account in determining gross income.

Other Possible Federal Tax Consequences. Receipt of interest on the Bonds may have other federal tax consequences as to which prospective purchasers of the Bonds may wish to consult their own tax advisors.

Potential Future Federal Tax Law Changes. Current and future legislative proposals, if enacted into law, may directly or indirectly cause interest on the Bonds to be subject in whole or in part to federal income taxation, prevent the beneficial owners of the Bonds from realizing the full benefits of the current federal tax status of interest on the Bonds, or affect, perhaps significantly, the market value or marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors regarding the potential impact of any pending or proposed legislation or regulations.

CONTINUING DISCLOSURE UNDERTAKING OF ENERGY NORTHWEST

Basic Undertaking to Provide Annual Financial Information and Notice of Listed Events

To meet the requirements of paragraph (b)(5) of United States Securities and Exchange Commission ("SEC") Rule 15c2-12 ("Rule 15c2-12"), as applicable to a participating underwriter for the Bonds, Energy Northwest will undertake (the "Undertaking") for the benefit of holders of the Bonds to provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board ("MSRB"), in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB: (a) annual financial information and operating data of the type include in this Official Statement as generally described below ("annual financial information"); and (b) timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of Energy Northwest, as such "Bankruptcy Events" are defined in Rule 15c2-12; (13) the consummation of a merger, consolidation, or acquisition involving Energy Northwest or the sale of all or substantially all of the assets of Energy Northwest, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Energy Northwest also will provide to the MSRB timely notice of a failure by Energy Northwest to provide required annual financial information on or before the date specified below.

Type of Annual Financial Information Undertaken to be Provided

The annual financial information that Energy Northwest undertakes to provide will consist of (1) audited financial statements of Energy Northwest prepared in accordance with generally accepted accounting principles and including financial information regarding the Wind Project System; provided, that if Energy Northwest's audited financial statements are not yet available, Energy Northwest shall provide unaudited financial statements in substantially the same format, and audited financial statements when they become available; (2) the outstanding indebtedness of the Wind Project System as of the last day of such prior Fiscal Year; (3) the Gross Revenue, Costs of Maintenance and Operation, and Net Revenue for such prior Fiscal Year; and (4) the Project's average annual capacity factor for such prior Fiscal Year, together with the information regarding the amount of electricity generated during such prior Fiscal Year (shown on the basis of megawatt hours) and the cost of power generated by the Project (shown on the basis of cents per kilowatt hour); and will be provided to the MSRB not later than the last day of the ninth month after the end of each fiscal year of Energy Northwest (currently, a fiscal year ending June 30), as such fiscal year may be changed as required or permitted by State law, commencing with Energy Northwest's fiscal year ending June 30, 2015.

The annual financial information may be provided in a single or multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the SEC.

Amendment of Undertaking

The Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, rating agency or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12.

Energy Northwest will give notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

Termination of Undertaking

Energy Northwest's obligations under the Undertaking shall terminate upon the legal defeasance of all of the Bonds. In addition, Energy Northwest's obligations under the Undertaking shall terminate if those provisions of Rule 15c2-12 which require Energy Northwest to comply with the Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to Energy Northwest, and Energy Northwest provides timely notice of such termination to the MSRB.

Remedy for Failure to Comply with Undertaking

If Energy Northwest or any other obligated person fails to comply with the Undertaking, Energy Northwest will proceed with due diligence to cause such noncompliance to be corrected as soon as practicable after Energy Northwest learns of that failure. No failure by Energy Northwest or other obligated person to comply with the Undertaking will constitute a default in respect of the Bonds. The sole remedy of any holder of a Bond will be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel Energy Northwest or other obligated person to comply with the Undertaking.

Prior Compliance with Continuing Disclosure Undertakings

Energy Northwest has not failed to comply with all previous undertakings with respect to Rule 15c2-12 in any material respect in the preceding five years. However, Energy Northwest failed to file its fiscal year 2011 financial statements by specific reference to its 2006 Bonds. Such fiscal year 2011 financial statements were timely filed under the undertakings relating to Energy Northwest's other outstanding bonds and were included in the official statement relating to its 2012 Bonds that was filed with EMMA on April 4, 2012. Energy Northwest has since amended its filing of such 2011 financial statements to include its 2006 Bonds. The Project's average annual capacity factor for the years 2009 through 2012, stated as a percentage, was not filed in a timely manner, however, other Project performance metrics were filed with the financial information. That percentage was included in the official statement for the 2012 Bonds filed on April 4, 2012, and subsequently filed in 2013 and 2014. In addition, Energy Northwest filed all but one insurer rating downgrade applicable to bonds that were outstanding at the time of such downgrade.

CONTINUING DISCLOSURE UNDERTAKING OF OTHER OBLIGATED PERSONS

Energy Northwest has determined that the following four PUDs are deemed to be "obligated persons" for the Bonds for purposes of the Rule: PUD No. 1 of Benton County, PUD No. 1 of Franklin County, PUD No. 1 of Grays Harbor County, and PUD No. 1 of Lewis County (collectively, the "Obligated Purchasers"). The Obligated Purchasers will undertake to provide certain financial information and operating data relating to such Obligated Purchasers (the "Obligated Purchaser Annual Information") on an annual basis. The Obligated Purchasers undertakings to provide Obligated Purchaser Annual Information are summarized in Appendix D hereto.

Prior Compliance with Continuing Disclosure Undertakings

Phase III Purchasers (except as noted below) that have undertaken to provide continuing disclosure pursuant to Rule 15c2-12 are in compliance with their previous continuing disclosure undertakings relating to the Project in all material respects. Although the Phase III Purchasers filed their financials as required by the undertakings, not all referenced the CUSIP numbers of the bonds for the Project. PUD No. 1 of Grays Harbor County failed to comply with its undertakings with respect to its outstanding bonds for the fiscal year ended December 31, 2009. PUD No. 1 of Grays Harbor County filed its annual financial information for the fiscal year ended December 31, 2009 on May 2, 2011 and has provided notices of its failure to file its annual financial information by the required deadlines. In addition, PUD No. 1 of Grays Harbor County failed to provide certain annual operating data for the fiscal years ended 2009 through 2012 in a timely manner. Such information was included in the district's official statements filed on April 21, 2010 and November 13, 2013, and was also included in the official statement relating to the 2012 Bonds filed on April 4, 2012. PUD No. 1 of Grays Harbor County filed such information on December 12, 2013, and has otherwise complied with the provisions of its continuing disclosure undertakings.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated and KeyBanc Capital Markets Inc. (the "Underwriters") have jointly and severally agreed, subject to certain conditions, to purchase the Bonds from Energy Northwest and to make a bona fide public offering of such Bonds at not in excess of the public offering prices (or yields corresponding to such prices) set forth on the inside cover page of this Official Statement. The purchase price for the Bonds is $62,367,201, which reflects the principal amount of the Bonds, plus an original issue premium of $7,671,164 less an underwriter's discount of $198,963. The Underwriters' obligations are subject to certain conditions precedent contained in the bond purchase contract and they will be obligated to purchase all of such Bonds being sold under the bond purchase contract if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers, banks and others (including underwriters and other dealers depositing such Bonds into investment trusts) at prices lower than such initial offering prices and such initial offering prices may be changed from time to time by the Underwriters of the Bonds.

The Underwriters have provided the following information to Energy Northwest for inclusion in this Official Statement. The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for Energy Northwest, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of Energy Northwest.

INITIATIVE AND REFERENDUM

Under the State Constitution, the voters of the State have the ability to initiate legislation and require a public vote on legislation passed by the State Legislature through the powers of initiative and referendum, respectively. Neither power in Washington may be used to amend the State Constitution. Initiatives and referenda are submitted to the voters upon certification of a petition signed by at least 8% (initiative) and 4% (referenda) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election. Any law approved in this manner by a majority of the voters may not be amended or repealed by the Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the Legislature. After two years, the law is subject to amendment or repeal by the Legislature in the same manner as other laws.

RATINGS

Moody's Investors Service and Fitch Ratings have assigned the Bonds the ratings of "A2" and "A-," respectively. Ratings were applied for by Energy Northwest and certain information was supplied by Energy Northwest to such rating agencies to be considered in evaluating the Bonds.

Such ratings reflect only the respective views of such rating agencies, and an explanation of the significance of such ratings may be obtained only from the rating agency furnishing the same. There is no assurance that any or all of such ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency furnishing the same if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

LEGAL INFORMATION

Absence of Material Litigation

There is no proceeding pending or threatened to restrain or enjoin the issuance or sale of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of Energy Northwest taken with respect to the issuance or sale thereof, the pledge or application of any money or securities provided for the payment of the Bonds, the validity of the Power Purchase Agreement or the existence or powers of Energy Northwest insofar as they relate to the authorization, sale and issuance of the Bonds, such pledge or application of money and securities, or the undertaking of the Project. Energy Northwest does have pending litigation relating to the Columbia Generating Station, which is not material to the repayment of the Bonds or the Project.

Certain Legal Matters

Legal matters incident to the authorization, issuance and sale of the Bonds by Energy Northwest are subject to the approving legal opinion of Foster Pepper PLLC, Seattle, Washington, Bond Counsel. The form of the opinion of Bond Counsel with respect to the Bonds is attached as Appendix F. The opinion of Bond Counsel is given based on factual representations made to Bond Counsel, and under existing law, as of the date of initial delivery of the Bonds, and Bond Counsel assumes no obligation to revise or supplement its opinion to reflect any facts or circumstances that may thereafter come to its attention, or any changes in law that may thereafter occur. The opinion of Bond Counsel is an expression of its professional judgment on the matters expressly addressed in its opinion and does not constitute a guarantee of result. Bond Counsel will be compensated only upon the issuance and sale of the Bonds.

Certain legal matters with respect to Energy Northwest will be passed upon by Energy Northwest's General Counsel.

Certain legal matters will be passed upon by Fulbright & Jaworski LLP, New York, New York, a member of Norton Rose Fulbright, counsel to the Underwriters. Any opinion of such firm will be rendered solely to the Underwriters, will be limited in scope, and cannot be relied upon by investors without the written consent of such firm.

INCLUSION BY SPECIFIC REFERENCE

The following audited financial statements have been filed with, and currently are available from, the Electronic Municipal Market Access ("EMMA") website of the MSRB:

- audited financial statements of Energy Northwest for the year ended June 30, 2014;
- audited financial statements of PUD No. 1 of Benton County for the year ended December 31, 2013;
- audited financial statements of PUD No. 1 of Franklin County for the year ended December 31, 2013;
- audited financial statements of PUD No. 1 of Grays Harbor County for the year ended December 31, 2013; and
- audited financial statements of PUD No. 1 of Lewis County for the year ended December 31, 2013.

Such audited financial statements are included in this Official Statement by specific reference. This Official Statement is not complete unless read in conjunction with the information included herein by reference. Energy Northwest makes no representation whatsoever as to the accuracy, adequacy or completeness of the financial statements of any Purchaser.

The audited financial statements of PUD No. 3 of Mason County for the year ended December 31, 2013 have been filed, and are currently available from the MSRB and from the PUD, but such statements are not incorporated herein by reference.

The financial statements of Energy Northwest are also on file with Energy Northwest.

MISCELLANEOUS

Potential Conflicts of Interest

Energy Northwest is aware of the following conflicts of interest various parties may have in connection with the issuance of the Bonds. Some or all of the fees of the Underwriters, Bond Counsel and Underwriters' Counsel are contingent upon the sale of the Bonds. Furthermore, Bond Counsel is serving or has served as bond counsel and other special counsel to all of the Purchasers other than PUD No. 1 of Chelan County, PUD No. 1 of Cowlitz County and PUD No. 1 of Douglas County. Bond Counsel is not serving as counsel to any of the Purchasers in connection with the Bonds. Bond Counsel from time-to-time represents each of the Underwriters on issues other than for Energy Northwest.

Merrill Lynch, Pierce, Fenner & Smith Incorporated is an affiliate of Bank of America, N.A. (the "BofA"). BofA has extended credit to some of the Purchasers in unrelated transactions. KeyBanc Capital Markets Inc. and KeyBank, N.A. are affiliates of KeyCorp. KeyBank, N.A. has in the past extended credit to Energy Northwest and some of the Purchasers in unrelated transactions.

Financial Advisor

Public Financial Management, Inc., serves as financial advisor to Energy Northwest in conjunction with the issuance of the Bonds (the "Financial Advisor"). The Financial Advisor has not audited, authenticated or otherwise verified the information set forth in this Official Statement or any other related information available to Energy Northwest with respect to the accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by the Financial Advisor respecting the accuracy and completeness of this Official Statement or any other matter related to this Official Statement. The Financial Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, marketing, trading or distributing municipal securities.

Enforceability of Remedies; Bankruptcy

The remedies available to the Bondowners upon an event of default under the Bond Resolution or other documents described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the federal bankruptcy laws, the Bond Resolution and the various related documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by principles of equity.

A municipality such as Energy Northwest or the Purchasers must be specifically authorized under state law in order to seek relief under Chapter 9 of the U.S. Bankruptcy Code (the "Bankruptcy Code"). Chapter 39.64 RCW, entitled the "Taxing Relief Bankruptcy Act," permits any "taxing district" (defined to include public utility districts and a joint operating agency) to voluntarily petition for relief under the Bankruptcy Code. A creditor cannot bring an involuntary bankruptcy proceeding against a municipality, including Energy Northwest or the Purchasers. Under Chapter 9, a federal bankruptcy court may not appoint a receiver for a municipality or order the dissolution or liquidation of the municipality. The federal bankruptcy courts have some discretionary powers under the Bankruptcy Code.

Summaries, Opinions and Estimates Qualified

The references, excerpts and summaries contained herein of the Bond Resolution, the Power Purchase Agreement and any other documents or agreements referred to herein do not purport to be complete statements of the provisions of such documents or agreements and reference should be made to such documents or agreements for a full and complete statement of all matters relating to the Bonds, the basic agreements securing the Bonds and the rights and obligations of the holders thereof. Copies of the forms of the Bond Resolution, the Power Purchase Agreement and other reports, documents, agreements and studies referred to herein and in the Appendices hereto are available upon written request at the office of Energy Northwest shown on page iii of this Official Statement.

The authorizations, agreements and covenants of Energy Northwest are set forth in the Bond Resolution and neither this Official Statement nor any advertisement of the Bonds is to be construed as a contract with the holders of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so identified, are intended merely as such and not as representations of fact.

APPENDIX A
FINANCIAL INFORMATION REGARDING THE PHASE III PURCHASERS

TABLE OF CONTENTS
(All page references are to this Appendix A)

[THIS PAGE INTENTIONALLY LEFT BLANK]

INTRODUCTION

The information in this Appendix A has been furnished to Energy Northwest by the Phase III Purchasers: PUDs No. 1 of Benton, Franklin, Grays Harbor and Lewis Counties, and PUD No. 3 of Mason County, and from public sources for use in this Official Statement. Such information is not to be construed as a representation by or on behalf of Energy Northwest. While Energy Northwest believes that the information in this Appendix A is reliable, Energy Northwest has not independently verified such information and does not guarantee the accuracy or completeness of such information. Energy Northwest, however, has no reason to believe that such information is not accurate or complete. At or prior to the time of delivery of the Bonds, each Phase III Purchaser will certify to Energy Northwest that the information pertaining to such Phase III Purchaser in this Appendix A is true and correct in all material respects. The Phase III Purchasers will not certify that such information does not omit to state any material fact necessary in order to make the statements in this Appendix A pertaining to such Phase III Purchaser, in light of the circumstances under which the statements were made, not misleading. The Purchasers have not reviewed or been asked to approve any section of this Official Statement, except their section in this Appendix A.

PUD NO. 1 OF BENTON COUNTY

	Phase I Debt Service	Phase II Debt Service	Phase III Debt Service	Annual O&M Budget and Project Output
Purchaser's Share:	6.25%	0.00%	18.63%	9.39%
Maximum share (with "step-up"):	7.813%	0.00%	23.288%	11.718%
Share of Parity Bond principal:	$2,285,625	$0	$11,259,972	N/A

Introduction

PUD No. 1 of Benton County ("Benton PUD") is a Phase I Purchaser and a Phase III Purchaser, but not a Phase II Purchaser.

Benton PUD was established at the general election of 1934 and is a municipal corporation of the State. Benton PUD engages in the purchase, generation, transmission, distribution and sale of electric energy. Benton PUD is governed by a three-member Board of Commissioners. Administrative and principal business offices are located at 2721 West Tenth Avenue, P.O. Box 6270, Kennewick, Washington 99336.

Benton PUD is located in southeastern Washington and encompasses approximately 939 square miles of Benton County. Benton County has a total area of 1,703 square miles and a population of approximately 186,500. Benton PUD serves Benton County exclusive of the following areas: most of the City of Richland (the "City"), the U.S. Department of Energy's operations on the Hanford Reservation, the City of West Richland and those rural areas of Benton County which are served by the Benton Rural Electric Association. In 2000, Benton PUD and Benton Rural Electric Association adopted a new "Service Territory Agreement" that defines service areas and includes a methodology to determine which of the two utilities should serve new customers. In 2005, Benton PUD and the City renegotiated a 25-year service area agreement that defines the boundaries for electric utility service, encourages the orderly expansion of the City's electric service into its Urban Growth Area, and establishes compensation for the sale and transfer of electric facilities between the utilities.

Benton County's economy is based on four major industries: agriculture, food processing, manufacturing, and nuclear related industries. Major employers in Benton County are contractors for the U.S. Department of Energy. Farmland comprises the majority of Benton County's land area.

Power Supply

Benton PUD purchases virtually all of its power for serving retail load pursuant to a long-term contract with Bonneville. Benton PUD's remaining power supply requirements are supplied by various contract purchases.

Benton PUD is a statutory preference customer of Bonneville. Benton PUD's current Bonneville power sales contract expires on September 30, 2028. Under this contract, Benton PUD receives a fixed 1.372% of the Federal System output, which is expected to be 103 aMW annually under critical water conditions. The Block product provides power in monthly amounts ranging between 78 aMW to 150 aMW.

Beginning in April 2013, Benton PUD receives a monthly $50,000 credit on its power bill for participation in the Bonneville prepay program. This program allowed customers to purchase blocks of prepaid credits for future delivery of power in order to help Bonneville fund improvements to its infrastructure. Benton PUD purchased one block of prepay credits in the amount of $6.8 million for the period between April 2013 and September 2028, and payment was made to Bonneville in March 2013. Total monthly credits received by Benton PUD will be $9.3 million, and will result in a net present value savings of approximately $1.1 million.

In 2001, Benton PUD entered into a 20-year agreement with Frederickson Power, L.P. for the purchase of 50 MW of contract capacity from the Frederickson combined-cycle natural-gas fired combustion turbine project. Deliveries began when the plant reached commercial operation in September 2002.

See "THE PROJECT AND THE WIND PROJECT SYSTEM" in the front of this Official Statement for a description of the Nine Canyon Wind Project.

In 2007, Benton PUD entered into a 20-year Energy and Environmental Attributes Purchase Agreement with Lakeview Light and Power Wind Energy, Inc. to purchase 3 MW of peak capacity of the White Creek Wind Project. The White Creek Wind Project was declared to be in commercial operation in November 2007, and the purchase price began at $51.97 per MWh escalating 2% per year. Benton PUD only pays for the energy and associated environmental attributes generated by the project.

In September 2008, Benton PUD entered into an Assignment Agreement with Public Utility District No. 1 of Klickitat County ("Klickitat PUD") under which Klickitat PUD assigned Benton PUD a 3% share from its Energy Purchase Agreement with White Creek Wind I, LLC for $11.1 million. The purchase cost is being amortized on a straight-line basis over a 19-year term. The 3% share of the 204.7 MW project represents 6.14 MW.

Benton PUD contracted to pay Energy Northwest 14% of the annual cost of the Packwood Lake Hydroelectric Project in return for a portion of the power generated by such project. This contract will continue until Energy Northwest discontinues operation of the project or until Benton PUD elects to terminate the contract upon 24 months notice. See "ENERGY NORTHWEST—Packwood Lake Hydroelectric Project" in the front of this Official Statement for a description of the Packwood Lake Hydroelectric Project.

In February 2013, the District entered into a contract with BioFuels Washington, LLC to purchase 33,000 Renewable Energy Credits ("REC") annually, for a total amount of $3,604,260 with a contract term from March 1, 2013 through March 31, 2026, with delivery beginning January 1, 2016.

The Energy Authority ("TEA") serves as Benton PUD's energy consultant and marketing agency. Benton PUD has entered into hedging agreements in the form of the International Swaps and Derivatives Association Agreements ("ISDA Agreements") with 14 counterparties. The ISDA Agreements are used by Benton PUD to manage market price purchase risk for natural gas or other energy supplies and occasionally to manage the market price risk in the disposition of natural gas or other energy when the district cannot consume its full supply of energy. TEA manages the use of these agreements on Benton PUD's behalf.

Customer Information

Of Benton PUD's 49,521 customers, approximately 83% are residential. Benton PUD's ten largest customers accounted for approximately 22.5% of the District's total retail energy sales for the fiscal year ended December 31, 2013. Benton PUD's largest customer, an agricultural customer, accounted for approximately 7.3% of the revenues from the retail sale of electricity during fiscal year 2013.

Telecommunications

Benton PUD has installed and continues to build out a fiber optic backbone system in its service area for use by its Electric System. Benton PUD has extended broadband coverage in its service area by developing a wireless system tied into the fiber backbone. Benton PUD has connected its fiber optic system to NoaNet's fiber optic communications system and has redundant fiber link to NoaNet via Benton PUD's fiber system. Any excess capacity is available at wholesale rates to internet and telecom retail service providers.

In addition, Benton PUD is a member of NoaNet. NoaNet was created in February 2000, as a Washington nonprofit mutual corporation under Chapter 24.06 RCW, by interlocal agreement among 13 public utility districts and Energy Northwest, for the purpose of developing NoaNet's Telecommunications Network. Several additional public utility districts subsequently became members of NoaNet, and several public utility districts withdrew as members. NoaNet currently has a membership of nine public utility districts and Energy Northwest. As of December 2, 2014, NoaNet has $5,510,000 of outstanding Telecommunications Network Revenue Refunding Bonds, 2011 (Taxable), of which Benton PUD is a guarantor of the payment of the principal of and interest on such outstanding bonds and is liable by assessment or otherwise to repay NoaNet for amounts due and owing with respect to such principal and interest up to 14.06%. In addition, as of September 30, 2014, NoaNet had $13,000,000 in total aggregate authorized principal amount of bank loans through Bank of America, N.A. (of which $5,062,500 was outstanding) to fund capital expenditures, of which Benton PUD's Electric System guaranteed, or to which the NoaNet board has pledged to assess Benton PUD for, the repayment of 17.17% or up to 20.72% depending on the guarantee amount of each specific debt, of the outstanding balance to the extent NoaNet's revenues are insufficient to pay the loans. In 2012 and 2013, Benton PUD paid nothing to NoaNet for assessments, the 2014 NoaNet budget does not anticipate a contribution from members to pay for outstanding debt or for any operational requirements.

Outstanding Debt

As of December 2, 2014, Benton PUD will have long-term bonds payable from its Electric System outstanding in the aggregate principal amount of $53,600,000.

Certain Historical Results

The following table shows Benton PUD's historical number of customers, electric sales and revenues by customer class for the calendar years 2009 through 2013. The historical cost of power, revenues, energy sales and other information displayed in the following tables may not be indicative of Benton PUD's financial results in the future.

Customers, Energy Sales (MWh) and Revenues (per kWh)

	2009	2010	2011	2012	2013
Customers (Average)					
Residential	39,220	39,687	40,201	40,645	41,322
General Service	5,289	5,356	5,421	5,499	5,572
Industrial	3	3	3	3	3
Irrigation	746	736	722	721	772
Other	1,816	1,834	1,850	1,842	1,852
Total	47,074	47,616	48,197	48,710	49,521
Energy Sales (MWh)					
Residential	721,719	654,775	687,953	668,018	697,887
General Service	530,256	503,037	503,471	512,797	519,493
Industrial	38,909	55,365	65,411	70,575	69,803
Irrigation	427,269	371,321	381,999	385,738	402,619
Other	8,188	8,304	9,528	8,148	6,972
Total	1,726,341	1,592,802	1,648,362	1,645,276	1,696,774
Peak Demand (MW)					
Winter	341	313	313	287	324
Summer	401	391	380	394	415
Average Revenues per kWh (in cents)[(1)]					
Residential	6.06	6.68	7.16	7.59	7.58
General Service	4.83	5.48	5.93	6.32	6.34
Industrial	3.81	3.91	4.25	4.57	4.55
Irrigation	3.81	4.21	4.61	4.88	4.88
Other	8.95	9.17	8.29	10.08	8.92
Average, All Classes	5.09	5.64	6.08	6.44	6.44

(1) Includes total revenue (per kWh charge and monthly charges); excludes city utility occupation taxes, bad debt expense and accrued unbilled revenue.

The following table presents income statements of Benton PUD for the five calendar years 2009 through 2013. See "INCLUSION BY SPECIFIC REFERENCE" for reference to Benton PUD's 2013 financial statements, which are on file with the MSRB.

HISTORICAL OPERATING RESULTS[1]

	2009	2010	2011	2012	2013
OPERATING REVENUES					
Sales of Electric Energy – Retail	$ 91,942,100	$ 94,137,792	$ 105,228,051	$110,799,843	$115,079,778
Energy Sales for Resale	38,885,352	30,122,468	25,773,429	14,048,971	18,232,140
Transmission of Power for Others	229,429	230,978	397,063	797,837	776,957
Broadband Revenue	927,041	1,181,892	1,617,919	1,620,054	1,980,605
Other Revenue	1,348,716	1,403,220	1,424,566	1,879,829	1,249,791
Total Operating Revenues	$133,332,638	$127,076,349	$134,441,028	$129,146,534	$137,319,271
OPERATING EXPENSES					
Purchased Power	$ 75,055,154	$ 78,768,878	$ 75,475,402	$ 68,652,534	$ 77,877,736
Purchased Transmission & Ancillary Services	10,074,811	9,315,582	10,276,334	11,260,088	11,677,803
Conservation Program	679,406	1,795,846	808,494	405,589	1,315,642
Transmission Operations & Maintenance	30,026	26,909	17,575	12,684	82,066
Distribution Operations & Maintenance	7,092,143	7,163,780	7,499,422	8,191,232	8,092,079
Broadband Expense	577,958	712,433	674,581	696,415	890,521
Customer Accounting, Collection and Information	4,011,243	3,773,740	3,388,582	3,954,421	4,026,839
Administrative & General	5,557,985	5,396,629	5,384,210	6,276,795	6,444,642
Taxes	9,956,874	9,513,213	10,890,913	11,814,545	12,144,846
Depreciation & Amortization	9,367,272	9,751,161	10,769,424	11,642,052	12,671,992
Total Operating Expenses	$122,402,872	$126,218,172	$125,184,937	$122,906,355	$135,224,167
OPERATING INCOME (LOSS)	$ 10,929,766	$ 858,177	$ 9,256,091	$ 6,240,179	$ 2,095,104
NONOPERATING REVENUES & EXPENSES					
Interest & Miscellaneous Nonoperating Income	$ 358,810	$ 488,924	$ 602,075	$ 688,636	$ 371,797
Interest Expense & Other Nonoperating Expense	(2,278,183)	(2,703,991)	(2,958,273)	(3,001,895)	(2,913,078)
Debt Discount & Expense Amortization	(34,128)	(674,641)	(237,799)	459,198	459,652
Gain (Loss) in Joint Venture	(236,393)	(129,550)	(70,300)	--	--
Total Nonoperating Revenues & Expenses	$ (2,189,894)	$ (3,019,258)	$ (2,664,297)	$ (1,854,061)	$ (2,081,629)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND EXTRAORDINARY ITEM	$ 8,739,872	$ (2,161,082)	$ 6,591,794	$ 4,386,118	$ 13,475
Capital Contributions	$ 3,072,025	$ 1,271,831	$ 1,394,438	$ 2,368,597	$ 2,706,411
CHANGE IN NET ASSETS	$ 11,811,897	$ (889,251)	$ 7,986,232	$ 6,754,715	$ 2,719,886
Adjustments to (from) Change in Net Assets					
Depreciation & Amortization	$ 9,367,272	$ 9,751,161	$ 10,769,424	$ 11,642,052	$ 12,671,992
Prepaid Power Amortization[2]	578,400	578,400	578,400	578,400	907,457
Interest Expense	2,259,809	2,683,991	2,958,273	3,001,895	2,913,078
Debt Discount & Expense Amortization	34,128	674,641	237,799	(459,198)	(459,652)
Extraordinary Item	--	--	--	--	--
Transfer to Rate Stabilization Account	--	--	(2,369,920)	--	--
REVENUE AVAILABLE FOR DEBT SERVICE	$ 24,051,506	$ 12,798,942	$ 20,160,208	$ 21,517,864	$18,752,761
DEBT SERVICE[3]	$ 5,131,680	$ 5,445,961	$ 5,002,221	$ 5,969,064	$ 5,965,509
DEBT SERVICE COVERAGE RATIO	4.69x	2.35x	4.03x	3.60x	3.14x

(1) Totals may not add due to rounding.
(2) White Creek Wind project and Bonneville prepaid power amortization.
(3) Excluding Build America Bonds subsidy.

Benton PUD's audited financial statements are available on the Electronic Municipal Market Access ("EMMA") website of the Municipal Securities Rulemaking Board (www.emma.msrb.org, which website is not incorporated herein by reference).

For the first three quarters of 2014, the operating revenues of Benton PUD totaled $110,978,934, an increase of 7% over the first three quarters of 2013 and approximately 91% of the 2014 calendar year budget. Benton PUD's amended 2014 budget, adopted on August 26, 2014, indicates an operating income increase of $40,000, an increase in net assets of $3.3 million and a debt service coverage ratio of 3.32 times.

PUD NO. 1 OF FRANKLIN COUNTY

	Phase I Debt Service	Phase II Debt Service	Phase III Debt Service	Annual O&M Budget and Project Output
Purchaser's Share:	4.17%	0.00%	25.00%	10.49%
Maximum share (with "step-up"):	5.2125%	0.00%	31.25%	13.079%
Share of Parity Bond principal:	$1,526,066	$0	$15,110,000	N/A

Introduction

PUD No. 1 of Franklin County ("Franklin PUD") is a Phase I Purchaser and a Phase III Purchaser.

Franklin PUD was incorporated in 1934 as a municipal corporation of the State and commenced its electric utility operations in 1947. Franklin PUD engages in the purchase, generation, transmission, distribution and sale of electric energy. Franklin PUD is governed by a three-member Board of Commissioners. They have overall responsibility for district policy and operations, and hire the General Manager, the Chief Operating Officer, to provide overall administration of the business and operations of the district. Administrative and principal business offices are located at 1411 West Clark Street, Pasco, WA 99301.

The service area for Franklin PUD comprises approximately 435 square miles and consists of about one-third of the area of Franklin County, including approximately 80% of the county's population. Franklin PUD is located in southeastern Washington, approximately 220 miles southeast of Seattle, Washington, 150 miles southwest of Spokane, Washington and 220 miles northeast of Portland, Oregon. Franklin County has a total area of 1,242 square miles and a population of approximately 86,600.

Franklin PUD's economy is directly based on agriculture and related food processing and transportation. The largest city in Franklin County, Pasco, and the cities of Richland and Kennewick in neighboring Benton County make up what is known as the Tri-Cities. Because of its proximity to Richland and Kennewick, Franklin PUD's economy is also tied very closely to the economy of those two neighboring cities.

Power Supply

Franklin PUD obtains most of its power supply (approximately 90%) pursuant to a long-term Block and Slice contract with Bonneville. Franklin PUD's remaining power supply requirements are supplied by various district-owned generation, market purchases and contract purchases, including Packwood Lake Hydroelectric Project, the Frederickson Combustion Turbine Project, the Nine Canyon Wind Project, the White Creek Wind Project and the Esquatzel Hydroelectric Project.

Franklin PUD is a statutory preference customer of Bonneville. Franklin PUD's current Bonneville power sales contract expires on September 30, 2028. Under this contract, Franklin PUD receives a fixed 0.7815% of the Federal System output, which is expected to be 75 aMW annually under average water conditions. The Block product provides power in monthly amounts ranging between 50 MW to 81 MW. This portion of non-slice output is 0.874% of the Federal System. Combined, Franklin PUD receives 1.656% of the Bonneville Tier 1 Federal System.

Beginning in April 2013, Franklin PUD receives a monthly $50,000 credit on its power bill for participation in the Bonneville prepay program. This program allowed customers to purchase blocks of prepaid credits for future delivery of power in order to help Bonneville fund improvements to its infrastructure. Franklin PUD purchased one block of prepay credits in the amount of $6.8 million for the period between April 2013 and September 2028, and payment was made to Bonneville in March 2013. Total monthly credits received by Franklin PUD will be $9.3 million, and will result in a net present value savings of approximately $1.1 million.

The Energy Authority ("TEA") serves as Franklin PUD's energy consultant and marketing agency. Franklin PUD has entered into hedging agreements in the form of the International Swaps and Derivatives Association Agreements ("ISDA Agreements") with 13 counterparties. The ISDA Agreements are used by Franklin PUD to manage market price purchase risk for natural gas or other energy supplies and occasionally to manage the market price risk in the disposition of natural gas or other energy when the district cannot consume its full supply of energy. TEA manages the use of these agreements on Franklin PUD's behalf.

Franklin PUD contracted to pay Energy Northwest 10.5% of the annual cost of the Packwood Lake Hydroelectric Project in return for a portion of the power generated by such project. This contract will continue until Energy Northwest discontinues operation of the project or until Franklin PUD elects to terminate the contract upon 24 months notice. See "ENERGY NORTHWEST—Packwood Lake Hydroelectric Project" in the front of this Official Statement for a description of the Packwood Lake Hydroelectric Project.

See "THE PROJECT AND THE WIND PROJECT SYSTEM" in the front of this Official Statement for a description of the Nine Canyon Wind Project.

In 2002, Franklin PUD entered into an agreement with Frederickson Power, L.P. for the purchase of 30 MW of contract capacity from the Frederickson combined-cycle natural-gas fired combustion turbine project. The period of power delivery is 20 years commencing on the date of commercial operation in September 2002.

In 2007, Franklin PUD entered into a 20-year Energy and Environmental Attributes Purchase Agreement with Lakeview Light and Power Wind Energy, Inc. to purchase 10 MW of peak capacity of the White Creek Wind Project, accounting for a 4.89% share of the project's capacity.

In 2011, Franklin PUD entered into a 20-year agreement with Green Energy Today, LLC to acquire the output from a small conduit hydroelectric project, known as the Esquatzel Project that generates approximately 0.7 aMW annually.

Customer Information

Of Franklin PUD's 28,027 accounts, approximately 85% are residential. Franklin PUD's ten principal ratepayers accounted for approximately 26.1% of the district's total retail energy sales for the fiscal year ended December 31, 2013. Franklin PUD's largest customer, ConAgra, accounted for approximately 10.5% of the revenues from the sale of electricity in 2013. The next largest customer, Pasco Processing LLC, accounted for approximately 3.1% of revenues from the sale of electricity. The third largest customer, the Pasco School District, accounted for approximately 2.1% of revenues from the sale of electricity.

Telecommunications

Franklin PUD has installed a fiber optic system in its service area for use by its Electric System. Franklin PUD connected its fiber optic system to NoaNet's fiber optic communications system in June 2001 and has made excess capacity available for retail service providers and other public purposes. The network was fully operational in August 2002, which currently provides 125 miles of backbone fiber cable with data speeds between 10 megabyte to 10 gigabyte. Franklin PUD has signed contracts with 11 retail providers and is currently installing service drops. Wireless communications and equipment collocation are additional wholesale broadband services available to retail service providers.

In addition, Franklin PUD is a member of NoaNet. NoaNet was created in February 2000, as a Washington nonprofit mutual corporation under Chapter 24.06 RCW, by interlocal agreement among 13 public utility districts and Energy Northwest, for the purpose of developing the Telecommunications Network. Several additional public utility districts subsequently became members of NoaNet, and several public utility districts withdrew as members. NoaNet currently has a membership of nine public utility districts and Energy Northwest. As of December 2, 2014, NoaNet has $5,510,000 of outstanding Telecommunications Network Revenue Refunding Bonds, 2011 (Taxable), of which Franklin PUD is a guarantor of the payment of the principal of and interest on such outstanding bonds and is liable by assessment or otherwise to repay NoaNet for amounts due and owing with respect to such principal and interest up to 6.39%. In addition, as of September 30, 2014, NoaNet had $13,000,000 in total aggregate authorized principal amount of bank loans through Bank of America, N.A. (of which $5,062,500 was outstanding) to fund capital expenditures, of which Franklin PUD's Electric System guaranteed, or to which the NoaNet board has pledged to assess Franklin PUD for, the repayment of up to 3.63% or 4.39% of the outstanding balance to the extent NoaNet's revenues are insufficient to pay the loans. In 2012 and 2013, Franklin PUD paid nothing to NoaNet for assessments, the 2014 NoaNet budget does not anticipate a contribution from members to pay for outstanding debt or for any operational requirements.

Outstanding Debt

As of October 1, 2014, Franklin PUD had long-term bonds payable from its Electric System outstanding in the aggregate principal amount of $62,670,000.

Certain Historical Results

The following table shows Franklin PUD's historical number of accounts, electric sales and revenues by customer class for the calendar years 2009 through 2013. The historical cost of power, revenues, energy sales and other information displayed in the following tables may not be indicative of Franklin PUD's financial results in the future.

Historical Retail Accounts, Electric Sales and Revenues From Sales

	2009	2010	2011	2012	2013
Number of Accounts					
Residential	21,697	22,424	23,059	23,435	23,797
General and Industrial	3,167	3,197	3,224	3,272	3,293
Small Irrigation	793	804	799	809	830
Large Irrigation	69	69	66	69	69
Street Lighting	39	38	38	38	38
Security Lighting	0	0	0	0	0
Total Accounts	25,765	26,532	27,186	27,623	28,024
Electric Sales (MWhs)					
Residential	336,923	321,335	335,005	336,205	350,167
General and Industrial	499,974	504,593	519,647	523,009	534,717
Small Irrigation	67,710	62,501	64,764	64,969	66,976
Large Irrigation	62,696	56,709	57,427	56,688	63,176
Street Lighting	4,182	4,310	4,467	4,201	4,638
Security Lighting	569	571	580	592	595
Total Energy Sales	972,054	950,019	981,890	985,664	1,020,269
Revenue from Electric Sales					
Residential	$ 22,602,671	$ 24,464,253	$ 26,124,424	$ 27,962,396	$ 29,709,164
General and Industrial	28,381,144	30,848,817	31,298,121	29,759,365	33,006,390
Small Irrigation	3,632,093	3,289,724	3,312,697	3,493,096	3,797,756
Large Irrigation	3,368,734	3,099,202	3,067,506	3,121,575	3,618,056
Street Lighting	330,047	341,636	346,478	318,531	301,098
Security Lighting	70,104	73,402	74,699	76,920	78,127
Total Revenues from Electric Sales	$ 58,384,793	$ 62,117,034	$ 64,223,925	$ 64,731,883	$ 70,510,591
Peak Demand (kW)					
Winter	177,000	186,000	166,400	168,000	182,000
Summer	211,000	207,000	204,000	214,000	222,000

The following table presents income statements of Franklin PUD for the five calendar years 2009 through 2013. See "INCLUSION BY SPECIFIC REFERENCE" for reference to Franklin PUD's 2013 financial statements, which are on file with the MSRB.

HISTORICAL OPERATING RESULTS

	2009	2010	2011	2012	2013
Operating Revenues					
Retail Energy Sales	$ 58,384,793	$ 62,117,034	$ 64,223,925	$ 64,731,883	$ 70,510,591
Broadband Revenue	499,303	674,984	692,344	773,295	1,126,104
Sales for Resale	10,905,987	7,181,842	7,102,867	7,289,135	8,965,265
Other Electric Revenues	594,085	75,410	75,424	67,075	47,438
Other Operating Revenues	4,562,914	412,946	362,747	504,368	469,021
Total Operating Revenues	$ 74,947,082	$ 70,462,216	$ 72,457,307	$ 73,365,756	$ 81,118,365
Operating Expenses					
Power Supply	$ 46,725,990	$ 46,007,418	$ 44,376,498	$ 49,332,150	$ 54,427,647
Distribution Operations & Maintenance	3,463,755	3,438,314	3,617,829	3,920,438	4,002,534
Broadband Operations & Maintenance	348,901	342,010	403,627	240,184	240,929
Customer Accounting & Info. Energy Services	1,381,032	1,422,055	1,461,454	1,517,748	1,527,148
Administrative & General Expenses	5,520,565	5,882,274	5,976,327	6,283,650	6,597,487
Taxes	4,445,213	3,973,385	4,565,185	4,685,698	5,304,774
Depreciation	4,275,321	5,702,314	6,059,197	6,360,582	6,595,192
Total Operating Expenses	$ 66,160,777	$ 66,767,770	$ 66,460,117	$ 72,340,450	$ 78,695,711
Net Revenue	$ 8,786,305	$ 3,694,446	$ 5,997,190	$ 1,025,306	$ 2,422,654
Non-Operating Revenue/Expenses					
Interest Income	$ 260,718	$ 112,332	$ 65,549	$ 95,128	$ 58,716
Interest, Amortization and Bond Issuance Costs	(2,879,664)	(2,744,745)	(2,501,539)	(2,358,967)	(2,802,736)
Other Nonoperating Revenue/Expense	113,349	(89,833)	146,647	322,083	229,853
Total Non-Operating Expenses	$ (2,505,597)	$ (2,722,246)	$ (2,289,343)	$ (1,941,757)	$ (2,514,167)
Capital Contributions	$ 2,778,890	$ 2,680,505	$ 2,731,640	$ 2,786,887	$ 1,956,989
Total Change in Net Position	$ 9,059,598	$ 3,652,705	$ 6,439,487	$ 1,870,439	$ 1,865,476
Adjustments for Debt Service:					
Depreciation	$ 4,275,321	$ 5,702,314	$ 6,059,197	$ 6,360,582	$ 6,595,192
Interest, Amortization and Bond Issuance Costs	2,879,664	2,744,745	2,501,539	2,358,967	2,802,736
Other Nonoperating Revenue/Expense	(113,349)	89,833	(146,647)	(322,083)	(229,853)
Total Adjustments	$ 16,101,234	$ 12,189,597	$ 14,853,576	$ 10,267,903	$ 11,033,551
Deposit to Rate Stabilization Account	$ (5,900,000)	$ 0	$ 0	$ 0	$ 0
Net Revenue	$ 10,201,235	$ 12,189,597	$ 14,853,576	$ 10,267,903	$ 11,033,551
Debt Service	$ 5,960,932	$ 5,898,881	$ 5,917,006	$ 5,962,394	$ 5,749,072
Debt Service Coverage	1.71x	2.07x	2.51x	1.72x	1.92x

Franklin PUD's audited financial statements are available on the Electronic Municipal Market Access ("EMMA") website of the Municipal Securities Rulemaking Board (www.emma.msrb.org, which website is not incorporated herein by reference).

Franklin PUD implemented a 3.0% rate increase effective May 1, 2014. For the first three quarters of 2014, the operating revenues of Franklin PUD totaled $64,006,967, an increase of 9.0% over the first three quarters of 2013 and approximately 77% of the 2014 calendar year budget. In addition, Franklin PUD had 28,393 customers at the end of September 2014, an increase of 1.5% from September 2013.

PUD NO. 1 OF GRAYS HARBOR COUNTY

	Phase I Debt Service	Phase II Debt Service	Phase III Debt Service	Annual O&M Budget and Project Output
Purchaser’s Share:	12.50%	12.50%	37.52%	20.89%
Maximum share (with “step-up”):	15.625%	15.625%	46.90%	26.1125%
Share of Parity Bond principal:	$4,571,250	$1,467,500	$22,677,088	N/A

Introduction

PUD No. 1 of Grays Harbor County (“Grays Harbor PUD”) is a Phase I Purchaser, a Phase II Purchaser and a Phase III Purchaser.

Grays Harbor PUD was incorporated in 1938 as a municipal corporation of the State and commenced its electric utility operations in 1940. Grays Harbor PUD engages in the purchase, generation, transmission, distribution and sale of electric energy. Grays Harbor PUD is governed by a three-member Board of Commissioners. The Commission appoints the General Manager, Auditor, Treasurer and General Counsel. Administrative and principal business offices are located at 2720 Sumner Avenue, Aberdeen, WA 98520.

The service area for Grays Harbor PUD comprises approximately 1,959 square miles and consists of all of Grays Harbor County, except for the city of McCleary, and portions of the adjacent Jefferson, Thurston, Lewis and Pacific Counties. Grays Harbor PUD is located in southwestern Washington and is bordered on the west by the Pacific Ocean. Grays Harbor County has a total area of 1,910 square miles and a population of approximately 73,300.

Most of Grays Harbor County’s land area consists of private timber holdings, Indian reservations, the Olympic National Forest and the Capitol State Forest. These areas are virtually unpopulated and, except for acreage adjacent to urban areas, are not expected to become available for private development.

Power Supply

Grays Harbor PUD obtains most of its power supply (approximately 89%) pursuant to a long-term Block and Slice contract with Bonneville. Grays Harbor PUD’s remaining power supply requirements are supplied by various district-owned generation and contract purchases, including the Frederickson Combustion Turbine Project, the Nine Canyon Wind Project, the Coastal Energy Wind Project and the Sierra Pacific Biomass Project.

Grays Harbor PUD is a statutory preference customer of Bonneville. Grays Harbor PUD’s current Bonneville power sales contract expires on September 30, 2028. Under this contract, Grays Harbor PUD receives a fixed 0.97771% of the Federal System output, which is expected to be 92 aMW annually under average water conditions. In addition, the District receives the Block product that provides power in monthly amounts ranging between 50 MW to 77 MW.

The Energy Authority (“TEA”) serves as Grays Harbor PUD’s energy consultant and marketing agency. Grays Harbor PUD has entered into hedging agreements in the form of the International Swaps and Derivatives Association Agreements (“ISDA Agreements”) with 16 counterparties. The ISDA Agreements are used by Grays Harbor PUD to manage market price purchase risk for natural gas or other energy supplies and occasionally to manage the market price risk in the disposition of natural gas or other energy when the district cannot consume its full supply of energy. TEA manages the use of these agreements on Grays Harbor PUD’s behalf.

In 2001, Grays Harbor PUD entered into an agreement with Frederickson Power, L.P. for the purchase of 45 MW of contract capacity from the Frederickson combined-cycle natural-gas fired combustion turbine project. The period of power delivery is 20 years commencing on the date of commercial operation in September 2002.

See “THE PROJECT AND THE WIND PROJECT SYSTEM” in the front of this Official Statement for a description of the Nine Canyon Wind Project.

In 2010, Grays Harbor PUD entered into power purchase agreements with Coastal Community Action Program (“CCAP”) and Sierra Pacific Industries. These agreements were entered into to meet the requirements of the renewable portfolio standard in Washington State. CCAP operates the Coastal Energy Project which is a 6 MW capacity wind project in Grayland, Washington.

Sierra Pacific Industries operates a biomass generation facility and Grays Harbor PUD has contracted to purchase 11 aMW from the plant.

Customer Information

Of Grays Harbor PUD's 41,429 customers, many with multiple-billed metering devices, approximately 84% are residential. Grays Harbor PUD's ten largest customers accounted for approximately 18.9% of the district's total energy sales for the fiscal year ended December 31, 2013. Grays Harbor PUD's two largest customers, Cosmo Specialty Fibers and the State Department of Corrections, accounted for approximately 6.26% and 1.21%, respectively, of its revenues from the sale of electricity in 2013.

Telecommunications

Grays Harbor PUD has constructed a fiber optic backbone that encompasses approximately 229 miles of cable. The district currently operates a digital microwave system that provides communications throughout Grays Harbor County. Grays Harbor PUD intends to continue to expand its fiber optic network to critical points in its transmission and distribution system, as well as to its substation facilities. Grays Harbor PUD allows retail providers to lease wholesale services, which include excess fiber optic capacity, microwave radio circuits, space on the district microwave towers and poles, and co-location space. Grays Harbor PUD sells bandwidth and services to retail providers on a wholesale basis. Under a separate contract, Grays Harbor PUD operates seven fiber optic/co-location nodes within Grays Harbor County.

Grays Harbor PUD withdrew its membership in the Northwest Open Access Network ("NoaNet") in October 2005. NoaNet currently has $5,510,000 of outstanding Telecommunications Network Revenue Refunding Bonds, 2011 (Taxable), of which Grays Harbor PUD is still a guarantor of the payment of the principal of and interest on such outstanding bonds and is liable by assessment or otherwise to repay NoaNet for amounts due and owing with respect to such principal and interest up to 11.95%. The total liability has been set aside in a restricted investment account solely for the purpose of paying assessments when due.

Outstanding Debt

As of October 1, 2014, Grays Harbor PUD had long-term bonds payable from its Electric System outstanding in the aggregate principal amount of $126,770,000.

Certain Historical Results

The following table shows Grays Harbor PUD's historical energy requirements, cost of power, customers and revenues from energy sales for calendar years 2009 through 2013. The historical cost of power, revenues, energy sales and other information displayed in the following tables may not be indicative of Grays Harbor PUD's financial results in the future.

Historical Customers, Energy Sales, Energy Requirements and Revenues from Sales

	2009	2010	2011	2012	2013
No. of Customers (Average)					
Residential	34,669	34,588	34,769	34,660	34,610
Commercial	4,358	4,374	4,303	4,229	4,220
Industrial	40	46	34	34	18
Public Street Lighting/Irrigation	2,551	2,577	2,501	2,491	2,481
Subtotal	41,618	41,585	41,607	41,413	41,329
Sales for Resale	75	47	60	75	100
Total Customers	41,693	41,632	41,667	41,488	41,429
Energy Sales (MWh)					
Residential	525,997	500,392	525,645	497,856	490,491
Commercial	299,010	294,845	306,588	301,746	311,348
Industrial	149,677	132,009	182,432	172,475	157,679
Public Street Lighting/Irrigation	4,441	5,194	3,826	3,784	3,851
Subtotal	979,125	932,440	1,018,491	975,861	963,369
Sales for Resale	628,543	548,981	616,424	650,946	633,559
Total Energy Sales	1,607,668	1,481,421	1,634,915	1,626,807	1,596,928
System Losses	29,816	27,875	13,591	24,621	23,443
Total Energy Requirements	1,637,484	1,509,296	1,648,506	1,651,428	1,620,372
Peak Demand (kW)	264,000	248,000	236,000	231,000	214,000
Cost of Resources:					
Total Cost of Resources	$ 70,939,543	$66,242,666	$56,478,128	$55,502,133	$ 60,929,248
Less Revenues from Sales for Resale and Sales of Surplus Energy	41,106,413	37,956,294	18,908,387	14,940,051	18,829,612
Net Cost of Resources	$ 29,833,130	$28,286,372	$37,569,741	$40,562,082	$ 42,099,636
Average Cost of Resources (cents/kWh)	1.82	1.87	2.28	2.46	2.59
Revenue from Energy Sales					
Residential	$ 38,843,579	$39,590,427	$43,900,397	$42,397,006	$ 44,925,065
Commercial	21,072,956	21,607,642	24,313,108	24,420,669	27,132,672
Industrial	6,955,680	7,256,149	10,925,635	9,818,052	9,640,602
Public Street Lighting/Irrigation	574,351	559,192	564,732	542,585	768,019
Subtotal	67,446,566	69,013,410	79,703,872	77,178,312	82,466,357
Sale for Resale	41,106,413	37,956,294	18,908,387	14,940,051	18,829,612
Total Energy Revenues	$108,552,979	$106,969,704	$ 98,612,259	$92,118,363	$101,295,969

The following table presents income statements of Grays Harbor PUD for the five calendar years 2009 through 2013. See “INCLUSION BY SPECIFIC REFERENCE” for reference to Grays Harbor PUD’s 2013 financial statements, which are on file with the MSRB.

Historical Operating Results

	2009	2010	2011	2012	2013
Operating Revenues					
Retail Energy Sales	$67,446,566	$69,013,410	$79,703,872	$77,178,312	$ 82,470,674
Wholesale Sales	41,106,413	37,956,294	18,908,387	14,940,051	18,829,612
Other Operating Revenues	10,311,446	10,541,858	11,795,563	11,975,115	12,899,568
Total Operating Revenues	$118,864,425	$117,511,562	$110,407,822	$104,093,478	$114,199,854
Operating and Maintenance Expenses					
Power Supply	$70,939,543	$66,242,666	$56,478,128	$55,502,133	$60,929,248
Transmission	5,630,123	5,787,448	6,341,099	6,466,726	6,426,959
Operating	13,465,825	13,768,681	11,686,278	10,860,431	11,378,895
Maintenance	7,868,497	7,579,234	7,938,285	8,549,415	8,336,127
Conservation	1,882,999	2,227,613	2,402,359	1,774,753	1,778,833
Depreciation & Amortization	9,785,445	10,275,930	10,698,030	11,019,028	11,022,676
Total Power Supply & Operating Expenses	$109,572,432	$105,881,572	$95,544,179	$94,172,486	$99,872,738
Other Operating Expenses					
Taxes & Tax Equivalents	$7,851,471	$7,527,430	$9,069,814	$8,404,993	$ 9,420,181
Operating Income (Loss)	$1,440,522	$4,102,560	$5,793,829	$1,515,999	$ 4,906,935
Nonoperating Revenue (Expenses)					
Interest & Dividend Income	$ 807,486	$ 210,348	$ 956,674	$ 1,111,500	$ 422,341
Interest Expense	(5,193,771)	(6,283,985)	(7,153,894)	(4,727,919)	(5,856,576)
Gain (Loss) on Capital Asset Depreciation	155,148	--	--	(5,139,046)[1]	--
Federal & State Grants	86,038	--	--	--	--
Other Nonoperating Revenues (Exp.)	207,049	91,195	90,816	275,519	303,569
Total Nonoperating Revenues (Expenses)	$(3,938,050)	$(5,982,442)	$(6,106,404)	$(8,479,946)	$ (5,130,660)
Income (Loss) Before Transfers	$(2,497,528)	$(1,879,882)	$ (312,575)	$(6,963,947)	$ (223,731)
Transfers (to) or from Rate Stabilization Fund	--	--	--	--	--
Available for Debt Service	$11,225,967	$14,588,837	$16,757,548	$12,535,027	$ 15,929,611
Actual Debt Service	$8,478,771	$9,728,985	$10,309,470	$9,245,519	$ 9,781,576
Debt Service Coverage	1.32x	1.50x	1.63x	1.36x	1.63x

(1) Relating to the generating facilities at Grays Harbor Paper (now known as Harbor Paper).

Grays Harbor PUD's audited financial statements are available on the Electronic Municipal Market Access ("EMMA") website of the Municipal Securities Rulemaking Board (www.emma.msrb.org, which website is not incorporated herein by reference).

Grays Harbor PUD implemented a 3.5% rate increase January 1, 2014 and a 1.5% rate increase August 1, 2014. Year-to-date cash flows are up 5.6% and Grays Harbor PUD is expected to finish 2014 ahead of budget. The financial plan for Grays Harbor PUD calls for smaller rate increases July 1 each year through 2017. Grays Harbor PUD maintains a Rate Stabilization Account, with a current balance of $11 million. This revenue is available for debt service coverage; however funds have not been transferred out of this account and Grays Harbor PUD has no current plans to access the account in the future.

PUD NO. 1 OF LEWIS COUNTY

	Phase I Debt Service	Phase II Debt Service	Phase III Debt Service	Annual O&M Budget and Project Output
Purchaser's Share:	2.08%	0.00%	15.71%	6.32%
Maximum share (with "step-up"):	2.604%	0.00%	19.638%	7.881%
Share of Parity Bond principal:	$761,753	$0	$9,495,124	N/A

Introduction

PUD No. 1 of Lewis County ("Lewis PUD") is a Phase I Purchaser and a Phase III Purchaser.

Lewis PUD was incorporated in 1936 as a municipal corporation of the State and commenced its electric utility operations in 1939. Lewis PUD engages in the purchase, generation, transmission, distribution and sale of electric energy. Lewis PUD is governed by a three-member Board of Commissioners. They establish policy, approve plans, budgets and expenditures and review the district's operation. Administrative and principal business offices are located at 321 Northwest Pacific Avenue, Chehalis, WA 98532.

The service area for Lewis PUD comprises approximately 2,530 square miles in Lewis County, Washington, as well as a portion of southeastern Pierce County in the vicinity of Mt. Rainier National Park. Lewis PUD does not serve the City of Centralia, which is located in Lewis County. Lewis PUD is located midway between Portland, Oregon and Seattle, Washington on the Interstate-5 corridor. Lewis County has a total area of approximately 2,400 square miles and a population of approximately 76,300.

Historically, Lewis County's economy has been based on the timber and agricultural industries. In recent years, Lewis County's employment has experienced a transition toward governmental services, retail trade and service industries generally related to Interstate Highway 5 that crosses the western part of Lewis County.

Power Supply

Lewis PUD obtains most of its power supply (approximately 89%) pursuant to a long-term Block and Slice contract with Bonneville. Lewis PUD's remaining power supply requirements are supplied by various district-owned generation and contract purchases, including the White Creek Wind Project, the Nine Canyon Wind Project, Packwood Lake Hydroelectric Project and other sources.

Lewis PUD is a statutory preference customer of Bonneville. Lewis PUD's current Bonneville power sales contract expires on September 30, 2028. Under this contract, Lewis PUD purchases a certain block of power (41,260 aMW) as well as a slice or certain fixed percentage of Bonneville generation (0.96%), which varies depending on the available water and may result in power that is surplus to Lewis PUD's needs and which Lewis PUD intends to sell on the open market.

Lewis PUD executed 20-year agreements with Klickitat County PUD in 2008 for the acquisition of a 10% share of the output of the 205 MW White Creek Wind Project near Goldendale, Washington for $36.85 million.

Pursuant to a Power Sales Contract entered into by Lewis PUD with Energy Northwest, the District has purchased 14.25% of the output of the Packwood Project and is obligated to pay Energy Northwest the same percentage of the annual cost thereof.

See "THE PROJECT AND THE WIND PROJECT SYSTEM" in the front of this Official Statement for a description of the Nine Canyon Wind Project.

Lewis PUD owns, operates, and utilizes the power from a small 600 kW hydroelectric project (Mill Creek).

As of October 1, 2013, the District purchases the output from a 560 KWh small hydroelectric project known as the Burton Creek Hydroelectric Project, which is owned and operated by a private party. The District originally entered into a power purchase agreement in 2003 for the output of the project, which was terminated in 2012 when the project failed to deliver power. The Burton Creek Hydroelectric Project once again received qualifying facility status, and the District entered into a contract to purchase the output until December 31, 2018.

In 2011, Lewis PUD entered into a power management services agreement with The Energy Authority ("TEA") to provide certain power scheduling, purchasing, sales, and related services to assist in the short term management of Lewis PUD's power supply.

Customer Information

Of Lewis PUD's 31,078 accounts, approximately 82% are residential. Lewis PUD's ten principal ratepayers accounted for approximately 21% of the district's total energy sales for the fiscal year ended December 31, 2013. In 2013, Lewis PUD's largest customer accounted for approximately 2.6% of the district's revenues from the retail sale of electricity.

Telecommunications

Lewis PUD's fiber optic based communication system consists of approximately 60 miles of overhead ADSS fiber optic cable, primarily following the district's transmission routes. The system was constructed to support the district's Electric System with communication between its offices and various substations located throughout Lewis County.

Outstanding Debt

As of December 2, 2014, Lewis PUD will have long-term bonds payable from its Electric System outstanding in the aggregate principal amount of $28,485,000. In addition, Lewis PUD has $85,055,000 of outstanding bonds to be paid by the Cowlitz Falls Hydroelectric Project as of October 15, 2014. Bonneville buys all of the power from and is responsible for all costs, including debt service, of the Cowlitz Falls Hydroelectric Project.

Certain Historical Results

The following table shows Lewis PUD's historical number of accounts, electric sales by customer class and energy sources for the calendar years 2008 through 2013. The historical cost of power, revenues, energy sales and other information displayed in the following tables may not be indicative of Lewis PUD's financial results in the future.

Historical Customer and Energy Statistics (1)

	2009	2010	2011	2012	2013
Average Number of Customers					
Residential	25,644	25,718	25,641	25,619	25,608
Commercial	4,477	4,513	4,549	4,586	4,603
Industrial	78	77	76	74	74
Public Authorities	639	637	641	647	662
Public Street & Highway Lighting	34	34	33	33	35
Irrigation	85	81	85	88	96
Total Customers	30,957	31,060	31,025	31,047	31,078
Electric Sales (MWhs)					
Residential	466,046	451,393	472,719	455,690	442,313
Commercial	150,060	147,472	152,216	150,889	150,391
Industrial	245,325	270,775	267,838	249,638	248,881
Public Authorities	69,565	66,640	68,958	65,977	66,622
Public Street & Highway Lighting	982	82	971	973	988
Irrigation	1,682	954	1,192	1,395	1,192
Total Electric Sales	933,660	938,216	963,894	924,562	910,387
Wholesale Sales (MWh)	53,500	52,538	72,838	342,181	267,872
Energy Losses (MWh)	57,358	30,489	45,819	34,716	56,391
Electric System Usage (MWh)	1,016	1,187	1,218	1,346	1,213
Total Energy Purchased (MWh)	1,045,534	1,022,430	1,083,769	1,302,805	1,235,863
Peak Demand (kW)	262	220	220	206	233
Energy Sources (MWhs)					
Bonneville	975,654	952,101	991,667	1,190,047	1,098,983
White Creek	53,500	52,657	59,670	53,950	54,289
Nine Canyon	14,247	14,804	16,690	14,817	13,234
Packwood Hydro	--	--	2,031	16,341	13,615
Burton Creek Hydro	1,495	1,588	1,291	--	308
Mill Creek Hydro	638	1,280	1,009	1,330	1,166
Market Purchases	--	--	11,429	26,320	54,268
Total Energy Sources	1,045,534	1,022,430	1,083,769	1,302,805	1,235,863

(1) Totals may not add due to rounding.

The following table presents income statements of Lewis PUD for the five calendar years 2009 through 2013. See "INCLUSION BY SPECIFIC REFERENCE" for reference to Lewis PUD's 2013 financial statements, which are on file with the MSRB.

Historical Operating Results
($000)

	2009	2010	2011	2012	2013
Operating Revenues[1]					
Sales of Electric Energy[2]					
Residential	$ 24,373	$ 25,574	$ 27,386	$ 28,897	$ 28,914
Commercial	7,311	7,796	8,278	8,952	9,124
Industrial	9,422	11,535	11,520	12,145	13,015
Public Authorities	3,015	3,165	3,354	3,486	3,653
Public Street & Highway Lighting	106	119	119	130	138
Irrigation	74	53	63	80	75
Total Sales	$ 44,301	$ 48,242	$ 50,720	$ 53,690	$ 54,919
Sales of Electric Energy Wholesale	$ 2,493	$ 2,452	$ 1,696	$ 5,454	$ 5,430
Sales of REC	879	772	237	--	--
Other Operating Revenues	1,855	1,906	2,158	2,358	2,201
Operating Revenues before Contributed Capital	$ 49,528	$ 53,372	$ 54,811	$ 61,502	$ 62,550
Contributed Capital[3]	626	215	632	624	455
Total Operating Revenues	$ 50,154	$ 53,587	$ 55,443	$ 62,126	$ 63,005
Operating Expenses[4]					
Purchased Power (net)[5]	$ 29,362	$ 31,472	$ 32,923	$ 38,523	$ 40,572
Operations and Maintenance	9,864	9,909	9,834	11,251	12,257
Taxes	3,208	3,350	3,682	3,849	3,958
Total Operating Expenses	$ 42,434	$ 44,731	$ 46,439	$ 53,623	$ 56,787
Other Revenues	$ 725	$ 255	$ 119	$ 513	$ 218
Transfers To Rate Stabilization[6]	--	--	--	--	$ (1,132)
Balance Available for Debt Service	$ 8,445	$ 9,111	$ 9,123	$ 9,016	$ 5,314
Debt Service	$ 2,747	$ 2,748	$ 2,999	$ 3,299	$ 3,295
Debt Service Coverage	3.07x	3.32x	3.04x	2.73x	1.61x

(1) Includes contributed capital, which is not included in operating revenues in Lewis PUD's financial statements.
(2) Reflects a rate increase of 8% effective September 1, 2011 and 5% effective May 1, 2012.
(3) Contributions in aid of construction.
(4) Excludes depreciation and amortization.
(5) Effective October 2011, Lewis PUD obtains power from Bonneville under a Block and Slice Power Sale Agreement.
(6) Rate Stabilization Account was established in 2013. Without the transfer to the Rate Stabilization Account in 2013, Lewis PUD's debt service coverage would be 1.96 times.

Lewis PUD's audited financial statements are available on the Electronic Municipal Market Access ("EMMA") website of the Municipal Securities Rulemaking Board (www.emma.msrb.org, which website is not incorporated herein by reference).

Lewis PUD's operations for 2014 is experiencing a slight increase (approximately 0.5% as of September 2014) in load compared to 2013 primarily due to a colder than normal February. A revenue requirement and cost of service analysis was completed in late 2013 and the Board of Commissioners of Lewis PUD revised certain rate schedules effective March 1, 2014. The basic charge was increased by $0.10 per day while the energy charge increase varies by rate schedule. The results of operations for 2014 are expected to be within budget.

PUD NO. 3 OF MASON COUNTY

Neither Energy Northwest nor PUD No. 3 of Mason County have undertaken to update the information under this heading on an on-going basis.

The following table sets forth certain information regarding the Phase III Purchaser whose Purchaser's Shares (either Phase I, Phase II or Phase III) is less than 10%.

	PUD No. 3 of Mason County(1)
Purchaser's Share:	
Phase I Debt Service	2.083%
Phase II Debt Service	6.41%
Phase III Debt Service	3.14%
Annual O&M Budget and Project Output	3.14%
Share of Parity Bond Principal:	
Phase I Bonds	$761,753
Phase II Bonds	$752,534
Phase III Bonds	$1,897,816
Year established	1934
Certain results:	
Customers	32,498
Percent Residential	93%
Energy requirements (MWh)	656,363
Total operating revenues(2)	$54,366,670
Total operating expenses(3)	$46,917,541

(1) PUD No. 3 of Mason County is a Phase I, Phase II and Phase III Purchaser. Information based on fiscal year ended December 31, 2013 information.
(2) Excludes non-operating income.
(3) Excludes non-operating expenses.

General. PUD No. 3 of Mason County ("Mason PUD") was established by vote in 1934 and commenced operations in 1939. Mason PUD is governed by a three-member commission. A manager is appointed by the commission to provide administrative direction to Mason PUD. Mason PUD's administrative and principal business office is located at 2621 East Johns Prairie Road, P.O. Box 2148, Shelton, Washington 98584.

The service area of Mason PUD is approximately 567 square miles, and includes all of Mason County, with the exception of an area beginning at a point approximately two miles west of Twanoh State Park and north from that point running parallel to Hood Canal to the boundary with Jefferson County, which is primarily served by PUD No. 1 of Mason County. Mason PUD also provides electric service to five square miles in southern Kitsap County, 18 square miles in Grays Harbor County and a small portion of southwestern Pierce County.

The economy within Mason PUD's service area historically has been dominated by the timber industry. However, the economy is diversifying and includes manufacturing, agriculture, aquaculture, tourism and recreation. Mason County also has become a bedroom community for Olympia, the state capitol, in Thurston County and for Bremerton in Kitsap County.

Power Supply. Mason PUD is a statutory preference customer of the Bonneville Power Administration ("Bonneville") and purchases most of its power from Bonneville. Mason PUD's power supply also comes from the Olympic View Generating Station, the Packwood Lake Hydroelectric Project, the Nine Canyon Wind Project and the White Creek Wind Project.

Mason PUD's current Bonneville power sales contract expires on September 30, 2028 and under this contract, Mason PUD receives Bonneville's lowest cost preference rate ("Tier 1") rates for the amount based on its net requirement load for the 12 month period ending September 30, 2010. In addition to the Tier 1 power purchased under the Bonneville contract, it is estimated that beginning in October 2015 through 2019, it will purchase additional energy from Bonneville under a short term Tier 2 power sales rate.

Mason PUD contracted to pay Energy Northwest 10% of the annual cost of the Packwood Lake Hydroelectric Project in return for a portion of the power generated by such project. This contract will continue until Energy Northwest discontinues operation of the project or until Mason PUD elects to terminate the contract upon 24 months' notice. See "ENERGY NORTHWEST—Packwood Lake Hydroelectric Project" in the front of this Official Statement for a description of the Packwood Lake Hydroelectric Project.

Mason PUD has the ability to use the Olympic View Generating Station, comprised of two natural gas-fired reciprocating engine generator sets, output of 5.2 MW, if needed to serve load in the future.

See "THE PROJECT AND THE WIND PROJECT SYSTEM" in the front of this Official Statement for a description of the Nine Canyon Wind Project.

Mason PUD entered into a power purchase agreement with LL&P Wind Energy in May 2010, for 3.22 MW of capacity of the White Creek Wind Project, an 89 turbine wind project in Klickitat County, for approximately 17.5 years at a fixed bus-bar price.

In 2011, Mason PUD entered into a contract, that begins on January 1, 2016 for a period of 17 years, with Exergy of Idaho, LLC to purchase 50,000 renewable energy credits per year.

Customer Information. Mason PUD has approximately 32,498 customers, 94% of which are residential. Mason PUD's ten largest customers accounted for approximately 17.4% of the district's total energy sales and 12.2% of the district's total revenues from the sale of electricity for 2013. Mason PUD's largest customer, a lumber company, accounted for approximately 5.3% of Mason PUD's revenues from the sale of electricity for the year 2013.

Outstanding Debt. As of December 2, 2014, Mason PUD will have bonds payable from revenues of its Electric System outstanding in the aggregate principal amount of $75,230,000.

Telecommunications. As a member of NoaNet, which provides broadband communication backbones over public benefit fibers, Mason PUD participated in several projects that brought new revenue, permitted for build-out to rural areas, improved system reliability and allowed for future Mason PUD communication needs. In 2013, NoaNet was awarded contracts to connect seven cellular carrier sites within Mason PUD's service territory. Mason PUD built fiber to the cellular sites and provided the actual connectivity to the towers. Once connected, the communication is routed back through one of Mason PUD's co-location centers where it is handed back to NoaNet to deliver advanced telecommunication services throughout the State.

2014 Operating Results to Date. During 2014, Mason PUD experienced increased revenues; operating revenues increased 8.4% from September 2013 to September 2014. Mason PUD implemented a rate increase effective February 1, 2014. The new rate went from $.0651/kilowatt-hour consumption to $.0652/kilowatt-hour consumption and decoupled the State utility tax from the energy rate disclosing it separately. The Mason PUD Board of Commissioners also increased the daily system charge by $0.10 per day. Two new rate schedules were also approved and became effective with meter readings on or after November 26, 2013. Schedule 41 addressed Light Emitting Diode (LED) Overhead Lights and Schedule 50 addressed New or Expanding Large Load (NELL).

During 2014, Mason PUD was named a diamond level utility in the Reliable Public Power Provider (RP3) Program, a distinction determined by the American Public Power Association (APPA). The diamond level is the highest level of achievement and recognizes Mason PUD for providing its customers with the highest degree of reliable and safe electric service. Mason PUD is the only diamond level utility in Washington State.

Mason PUD completed a major system improvement in 2014 with the relocation of 14 power distribution poles for the State Route 3 widening project in Belfair, Washington. In addition, the Mason PUD Board of Commissioners approved the sale of their prior administrative building at 307 W Cota Street along with the adjacent park and parking lot to the Mason Conservation District.

APPENDIX B
SUMMARY OF THE BOND RESOLUTION

The following is a summary of certain provisions of Resolution No. 1824, adopted by Energy Northwest's Executive Board on November 13, 2014 (the "Bond Resolution"), and is qualified in its entirety by reference to the Bond Resolution. For a summary of certain other provisions of the Bond Resolution, see "DESCRIPTION OF THE BONDS" and "SECURITY FOR THE BONDS" in the body of this Official Statement.

Certain Definitions

Some of the terms defined in the Bond Resolution that are used in this Official Statement appear below. Certain of the following definitions have been condensed or otherwise modified when appropriate for purposes of this Official Statement.

"Board" means the Executive Board of Energy Northwest.

"Bond Account" means the Wind Project Revenue Bond Account created by Resolution No. 1217.

"Bond Register" means the registration records for the Bonds maintained by the Bond Registrar.

"Bond Registrar" means U.S. Bank National Association, or its successor, whose duties include registering and authenticating the Bonds, maintaining the Bond Register, transferring ownership of the Bonds, and paying the principal of and interest on the Bonds.

"Costs of Maintenance and Operation" means all of those expenses incurred in the administration, operation and maintenance of the Wind Project System, but not including depreciation, amortization and similar charges.

"Event or Events of Default" means those events described as Events of Default in the Bond Resolution (as summarized below under the heading "Events of Default").

"Fiscal Year" means the Fiscal Year used by Energy Northwest at any time. At the time of the adoption of the Bond Resolution, the Fiscal Year is the 12-month period beginning July 1 of each year.

"Future Parity Bonds" means any bonds and other debt of Energy Northwest issued after the date of issuance of the Bonds that will have a lien upon Net Revenue of the Wind Project System for the payment of the principal thereof and interest thereon equal to the lien upon Net Revenue of the Wind Project System for the payment of the principal of and interest on the outstanding 2006 Bonds, the 2012 Bonds, the 2014 Bonds and the Bonds.

"Government Obligations" means direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government.

"Gross Revenue" means all income and revenues received by Energy Northwest from the sale of power through the ownership or operation of the Wind Project System and all other commodities, services and facilities sold, furnished or supplied by Energy Northwest through the ownership or operation of the Wind Project System, including payments received from the Purchasers under the Power Purchase Agreement and the proceeds of any performance bond or insurance securing performance under any construction contract, together with the investment income earned on money held in any fund or account of Energy Northwest, including any bond redemption funds and the accounts therein, in connection with the ownership and operation of the Wind Project System (but exclusive of income derived from investments irrevocably pledged to the payment of any specific revenue bonds of Energy Northwest, such as bonds refunded or defeased, investment income earned on money in any arbitrage rebate account, and grants for capital purposes).

"Letter of Representations" means the Blanket Issuer Letter of Representations delivered by Energy Northwest to DTC.

"MSRB" means the Municipal Securities Rulemaking Board or any successor to its functions.

"Net Revenue" means Gross Revenue minus Costs of Maintenance and Operation.

"Obligated Person" means any person or entity which, at the time, is obligated directly or indirectly by contract, generally or through an enterprise, fund or account, to make payment in the then current or any succeeding Fiscal Year to be applied to pay at least 10% of the aggregate amount of principal of and interest scheduled to become due in such year on any issue of Parity Bonds.

"Operating Reserve Account" means the account created pursuant to Resolution No. 1217.

"Parity Bonds" means the outstanding 2006 Bonds, the 2012 Bonds, the 2014 Bonds, the Bonds and all Future Parity Bonds.

"Payment Agreement" means, to the extent permitted from time to time by applicable law, a written agreement entered into by Energy Northwest (i) in connection with or incidental to the issuance, incurring or carrying of any Parity Bonds; (ii) for the purpose of managing or reducing Energy Northwest's exposure to fluctuations or levels of interest rates, currencies or commodities or for other interest rate, investment, asset or liability management purposes; (iii) with a Qualified Counterparty; and (iv) which provides, on either a current or forward basis, for an exchange of payments determined in accordance with a formula specified therein.

"Payment Agreement Payments" means the amounts periodically required to be paid by Energy Northwest to the Qualified Counterparty pursuant to a Payment Agreement. The term "Payment Agreement Payments" does not include any termination payment required to be paid with respect to a Payment Agreement.

"Payment Agreement Receipts" means the amounts periodically required to be paid by the Qualified Counterparty to Energy Northwest pursuant to a Payment Agreement.

"Permitted Investments" means any investments or investment agreements permitted by law for funds of Energy Northwest.

"Phase I" means the facilities that comprise the Project's initial generating capacity of approximately 48 MW.

"Phase I Purchasers" means Public Utility Districts No. 1 of Benton, Chelan, Cowlitz, Douglas, Franklin, Grays Harbor, Lewis and Okanogan Counties, Public Utility District No. 2 of Grant County, and Public Utility District No. 3 of Mason County.

"Phase II" means the facilities that comprise approximately 15.6 MW in excess of the initial generating capacity of Phase I.

"Phase II Purchasers" means Public Utility Districts No. 1 of Chelan, Douglas, Grays Harbor and Okanogan Counties and Public Utility District No. 3 of Mason County.

"Phase III" means the facilities that comprise approximately 32 MW in excess of the initial generating capacity of Phase I and Phase II.

"Phase III Purchasers" means Public Utility Districts No. 1 of Benton, Franklin, Grays Harbor and Lewis Counties and Public Utility District No. 3 of Mason County.

"Power Purchase Agreement" means the Second Amended and Restated Nine Canyon Wind Project Power Purchase Agreement among Energy Northwest and the Purchasers relating to the payment of annual costs of and receipt of power generated from the Project, as the same may be amended in accordance with the 2006 Resolution, the 2012 Resolution, the 2014 Resolution and the Bond Resolution.

"Project" means Phase I, Phase II and Phase III of the Nine Canyon Wind Project.

"Purchasers" means, collectively, the Phase I Purchasers, the Phase II Purchasers and the Phase III Purchasers.

"Qualified Counterparty" means with respect to a Payment Agreement an entity (i) whose senior long-term debt obligations, other senior unsecured long-term obligations or claims paying ability or whose payment obligations under a Payment Agreement are guaranteed by an entity whose senior long-term debt obligations, other senior unsecured long-term obligations or claims paying ability are rated (at the time the Payment Agreement is entered into) at least as high as "A3" by Moody's and "A-" by S&P, or the equivalent thereof by any successor thereto, and (ii) who is otherwise qualified to act as the other party to a Payment Agreement under any applicable laws of the State.

"Qualified Insurance" means any noncancelable bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies), which insurance company or companies, as of the time of issuance of such policy or surety bond, are rated in one of two highest rating categories by Moody's or S&P or their comparably recognized business successors.

"Qualified Letter of Credit" means any irrevocable letter of credit or other credit enhancement issued by a financial institution for the account of Energy Northwest on behalf of the owners of any Parity Bonds, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit, is rated in one of the two highest rating categories by Moody's or S&P or their comparably recognized business successors.

"Registered Owner" means the person in whose name a Bond is registered on the Bond Register. For so long as Energy Northwest utilizes the book-entry system for the Bonds, DTC or Cede & Co., as applicable, shall be deemed to be the Registered Owner.

"REPI Subaccounts" means the subaccounts for each phase in the Operating Reserve Account.

"Reserve Account" means the debt service reserve account in the Bond Account.

"Reserve Account Requirement" means with respect to the Bonds the amount to be determined pursuant to the Bond Resolution. Upon the issuance of Future Parity Bonds, the Reserve Account Requirement for such Future Parity Bonds, if any, will be specified in the resolution authorizing the issuance of such bonds. The Reserve Account Requirement for all Parity Bonds shall be the sum of the Reserve Account Requirements of each series of Parity Bonds.

"Reserve and Contingency Account" means the account created pursuant to Resolution No. 1217.

"Revenue Fund" means the Wind Project System Revenue Fund of Energy Northwest.

"Rule" means the SEC's Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

"SEC" means the Securities and Exchange Commission.

"Serial Bonds" means Parity Bonds other than Term Bonds.

"Sinking Fund Requirement" means, for any Fiscal Year, the principal amount of Term Bonds required to be purchased, redeemed or paid prior to maturity in such Fiscal Year as established by the resolution of Energy Northwest authorizing the issuance of such Term Bonds.

"Term Bonds" means the 2006 Bonds maturing in the years 2021, 2026 and 2030 and the Bonds or other Future Parity Bonds the payment of principal of which may be made from mandatory sinking fund redemptions prior to their stated maturity.

"2006 Bonds" means Energy Northwest Wind Project Revenue Bonds, Series 2006 issued pursuant to the 2006 Resolution.

"2006 Resolution" means Resolution No. 1482 authorizing the issuance and sale of the 2006 Bonds.

"2012 Bonds" means the Energy Northwest Wind Project Revenue Refunding Bonds, Series 2012 issued pursuant to the 2012 Resolution.

"2012 Resolution" means Resolution No. 1722 authorizing the issuance and sale of the 2012 Bonds.

"2014 Bonds" means the Energy Northwest Wind Project Revenue Refunding Bonds, Series 2014 issued pursuant to the 2014 Resolution.

"2014 Resolution" means Resolution No. 1789 authorizing the issuance and sale of the 2014 Bonds.

"Wind Project System" means the system consisting of the properties, rights and assets both tangible and intangible to be owned or operated by Energy Northwest as the Nine Canyon Wind Project and used or useful for the provisioning and sale of power from the Project, and as they may be hereafter added to, bettered, improved or extended for as long as any Parity Bonds are outstanding, but shall not include any other facilities constructed or acquired by Energy Northwest as a system that has been or is declared by the Board of Directors of Energy Northwest to be separate from the Wind Project System. The Project consists of Phase I, Phase II and Phase III.

Removal and Resignation of the Bond Registrar

The Bond Registrar may resign upon 60 days' notice or may be removed by Energy Northwest and a new Bond Registrar (which may be the fiscal agent of the State) appointed by Energy Northwest; provided, however, that no such resignation or removal shall be effective until a successor Bond Registrar shall have been appointed by Energy Northwest and the Bond Registrar shall have delivered a written instrument of acceptance of the Bond Registrar's duties and responsibilities under the Bond Resolution to Energy Northwest. In the event of the resignation or removal of the Bond Registrar, notice of the name and address of the new Bond Registrar is required to be sent to the MSRB, or mailed along with the next payment of interest on the Bonds. If such resignation or removal becomes effective after an interest payment date next preceding a maturity date of the principal of any Bond, such notice will be furnished to the Registered Owner of such Bonds, to the extent practicable, not less than 15 days prior to such maturity date.

Investment of the Bond Account

At Energy Northwest's option, money in the Bond Account may be invested as permitted by law in Permitted Investments maturing prior to the maturity date of the final installment of principal of the Parity Bonds payable out of the Bond Account. For the purpose of determining the amount credited to the Reserve Account, obligations in which money in the Reserve Account is invested will be valued at the market value thereof, plus accrued interest to the date of calculation. The term "market value" means, in the case of securities which are not then currently redeemable at the option of the owner, the current bid quotation for such securities, as reported in any nationally circulated financial journal, and the current redemption value in the case of securities that are then redeemable at the option of the owner. For obligations that mature within six months, the market value will be the par value thereof. The valuation of the amount in the Reserve Account shall be made by Energy Northwest as of the close of business on each June 30 (or on the next preceding business day if June 30 does not fall on a business day) and may be made on any other date.

Defeasance of Bonds

If Energy Northwest, in order to effect the payment, retirement or redemption of any Bond, sets aside in the Bond Account or in another special account, held in trust by a trustee, cash or noncallable Government Obligations, as such obligations are now or hereafter defined in chapter 39.53 RCW, or any combination of cash and/or noncallable Government Obligations in amounts and maturities which, together with the known earned income therefrom, are sufficient to redeem or pay and retire such Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or noncallable Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Account for the payment of the principal of and interest on such Bond. The owner of a Bond so provided for shall cease to be entitled to any lien, benefit or security of the Bond Resolution except the right to receive payment of principal, premium, if any, and interest from such special account, and such Bond shall be deemed to be not outstanding under the Bond Resolution. The trustee shall give written notice of defeasance to the owners of all Bonds so provided for no later than 20 days after the date the escrow is established and to the MSRB in accordance with Energy Northwest's continuing disclosure undertaking.

Payment Agreements

Energy Northwest may enter into Payment Agreements with respect to any Parity Bonds. Each Payment Agreement must set forth the manner in which the Payment Agreement Payments and the Payment Agreement Receipts will be calculated and a schedule of payment dates. Before entering into a Payment Agreement, the Board must adopt a resolution authorizing such agreement and setting forth the provisions the Board deems necessary or desirable and are not inconsistent with the provisions of the Bond Resolution.

It is the intent of Energy Northwest, for purposes of the revenue covenant described in this Official Statement under the heading "SECURITY FOR THE BONDS—Certain Covenants" and the Future Parity Bonds test described in this Official Statement under the heading "SECURITY FOR THE BONDS—Future Parity Bonds," that debt service on Parity Bonds with respect to which a Payment Agreement is in force shall be calculated to reflect the net economic effect on Energy Northwest intended to be produced by the terms of the Parity Bonds and the terms of the Payment Agreement. In calculating such amounts, Energy Northwest will be guided by the following requirements:

(1) The amount of interest deemed to be payable on any Parity Bonds with respect to which a Payment Agreement is in force will be an amount equal to the amount of interest that would be payable at the rate or rates stated in those Parity Bonds plus Payment Agreement Payments minus Payment Agreement Receipts.

(2) For any period during which Payment Agreement Payments are not taken into account in calculating interest on any outstanding Parity Bonds because the Payment Agreement is not then related to any outstanding Parity Bonds, Payment Agreement Payments on that Parity Payment Agreement will be calculated based upon the following assumptions: (i) if Energy Northwest is obligated to make Payment Agreement Payments based on a fixed rate and the Qualified Counterparty is obligated to make payments based on a variable rate index, payments by Energy Northwest will be based on the assumed fixed payor rate, and payments by the Qualified Counterparty will be based on a rate equal to the average rate determined by the variable rate index specified by the Payment Agreement during the fiscal quarter preceding the quarter in which the calculation is made; and (ii) if Energy Northwest is obligated to make Payment Agreement Payments based on a variable rate index and the Qualified Counterparty is obligated to make payments based on a fixed rate, payments by Energy Northwest will be based on a rate equal to the average rate determined by the variable rate index specified by the Payment Agreement during the fiscal quarter preceding the quarter in which the calculation is made, and the Qualified Counterparty will make payments based on the fixed rate specified by the Payment Agreement.

Events of Default

The following shall constitute "Events of Default" under the Bond Resolution:

(1) If the principal of and premium, if any, on any of the Parity Bonds is not punctually paid when the same shall become due, either at maturity or by proceedings for mandatory redemption or otherwise;

(2) If any installment of interest on any Parity Bond is not punctually paid;

(3) If Energy Northwest fails to purchase or redeem Term Bonds in an aggregate principal amount at least equal to the Sinking Fund Requirement for the applicable Fiscal Year;

(4) If Energy Northwest defaults in the observance and performance of any other of its covenants contained in the Bond Resolution and such default continues for a period of 90 days after Energy Northwest receives from the Bondowners' Trustee or from the owners of not less than 20% in principal amount of Parity Bonds outstanding, a written notice specifying and demanding the cure of such default;

(5) If an order, judgment or decree is entered by any court of competent jurisdiction: (a) appointing a receiver, trustee or liquidator for Energy Northwest or the whole or any substantial part of the Wind Project System; (b) approving a petition filed against Energy Northwest seeking the bankruptcy, arrangement or reorganization of Energy Northwest under any applicable law of the United States or the State; or (c) assuming custody or control of Energy Northwest or of the whole or any substantial part of the Wind Project System under the provisions of any other law for the relief or aid of debtors and such order, judgment or decree shall not be vacated or set aside or stayed (or, in case custody or control is assumed by

said order, such custody or control shall not be otherwise terminated) within 60 days from the date of the entry of such order, judgment or decree; or

(6) If Energy Northwest: (a) admits in writing its inability to pay its debts generally as they become due; (b) files a petition in bankruptcy or seeking a composition of indebtedness under any state or federal bankruptcy or insolvency law; (c) makes an assignment for the benefit of its creditors; (d) consents to the appointment of a receiver of the whole or any substantial part of the Wind Project System; or (e) consents to the assumption by any court of competent jurisdiction under the provisions of any other law for the relief or aid of debtors of custody or control of Energy Northwest or of the whole or any substantial part of the Wind Project System.

Bondowners' Trustee

So long as such Event of Default has not been remedied, a bondowners' trustee (the "Bondowners' Trustee") may be appointed by the owners of 25% in principal amount of Parity Bonds outstanding, by an instrument or concurrent instruments in writing signed and acknowledged by such registered owners of the Parity Bonds or by their attorneys-in-fact duly authorized and delivered to such Bondowners' Trustee, notification thereof being given to Energy Northwest. That appointment will become effective immediately upon acceptance thereof by the Bondowners' Trustee. Any Bondowners' Trustee so appointed must be a bank or trust company organized under the laws of the State of New York or a national banking association. The bank or trust company acting as Bondowners' Trustee may be removed at any time, and a successor Bondowners' Trustee may be appointed, by the registered owners of a majority in principal amount of Parity Bonds outstanding, by an instrument or concurrent instruments in writing signed and acknowledged by such registered owners of the Bonds or by their attorneys-in-fact duly authorized. The Bondowners' Trustee may require such security and indemnity as may be reasonable against the costs, expenses and liabilities that may be incurred in the performance of its duties.

If any Event of Default in the sole judgment of the Bondowners' Trustee is cured and the Bondowners' Trustee furnishes to Energy Northwest a certificate so stating, that Event of Default will be conclusively deemed to be cured and Energy Northwest, the Bondowners' Trustee and the owners of Parity Bonds outstanding will be restored to the same rights and position which they would have held if no Event of Default had occurred.

Suits at Law or in Equity

Upon the happening of an Event of Default and during the continuance thereof, the Bondowners' Trustee may, and upon the written request of the registered owners of not less than 25% in principal amount of Parity Bonds outstanding must, take such steps and institute such suits or other proceedings, all as it may deem appropriate for the protection and enforcement of the rights of the registered owners of the Parity Bonds, to collect any amounts due and owing to or from Energy Northwest, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in the Bond Resolution or in any of the Parity Bonds.

NOTHING CONTAINED IN THE BOND RESOLUTION SHALL, IN ANY EVENT OR UNDER ANY CIRCUMSTANCE, BE DEEMED TO AUTHORIZE THE ACCELERATION OF MATURITY OF PRINCIPAL ON PARITY BONDS OUTSTANDING, AND THE REMEDY OF ACCELERATION IS EXPRESSLY DENIED TO THE OWNERS OF PARITY BONDS OUTSTANDING UNDER ANY CIRCUMSTANCES INCLUDING, WITHOUT LIMITATION, UPON THE OCCURRENCE AND CONTINUANCE OF AN EVENT OF DEFAULT.

Any action, suit or other proceedings instituted by the Bondowners' Trustee must be brought in its name as trustee for the Bondowners and all such rights of action upon or under any of Parity Bonds outstanding or the provisions of the Bond Resolution may be enforced by the Bondowners' Trustee without the possession of any of those Parity Bonds and without the production of the same at any trial or proceedings relative thereto except where otherwise required by law. Any such suit or proceeding instituted by the Bondowners' Trustee shall be brought for the ratable benefit of all of the registered owners of those Parity Bonds, subject to the provisions of the Bond Resolution. The respective owners of Parity Bonds outstanding, by taking and holding the same, will be conclusively deemed irrevocably to appoint the Bondowners' Trustee the true and lawful trustee of the respective owners of those Parity Bonds, with authority to institute any such suit or proceeding; to receive as trustee and deposit in trust any sums becoming distributable on account of those Parity Bonds; to execute any paper or documents for the receipt of money; and to do all acts with respect thereto that the registered owner might have done in person. However, the

Bondowners' Trustee is not authorized to consent to accept or adopt, on behalf of any registered owner of Parity Bonds outstanding, any plan of reorganization or adjustment affecting those Parity Bonds or any right of any registered owner thereof, or to authorize or empower the Bondowners' Trustee to vote the claims of the owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which Energy Northwest is a party.

Application of Money Collected by Bondowners' Trustee

Any money collected by the Bondowners' Trustee at any time pursuant to the Bond Resolution must be applied in the following order of priority: *first*, to the payment of the charges, expenses, advances and compensation of the Bondowners' Trustee and the charges, expenses, counsel fees, disbursements and compensation of its agents and attorneys; and *second*, to the payment to the persons entitled thereto, first of required interest and then, of unpaid principal amounts on any Parity Bonds which shall have become due (other than Parity Bonds previously called for redemption for the payment of which money is held therefor), whether at maturity or by proceedings for redemption or otherwise, in the order of their due dates and, if the amount available shall not be sufficient to pay in full the principal amounts due on the same date, then to the payment thereof ratably, according to the principal amounts due thereon to the persons entitled thereto, without any discrimination or preference.

Duties and Obligation of Bondowners' Trustee

The Bondowners' Trustee shall not be liable except for the performance of those duties specified in the Bond Resolution. During an Event of Default, the Bondowners' Trustee must exercise such of the rights and powers vested in it in the Bond Resolution, and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. The Bondowners' Trustee shall have no liability for any act or omission to act under the Bond Resolution except for the Bondowners' Trustee's own negligent action, its own negligent failure to act or its own willful misconduct. The duties and obligations of the Bondowners' Trustee will be determined solely by the express provisions of the Bond Resolution, and no implied powers, duties or obligations of the Bondowners' Trustee are to be read into the Bond Resolution.

The Bondowners' Trustee is not required to expend or risk its own funds or otherwise incur individual liability in the performance of any of its duties or in the exercise of any of its rights or powers as the Bondowners' Trustee, except as may result from its own negligent action, its own negligent failure to act or its own willful misconduct.

The Bondowners' Trustee shall not be bound to recognize any person as a registered owner of any Parity Bond until his title thereto, if disputed, has been established to its reasonable satisfaction.

The Bondowners' Trustee may consult with counsel and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it in good faith and in accordance with the opinion of such counsel. The Bondowners' Trustee shall not be answerable for any neglect or default of any person, firm or corporation employed and selected by it with reasonable care.

Suits by Individual Bondowners Restricted

Neither the registered owner nor the beneficial owner of any one or more of Parity Bonds will have any right to institute any action, suit or proceeding at law or in equity for the enforcement of same unless: (i) an Event of Default has happened and is continuing; (ii) a Bondowners' Trustee has been appointed; (iii) such owner previously shall have given to the Bondowners' Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted; (iv) the owners of 25% in principal amount of the Parity Bonds outstanding, after the occurrence of such Event of Default, has made written request of the Bondowners' Trustee and have afforded the Bondowners' Trustee a reasonable opportunity to institute such suit, action or proceeding; (v) the Bondowners' Trustee is offered security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and (vi) the Bondowners' Trustee refuses or neglects to comply with such request within a reasonable time.

No registered owner or beneficial owner of any Parity Bond shall have any right in any manner whatever by his action to affect or impair the obligation of Energy Northwest to pay from the Net Revenue the principal of and interest on such Parity Bonds to the respective owners thereof when due.

Amendments

Without the consent of the owners of any Parity Bonds at that time outstanding, the Board may adopt a resolution or resolutions that are supplemental to the Bond Resolution, and which will become a part of the Bond Resolution, for any of the following purposes:

(1) to add to the covenants and agreements of Energy Northwest in the Bond Resolution, other covenants and agreements that do not adversely affect the interests of the owners of any Parity Bonds in any material respect, or to surrender any right or power reserved in the Bond Resolution; and

(2) to make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in the Bond Resolution or any resolution authorizing Future Parity Bonds in regard to matters or questions arising under such resolutions as the Board may deem necessary or desirable and not inconsistent with such resolutions, so long as such provisions do not adversely affect, in any material respect, the interest of the owners of Parity Bonds.

With the consent of the Registered Owners of not less than a majority in aggregate principal amount of the Parity Bonds at that time outstanding, the Board may adopt a resolution or resolutions supplemental to the Bond Resolution for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Bond Resolution or of any supplemental resolution; provided, however, that no such supplemental resolution can:

(1) extend the fixed maturity of any Parity Bonds, or reduce the rate of interest thereon, or extend the time of payment of interest from their due date, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each Parity Bond so affected; or

(2) reduce the percentage of Registered Owners required to approve any such supplemental resolution, without the consent of the Registered Owners of all of the Parity Bonds then outstanding.

It is not necessary for such consent of Registered Owners to approve the particular form of any proposed supplemental resolution. Such consent will be sufficient if it approves the substance of the supplemental resolution.

Upon the adoption of any supplemental resolution, the Bond Resolution will be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of Energy Northwest under the Bond Resolution and all owners of outstanding Parity Bonds will thereafter be determined, exercised and enforced thereunder, subject in all respects to such modification and amendments and all terms and conditions of such supplemental resolution will be deemed to be part of the terms and conditions of the Bond Resolution for any and all purposes.

APPENDIX C
SUMMARY OF THE AMENDED POWER PURCHASE AGREEMENT

The following is a summary of certain provisions of the Second Amended and Restated Nine Canyon Wind Project Power Purchase Agreement dated October 30, 2006, among Energy Northwest and the Purchasers (the "Power Purchase Agreement"). This summary is qualified in its entirety by reference to the Power Purchase Agreement.

Certain Definitions

The following are summaries of certain defined terms used in the Power Purchase Agreement:

"Annual O&M Budget" means all Project operating costs included in any operating budget or revised budget of annual operating Project costs and shall include (1) costs allocable to operation and maintenance expense accounts for the Project as such accounts are described in the Uniform System of Accounts, including taxes and in lieu of taxes, (2) capital additions, improvements and betterments to the Project, (3) repairs, renewals and replacements necessary to keep the Project in good operating condition, and modifications, betterments and additions required by governmental agencies, (4) settlements and judgments not covered by insurance, (5) costs to replenish the Operating Reserve Account and the Reserve and Contingency Account, (6) amounts owed to Benton PUD with respect to Project Infrastructure under the Transmission Interconnect Contract, (7) payments into the REPI Subaccount for each phase, (8) any performance fee due Energy Northwest and (9) asset retirement obligation costs calculated in accordance with generally accepted accounting principals.

"Annual Operating Plan" means the plan(s) submitted in the manner described under the heading "Annual O&M Budget; Annual Operating Plan" below.

"Bond Resolutions" means Resolution No. 1217 of Energy Northwest Executive Board, authorizing the 2001 Bonds, Resolution No. 1299 authorizing the 2003 Bonds, Resolution No. 1376 authorizing the 2005 Bonds, and the resolution of the Executive Board authorizing the 2006 Bonds and any other resolution authorizing the issuance of Debt.

"Commercial Operation" for Phase I-A, Phase I-B, Phase II or Phase III of the Project, as applicable, means the date upon which such phase of the Project is declared in writing by Energy Northwest to be capable of delivering its full generating capability on a continuous basis to the point of interconnection with the Bonneville Power Administration electric transmission system. Energy Northwest's declaration of Commercial Operation for each phase will occur after (1) all required government and regulatory approvals for full operation of the Project have been obtained; and (2) (i) all wind turbines included in the scope of the Project, (ii) the Project SCADA system, and (iii) the Project electrical distribution and interconnection system, are constructed and applicable performance warranty tests are completed and accepted in accordance with Prudent Utility Practice, the applicable Project contract documents, and any applicable or manufacturer's recommendations, requirements or guidelines.

"Contract Term" means the duration of the Power Purchase Agreement.

"Date of Commercial Operation" means the date fixed by Energy Northwest as the point in time when the applicable phase of the Project has reached Commercial Operation.

"Debt" means any bonds, notes or other debt obligations of Energy Northwest, including the outstanding 2001 Bonds, 2003 Bonds, 2005 Bonds and 2006 Bonds, and bonds issued to refund such bonds, the proceeds of which will be used to benefit the Project, including construction of the Project, to finance capital improvements to the Project, to refund any Debt, or any other lawful purpose related to the Project.

"Fiscal Year" means the period commencing on the Date of Commercial Operation and ending at 12 midnight on the following June 30. Thereafter "Fiscal Year" means the 12-month period commencing each year at 12:01 a.m. on July 1, and concluding at 12 midnight the following June 30, except that the last Fiscal Year shall end on the date of termination of the Power Purchase Agreement.

"Liability" or "Liabilities" means any liability (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due) including any liability for taxes, incidental and consequential damages and lost profits.

"Monthly Billing Statement" means the monthly invoice from Energy Northwest to the Purchasers.

"Operating Reserve Account" means the account of that name established in accordance with the Bond Resolution that is maintained to levelize the energy rate due to variations in the wind energy available to the Project from year to year.

"Phase I" means the facilities (wind turbines and related Project Infrastructure) that comprise the Project's initial generating capacity.

"Phase I Debt Service" means the debt service payments associated with Debt for Phase I, which consists of the 2001 Bonds and the 2005 Bonds, including interest that is payable into the debt service funds with respect to outstanding Debt for Phase I, principal that is payable into the debt service fund with respect to outstanding Debt for Phase I, whether at maturity or by reason of redemption, amounts required to restore any reserve accounts maintained to secure Debt for Phase I to the levels required by the Bond Resolution with respect to Phase I, and applicable "Financing Costs" of Phase I not financed out of proceeds of Debt. Financing Costs include, but are not limited to, discounts, insurance premiums, and letter of credit, bond counsel, independent auditor, printing, financial advisor, bond registrar and trustee costs.

"Phase I Purchasers" means Public Utility Districts No. 1 of Benton, Chelan, Cowlitz, Douglas, Franklin, Grays Harbor, Lewis and Okanogan Counties, Public Utility District No. 2 of Grant County, and Public Utility District No. 3 of Mason County.

"Phase II" means the facilities (wind turbines No. 38-49 and related Project Infrastructure) that comprise approximately 16 MW in excess of the initial generating capacity of Phase I.

"Phase II Debt Service" means the debt service payments associated with Debt for Phase II, which currently consists of the 2003 Bonds, including interest that is payable into the debt service funds with respect to outstanding Debt for Phase II, principal that is payable into the debt service fund with respect to outstanding Debt for Phase II, whether at maturity or by reason of redemption, amounts required to restore any reserve accounts maintained to secure Debt for Phase II to the levels required by the Bond Resolution with respect to Phase II, and applicable "Financing Costs" of Phase I not financed out of proceeds of Debt. Financing Costs include, but are not limited to, discounts, insurance premiums, and letter of credit, bond counsel, independent auditor, printing, financial advisor, bond registrar and trustee costs.

"Phase II Purchasers" means Public Utility Districts No. 1 of Chelan, Douglas, Grays Harbor and Okanogan Counties and Public Utility District No. 3 of Mason County.

"Phase III" means the facilities (wind turbines Nos. 50-63 and Project Infrastructure) that comprise approximately 32 MW in excess of the initial generating capacity of Phase I and Phase II.

"Phase III Debt Service" means the debt service payments associated with Debt for Phase III, which currently consists of the 2006 Bonds, including interest that is payable into the debt service funds with respect to outstanding Debt for Phase III, principal that is payable into the debt service fund with respect to outstanding Debt for Phase III, whether at maturity or by reason of redemption, amounts required to restore any reserve accounts maintained to secure Debt for Phase III to the levels required by the Bond Resolution with respect to Phase III, and applicable "Financing Costs" of Phase III not financed out of proceeds of Debt. Financing Costs include, but are not limited to, discounts, insurance premiums, and letter of credit, bond counsel, independent auditor, printing, financial advisor, bond registrar and trustee costs.

"Phase III Purchasers" means Public Utility Districts No. 1 of Benton, Franklin, Grays Harbor and Lewis Counties, and Public Utility District No. 3 of Mason County.

"2001 Bonds" means the Energy Northwest Wind Project Revenue Bonds, Series 2001A and 2001B in the original principal amount of $70,675,000, which financed construction of Phase I.

"2003 Bonds" means the Energy Northwest Wind Project Revenue Bonds, Series 2003 in the principal amount of $21,720,000, which financed construction of Phase II.

"2005 Bonds" means the Energy Northwest Wind Project Revenue Refunding Bonds, Series 2005 in the principal amount of $62,325,000, which refinanced a portion of the 2001 Bonds.

"2006 Bonds" means the Energy Northwest Wind Project Revenue Bonds, Series 2006, which will finance a portion of the construction of Phase III.

"Phase I-A" means Turbine No. 1-28 of Phase I of the Project.

"Phase I-B" means Turbine No. 29-37 of Phase I of the Project.

"Point of Delivery" means the point where the Project is interconnected at the interconnection of Benton PUD's 115 kv Nine Canyon transmission line to Bonneville's 115 kv McNary-Badger transmission line.

"Project Infrastructure" means the roads, substation, transformers, and cable necessary to deliver Project Output at the Point of Delivery.

"Project Output" means the electric energy generated by the Project, whether or not any such Phase or Phases of the Project may be inoperable or the operation thereof is interrupted, suspended, discontinued, interfered with, in whole or in part, and delivered to the Point of Delivery expressed in megawatt hours and the associated environmental attributes, including any and all credits, benefits, emissions reductions, environmental air quality credits, emissions reductions credits, offsets and allowances, howsoever entitled, resulting from the avoidance of the emission of any gas, chemical, or other substance attributable to the Project during the Contract Term.

"Prudent Utility Practice," at a particular time, means any of the practices, methods, and acts engaged in or approved by a significant proportion of the electrical utility industry prior to such time, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act, to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts.

"Purchaser's Share" or "Share" of the Annual O&M Budget and Project Output, Phase I Debt Service, Phase II Debt Service and/or Phase III Debt Service are the respective shares of Purchasers set forth below:

Purchaser	**Phase I Debt Service**	**Phase II Debt Service**	**Phase III Debt Service**	**Annual O&M Budget and Project Output**
Benton PUD No. 1	6.25%	0.00%	18.63%	9.39%
Chelan PUD No. 1	12.50	12.50	0.00	8.30
Cowlitz PUD No. 1	4.16	0.00	0.00	2.09
Douglas PUD No. 1	6.251	43.59	0.00	10.23
Franklin PUD No. 1	4.173	0.00	25.00	10.49
Grant PUD No. 2	25.00	0.00	0.00	12.54
Grays Harbor PUD No. 1	12.50	12.50	37.52	20.89
Lewis PUD No. 1	2.083	0.00	15.71	6.32
Mason PUD No. 3	2.083	6.41	3.14	3.14
Okanogan PUD No. 1	25.00	25.00	0.00	16.61
Total	100.00%	100.00%	100.00%	100.00%

"REPI Subaccount" means the subaccount for each phase in the Operating Reserve Account in which Renewal Energy Production Incentive ("REPI") program payments, and any similar renewable energy production incentive payments from the state or federal government, along with REPI-Replacement Accruals, are recorded by Energy Northwest.

"Reserve and Contingency Account" means the account established in accordance with the Bond Resolution that is maintained to levelize the cost of major maintenance, repairs or upgrades to the Project.

Certain Responsibilities of the Parties

Under the Power Purchase Agreement, Energy Northwest has the following responsibilities (among others):

- completing the least-cost plan required by Washington State law;
- obtaining all regulatory and/or governmental licenses, approvals, and permits necessary for the design, construction and operation of the Project;
- the construction, operation and maintenance of the Project according to Prudent Utility Practice and in compliance with all applicable local, state and Federal laws, regulations, and ordinances;
- obtaining funds for the construction of the Project;
- maintaining the accounts and funds required by the Bond Resolution and having the books of the Project audited annually;
- preparing Annual O&M Budgets and Annual Operating Plans and amended Annual O&M Budgets and amended Annual Operating Plans (as necessary) for the Project;
- providing to each Purchaser Project Output in their respective shares to the Point of Delivery;
- giving each Purchaser upon reasonable prior notice, access to the Project and the books and accounts of the Project;
- maintaining (or causing to be maintained) during construction of the Project property damage insurance covering all wind-electric generation and associated transmission facilities at the Project on an "all-risk" basis, for the full replacement value thereof;
- maintaining (or causing to be maintained) appropriate property and casualty loss insurance for the depreciated value of the Project, and other appropriate insurance for the Project in accordance with prudent wind industry practice, which insurance must be provided by insurance companies rated "A" or better by Best's or a comparable ratings service if Best's no longer provides ratings (unless the Purchasers consent to the termination, expiration or alteration of such coverage) pursuant to the Power Purchase Agreement;
- applying insurance proceeds to replace the damaged portion of the Project and/or to retire Debt; any amounts remaining after such users shall be used as a credit to the Annual O&M Budget as provided in the Power Purchase Agreement; and
- provide continuous indication of each of the Purchaser's Share of Project output.

The primary responsibilities of each Purchaser are: (i) to provide Energy Northwest with management guidance, direction, and oversight with respect to the Project; (ii) to receive its Purchaser's Share of Project Output; (iii) to arrange all scheduling, shaping and wheeling services required to accept delivery of its share of Project Output; and (iv) to pay on a monthly basis its Purchaser's Share of the Annual O&M Budget, plus, in the case of Phase I Purchasers, its Purchaser's Share of Phase I Debt Service, in the case of Phase II Purchasers, its Purchaser's Share of

Phase II Debt Service, and in the case of Phase III Purchasers, its Purchaser's Share of Phase III Debt Service, in each case, whether or not the applicable phase of the Project is operating or capable of operating.

Sale of Project Output

Energy Northwest has agreed to sell to the Purchasers and each Purchaser has agreed to purchase from Energy Northwest, the Purchaser's Share of Project Output for the Contract Term.

The Purchasers will not dispose of the Project Output in a manner, and Energy Northwest will not take any action, that would cause the interest of any Debt to be subject to federal income taxation.

Annual O&M Budget; Annual Operating Plan

Energy Northwest will prepare an Annual O&M Budget and an Annual Operating Plan at least 60 days prior to the start of each Fiscal Year during the Contract Term. The Annual O&M Budget must include an estimate of all costs of the Project, excluding Debt Service. By the affirmative vote of the Purchasers representing at least 60% of the Purchasers' Shares, the Purchaser Committee must approve or approve with revisions the Annual O&M Budget and Annual Operating Plan no later than 30 days prior to the start of the Fiscal Year. If the Purchaser Committee disapproves a proposed Annual O&M Budget, it must specify the items in the Annual O&M Budget that it approves and those it disapproves or approves with revisions no later than 30 days prior to the start of the Fiscal Year. Any revisions and/or disapprovals may be subject to arbitration as provided in the Power Purchase Agreement. If an Annual O&M Budget has not been approved prior to the beginning of a Fiscal Year, the Annual O&M Budget prepared by Energy Northwest will be in effect until there is an approved Annual O&M Budget or a decision by an arbitrator. The Annual Operating Plan must include an estimate of the Project Output by month for the Fiscal Year, scheduled maintenance, describe capital improvements and any planned outages for maintenance. The Annual Operating Plan also must include a comparison of the actual performance of the Project and the Annual Operating Plan in the then-current year.

Money in the Operating Reserve Account is used to pay operation and maintenance expenses included in an approved Annual O&M Budget and not covered by the Monthly Billing Statement. The Operating Reserve Account maximum is $750,000. When the balance in the Operating Reserve Account thereafter reaches $750,000 (or such additional amount determined by the Purchaser Committee), Energy Northwest will credit against the next month's Monthly Billing Statement the difference between $750,000 and the amount in the Operating Reserve Account; provided, if the amount of the credit exceeds the amount due on the next month's Monthly Billing Statement, the Purchaser Committee may direct the credit to be applied to two or more months' Monthly Billing Statements. If the amount in the Operating Reserve Account is less than $300,000, no more frequently than once each year, Energy Northwest unilaterally will amend the Annual O&M Budget such that the balance of the Operating Reserve Account will increase to $750,000 by the end of the following Fiscal Year. The Purchasers must pay, in proportion to their respective Purchaser's Shares of the Annual O&M Budget, the amended amount necessary to restore the fund to $750,000 in approximately equal monthly payments beginning with the month following the end of the 30-day notice period. Interest earnings on the Operating Reserve Account are credited to such account.

The Annual O&M Budget and Annual Operating Plan may be amended, after the beginning of a Fiscal Year, by an affirmative vote of the Purchasers representing at least 60% of the Purchasers' Shares. Energy Northwest shall give the Purchasers at least 15 days' notice prior to the month in which the amended Annual O&M Budget, or amended Annual Operating Plan, is proposed to be effective.

The Reserve and Contingency Account is used for capital improvements to the Project, repairs, replacements and betterments contained in an approved Annual O&M Budget. The Annual O&M Budget will include an amount equal to the amount withdrawn, during the current Fiscal Year, from the Reserve and Contingency Account, unless the Purchaser Committee has determined that the amount to be maintained in the Reserve and Contingency Account should be increased or decreased.

Energy Northwest is entitled to an annual fee of $225,000 at the end of a Fiscal Year, which fee may be modified only by the Purchaser Committee as part of the approval of the Annual O&M Budget. As part of the Annual O&M

Budget process, Energy Northwest and the Purchaser Committee shall agree on reasonable annual performance goals and the relationship between Energy Northwest's successful achievement of the goals to the amount of the annual fee to be paid to Energy Northwest. Energy Northwest may deposit its annual fee in any fund or account of Energy Northwest.

Energy Northwest is required to reflect as a credit in each Annual O&M Budget any interest earnings on money invested in any Project account not required to be maintained in such account by the Bond Resolution, insurance proceeds received for the Project that are not used to replace portions of the Project, and REPI payments. Any amounts collected through Monthly Billing Statements and not spent on the Project during a Fiscal Year, and any interest earned thereon, must be credited against the next Annual O&M Budget.

Energy Northwest must maintain a daily operations log for the Project and provide the Purchasers reports showing data on the wind during each month, a comparison of the available wind energy to the actual wind energy generated during each month, output of the Project turbines, and other information reasonably requested by Purchasers.

Each Purchaser, upon at least ten days' advance written notice to Energy Northwest, shall have the right to examine and audit operations and financial records relating to the Project during Energy Northwest's normal business hours. To the extent practical, the Purchasers shall conduct any such audit and/or examination jointly.

At the end of the Contract Term, any amounts remaining in the Operating Reserve Account and Reserve and Contingency Account (and any other funds collected as part of the Annual O&M Budget and not spent or obligated) will be used to repay Debt and any other outstanding obligations of the Project and any remaining amounts will be credited against the last Annual O&M Budget or returned to the Purchasers of the appropriate phase.

Energy Northwest is required to deposit all amounts recovered from Purchasers under the Power Purchase Agreement, except its annual fee, and all other funds of the Project into the Project Revenue Fund or accounts within the Project Revenue Fund and use such amounts for the Project as provided in an approved Annual O&M Budget and Debt Service budgets for each phase.

The Power Purchase Agreement requires that Energy Northwest establish a REPI Subaccount for Phase I, Phase II and Phase III, and to deposit all REPI funds it receives with respect to each phase into the appropriate REPI Subaccount. (There will be no Bond proceeds deposited into the REPI Subaccount). The REPI Subaccount will be used to: (i) account for payments received from the federal government under the REPI program or any similar state or federal program from which the Project may receive funds; (ii) accrue additional money ("REPI-Replacement Accruals") for eventual use as the monetary equivalent of a REPI payment when REPI payments are not received by the Project; and (iii) to credit those payments against the respective Phase I, Phase II or Phase III Purchaser's Shares of the Annual O&M Budget expenditures or respective Phase's Debt Service budget expenditures over the life of the Project. Amounts in each REPI Subaccount will be used to pay Annual O&M Budget or Debt Service budget expenditures only for the applicable phase.

Price and Payment

Energy Northwest is required to prepare and deliver to each Purchaser by the tenth day of each month a Monthly Billing Statement consisting of the following components: (1) one-twelfth (or one divided by the number of months remaining in the Fiscal Year in the case of an amended Annual O&M Budget) of the Annual O&M Budget multiplied by the Purchaser's Share of the Annual O&M Budget; (2) in the case of Phase I Purchasers, one-twelfth of Phase I Debt Service multiplied by such Purchaser's Share of Phase I Debt Service; (3) in the case of Phase II Purchasers, one-twelfth of Phase II Debt Service multiplied by such Purchaser's Share of Phase II Debt Service; and (4) in the case of Phase III Purchasers, one-twelfth of Phase III Debt Service multiplied by such Purchaser's Share of Phase III Debt Service.

The Annual O&M Budget only shall include costs related to the phase(s) that has (have) achieved Commercial Operation.

The Monthly Billing Statement must be paid by the 20th day following receipt. A delayed payment charge of 1.5% per month or the maximum rate allowed by law will accrue on the unpaid balance of delinquent payments.

If a Purchaser of a Phase fails to pay amounts due under a Monthly Billing Statement for a period of more than 30 days, Energy Northwest may assign to all non-defaulting Purchasers of such phase, on a pro rata basis, a portion of the Purchaser's Share of the defaulting Purchaser up to (but not to exceed in aggregate) 25% of the Purchaser's Share of the non-defaulting Purchaser. Upon such assignment, each such non-defaulting Purchaser will be entitled to receive the Purchaser's Share of Project Output, and will be obligated to pay the Purchaser's Share of the Annual O&M Budget, Phase I Debt Service budget, Phase II Debt Service budget and/or Phase III Debt Service budget so assigned to it. Subject to the 25% limitation set forth in this paragraph, in the Annual O&M Budget subsequent to the year in which the default occurred, Energy Northwest may include in the Annual O&M Budget any amounts not recovered from the defaulting Purchaser. No Purchaser will be assigned a share of debt service for a phase in which the Purchaser is not a participant.

Payment Cap

No Purchaser is required during any Fiscal Year to pay any amount of any Annual O&M Budget or Debt Service budget in excess of the Payment Cap (subject to annual adjustment) without the consent of the Purchaser. The "Payment Cap" is the sum of:

(1) The Purchaser's Share of each applicable Debt Service budget's Fixed Costs, which will consist of all payments associated with outstanding Debt for the applicable phase. This value is not subject to annual adjustment and will remain in effect for the Contract Term.

(2) The Purchaser's Share of the Annual O&M Budget's Variable Costs. The total value of the Annual O&M Budget's Variable Cost will be limited to $7,000,000 per Fiscal Year. This value will be revised annually, as described below.

(3) Any debit or credit to the Annual O&M Budget from the applicable REPI Subaccount, adjusted annually as part of the annual review of the REPI Subaccount.

On every January 1st during the Contract Term, the Payment Cap will be revised by adjusting the Annual O&M Budget's Variable Cost by means of the Special Index. The Special Index will be based upon the index series specified below, as published by the U.S. Department of Labor, Bureau of Labor Statistics ("BLS"). In the event that a specified index is no longer available, the Parties must mutually agree upon a substitute index. The Special Index will be derived from: (1) The Employment Cost Index ("ECI"), the Total Compensation Private Industry, West Region, not seasonally adjusted, as it appears on the BLS web site (the "Labor Index"); and (2) the Producer Price Index ("PPI") for Industry, Turbines and Turbine Generator Sets, Product: Steam, Gas, Hydraulic, Solar & Wind Powered Turbine Generator Sets, Turbine Generators and Parts, not seasonally adjusted, and currently identified by series identifier PCU3511#1 (the "Equipment & Parts Index").

The "Special Index" will be derived as follows: (1) the value of the Labor Index and the Equipment & Parts Index for September or the Third Quarter of the most recent calendar year will be divided by its value in the month and year of the Date of Commercial Operation (the "Base Period"), and then multiplied by 100 (thereby producing a re-based index); (2) the re-based Labor Index will be assigned a relative weight of 30 percent and the re-based Equipment & Parts Index will be assigned a relative weight of 70 percent; and (3) each re-based index will be multiplied by its relative weight and the product will then be summed. The sum of these two products is the Special Index for the current time period. All calculations for the Special Index will be based upon the latest published versions of the PPI and the ECI data.

On every January 1st during the Contract Term, the Annual O&M Budget's Variable Cost for each year will be the value of the Annual O&M Budget's Variable Cost in the Base Period times the Special Index divided by 100.

If an Annual O&M Budget, Amended Budget or Debt Service budget (after adjustment for any voluntary contribution by a Purchaser or Purchasers) is projected to result in Purchasers paying more for a phase than the

Payment Cap and the Purchasers do not consent to paying such amount, Energy Northwest must terminate the Project and the Purchasers will not be obligated to pay any amounts in connection with the Project except any Debt or other costs associated with terminating the Project that are not paid from available funds of the Project, insurance proceeds or the sale of assets of the Project. The residual obligations of Phase I Purchasers, Phase II Purchasers and Phase III Purchasers in this regard shall be determined according to their proportionate Purchaser's Share of Phase I Debt Service, Phase II Debt Service and Phase III Debt Service.

Termination

No Purchaser has the right to terminate the Power Purchase Agreement. However, Purchaser Committee members having combined Purchasers' Shares of the Annual O&M Budget of at least 60% can terminate the Project if it has not been operating for 12 consecutive months and it is determined that the continued operation of the Project is uneconomic.

Energy Northwest may terminate the Power Purchase Agreement in whole, or with regard to a single Purchaser, to the extent a Purchaser has breached a material representation, warranty, or covenant in the Power Purchase Agreement, Energy Northwest notifies the Purchaser of the breach, and the breach continues without cure for a specified time period after notice thereof. If Energy Northwest terminates the Power Purchase Agreement, all rights and obligations of the defaulting Purchaser and Energy Northwest (as to the defaulting Purchaser) under the Power Purchase Agreement will terminate. However, (i) any Purchaser so terminated will remain obligated for and responsible to pay its proportionate share of the Debt Service budget until all Debt associated with the Project has been paid in full or another party has agreed to pay the breaching Party's proportionate share, and (ii) any Purchaser then in breach will have Liability for its breach.

Default

If Energy Northwest is unable or unwilling to fulfill its obligations set forth in the Power Purchase Agreement or operate and maintain the Project according to Prudent Utility Practice, any Purchaser may pursue its rights and remedies under the Power Purchase Agreement.

If any Purchaser is unable or unwilling to schedule and receive its proportionate share of energy delivered or capable of being delivered by the Project to the Point of Delivery at any time during the Contract Term or fails to pay the amount of the Monthly Billing Statement, Energy Northwest will have the right and must make reasonable efforts to re-sell such Purchaser's Share of energy not scheduled by the Purchaser, first to other Purchasers and then to others. Any such re-sale will be in accordance with governing bond resolutions. The proceeds from such re-sale, if any, will be deposited in the appropriate Project account. In such event, the Purchaser will be liable for the full amount of the Monthly Billing Statement less the amount, if any, obtained by Energy Northwest from the proceeds of the above-described re-sale. Energy Northwest makes no warranty, expressed or implied, that such re-sale will be successful and the Purchaser agrees to accept the results of Energy Northwest's reasonable efforts regardless of results. If the Purchaser fails to pay Energy Northwest the amount of the Monthly Billing Statement remaining due and payable, Energy Northwest may notify the Purchaser of the default and 45 days thereafter may elect to: (1) suspend its performance under the Power Purchase Agreement with respect to the defaulting Purchaser until the amount in default, plus any interest due on such amount is paid in full; (2) terminate the Power Purchase Agreement as to the defaulting Purchaser; and/or (3) exercise any remedy available at law or in equity.

Subsequent Phase Rights

Each Purchaser will be offered the right to subscribe to additional output from phases of Project development subsequent to Phase III, within the Nine Canyon site boundaries prior to an offering of such additional output to other purchasers. Purchasers that are also Energy Northwest members will have priority over non-member Purchasers for the output from subsequent Phases that may be available in excess of such minimum share.

The Power Purchase Agreement requires that any subsequent phase of the Project or other Energy Northwest project not have a detrimental impact on the Project Output available to Purchasers under the Power Purchase Agreement or on the availability of substation and transmission capacity necessary for Project Output. The costs of any subsequent phase of the Project cannot be included in the Debt Service budgets and Annual O&M Budget without all Purchaser's consent. In the case of facilities shared between Phase I, Phase II, Phase III and subsequent phases, the cost of such facilities must be divided between Phase I, Phase II, Phase III and subsequent phases, in proportion to the output capacity of each phase and the costs so divided will be assigned respectively to the Phase I Purchasers, the Phase II Purchasers, the Phase III Purchasers and subsequent phase purchasers.

Limitation on Liability and Payments

Energy Northwest's liability to the Purchasers for breach under the Power Purchase Agreement is limited to the Nine Canyon Wind Project Revenue Fund, available insurance proceeds, and to any amounts owed to Energy Northwest by the Purchasers under the Power Purchase Agreement after Energy Northwest uses any available amounts in the Project Revenue Fund to pay all amounts owed with respect to Debt. Energy Northwest's obligations are not general obligations of Energy Northwest or obligations of any other Energy Northwest projects or systems.

The Purchasers are required to make payments to Energy Northwest under the Power Purchase Agreement only from the revenues derived from the ownership and operation of their retail distribution electric systems. Each Purchaser agrees to establish, maintain and collect rates and charges for power and energy and other services, facilities and commodities sold, furnished or supplied by it through its electric utility properties which will be adequate, in the sole judgment of each Purchaser, to provide revenues sufficient to enable the Purchaser to make its required payments under the Power Purchase Agreement.

Arbitration

All claims, disputes and other controversies arising out of or relating to the Power Purchase Agreement are subject to arbitration; provided, that a dispute seeking specific performance may be instituted in court. Pending the final resolution of any dispute, the Purchasers and Energy Northwest are required to perform their respective services and other duties and obligations under the Power Purchase Agreement without diminution of effort.

Miscellaneous Provisions

The Power Purchase Agreement will be governed in accordance with the laws of the State of Washington.

No amendment of any provision of the Power Purchase Agreement will be valid unless the same will be in writing and signed by all Purchasers and Energy Northwest. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant will be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant under the Power Purchase Agreement or affect in any way rights arising by virtue of any prior or subsequent such occurrence.

The Power Purchase Agreement will not confer any rights or remedies upon any Person other than the Parties, their affiliates, employees, directors and officers, commissioners and council members and their respective successors and permitted assigns. However, any trustee of any Debt may enforce a Purchaser's obligation to make any payments that are due under the Power Purchase Agreement.

No party to the Power Purchase Agreement may assign the Power Purchase Agreement or any of such party's rights, interests, or obligations thereunder without the prior written approval of all of the other parties to the Power Purchase Agreement. Such approval must not be unreasonably withheld.

Purchaser Committee

The Power Purchase Agreement establishes a Purchaser Committee composed of one member to be appointed by each Purchaser. The Purchaser Committee will meet regularly, but not less often than twice a year. Each member of the Purchaser Committee will have the right to vote on behalf of the Purchaser appointing said member, which vote will be weighted according to its Purchaser's Share. The following matters must be approved by an affirmative vote of Purchaser Committee members having combined Purchasers' Shares of the Annual O&M Budget of at least

60% (or for approval with respect to a particular phase, an affirmative vote of Purchaser Committee members having combined Purchaser Shares in the Debt Service budget for that phase of at least 60%):

- any proposed changes to the construction budget and cash flow during the construction of the Project which are forecast to result in costs not covered by bond proceeds or more than a 30-day delay in Project completion;

- the Annual O&M Budget and Amended Annual O&M Budgets;

- notice of any litigation with potential exposure in excess of $100,000 that could become a cost of the Project;

- the Annual Operating Plans and Amended Operating Plans; and

- whether to terminate the Project after the Date of Commercial Operation (as described under the heading "Termination" above).

If any matter submitted to the Purchaser Committee is not approved, or approved with revisions, within 30 days after the original submittal to the Purchaser Committee, or within such longer time as the Purchaser Committee may decide upon unanimously, then each member of the Purchaser Committee who declines to vote approval must specify the reasons for declining approval and state what alternative is acceptable.

Each Purchaser will continue to pay its share of the Annual O&M Budget until any dispute regarding the Annual O&M Budget is decided by the arbitrators.

APPENDIX D
SUMMARY OF THE CONTINUING DISCLOSURE UNDERTAKINGS

The following is a summary of the continuing disclosure undertakings made by PUD No. 1 of Benton County, PUD No. 2 of Franklin County, PUD No. 1 of Grays Harbor County, and PUD No. 1 of Lewis County (collectively, the "Obligated Purchasers"). For a summary of Energy Northwest's continuing disclosure undertaking, see "CONTINUING DISCLOSURE UNDERTAKING" in this Official Statement. These undertakings will be made in separate "Continuing Disclosure Agreements" as may be supplemented by a "Supplemental Continuing Disclosure Agreement" (each a "Continuing Disclosure Agreement"), dated the date the Bonds are issued, between Energy Northwest and each Obligated Purchaser. Copies of the Continuing Disclosure Agreements, when executed upon the issuance of the Bonds, will be on file at the offices of Energy Northwest.

Unless otherwise specified, references below to the "Obligated Purchaser" will relate to the Obligated Purchaser that signs a particular Continuing Disclosure Agreement.

Undertaking to Provide Annual Financial Information

The Obligated Purchaser undertakes to provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board (the "MSRB"), in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:

(a) Annual financial information and operating data of the type included in the final official statement for the Bonds and described under the following heading "Type of Annual Financial Information Undertaken to be Provided" (the "annual financial information"); and

(b) Timely notice of a failure by the District to provide required annual financial information on or before the date specified in paragraph (d) under the following heading.

Type of Annual Financial Information Undertaken to be Provided

The annual financial information that the Obligated Purchaser undertakes to provide:

(a) For PUD No. 1 of Benton County, will consist of such Obligated Purchaser's annual financial report, and to the extent not included in the annual financial report, updates of the information included in Appendix A of this Official Statement under the heading "PUD NO. 1 OF BENTON COUNTY";

For PUD No. 1 of Franklin County, will consist of such Obligated Purchaser's annual financial report, and to the extent not included in the annual financial report, updates of the information included in Appendix A of this Official Statement under the heading "PUD NO. 1 OF FRANKLIN";

For PUD No. 1 of Grays Harbor County, will consist of such Obligated Purchaser's annual financial report, and to the extent not included in the annual financial report, updates of the information included in Appendix A of this Official Statement under the heading "PUD NO. 1 OF GRAYS HARBOR COUNTY"; and

For PUD No. 1 of Lewis County, will consist of such Obligated Purchaser's annual financial report, and to the extent not included in the annual financial report, updates of the information included in Appendix A of this Official Statement under the heading "PUD NO. 1 OF LEWIS COUNTY";

(b) Will be prepared in accordance with applicable generally accepted accounting principles promulgated by the Government Accounting Standards Board ("GASB"), as such principles may be changed from time to time by GASB or its successor;

(c) Will not be audited, except, however, that if and when audited financial statements are otherwise prepared and available to the Obligated Purchaser, they will be provided;

(d) Shall be provided not later than the last day of the ninth month after the end of each fiscal year of the each Obligated Purchaser (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing with the Obligated Purchaser's fiscal year ending December 31 of the year of issuance of the Bonds; and

(e) May be provided in a single or multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the SEC.

Amendment of the Continuing Disclosure Agreement

The Continuing Disclosure Agreement is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, rating agency or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12. The Obligated Purchaser will give notice to the MSRB of the substance (or provide a copy) of any amendment to the Continuing Disclosure Agreement and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

Beneficiaries

The Continuing Disclosure Agreement will inure to the benefit of the Obligated Purchaser, Energy Northwest and any holder of Bonds, and will not inure to the benefit of or create any rights in any other person. For purposes of the Continuing Disclosure Agreement, (a) the term "holder of Bonds" will have the meaning intended for such term under Rule 15c2-12, and will include "beneficial owners" of the Bonds, and (b) "beneficial owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

Termination of the Continuing Disclosure Agreement

The Obligated Purchaser's obligations under the Continuing Disclosure Agreement will terminate upon the occurrence of any of the following events: (a) the repayment or legal defeasance of all of the 2005 Bonds, the 2006 Bonds, the 2012 Bonds, the 2014 Bonds, the Bonds and any bonds issued to refund such bonds; (b) if the Obligated Purchaser no longer is obligated to pay 10% or more of the Project's annual costs; (c) if those provisions of Rule 15c2-12 that require the Obligated Purchaser to comply with the Continuing Disclosure Agreement become legally inapplicable in respect of the Bonds or the Obligated Purchaser; or (d) for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the Obligated Purchaser and Energy Northwest. The Obligated Purchaser must provide timely notice of any such termination to the MSRB.

Remedy for Failure to Comply with the Continuing Disclosure Agreement

As soon as practicable after the Obligated Purchaser learns of any failure to comply with the Continuing Disclosure Agreement, the Obligated Purchaser must notify Energy Northwest and proceed with due diligence to cause such noncompliance to be corrected. No failure by the Obligated Purchaser or other obligated person to comply with the Continuing Disclosure Agreement will constitute a default in respect of the Bonds. The sole remedy of any holder of a Bond will be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel the Obligated Purchaser or other obligated person to comply with the Continuing Disclosure Agreement.

Governing Law, Venue

The Continuing Disclosure Agreement will be governed by and construed in accordance with the laws of the State of Washington. The Parties agree that any lawsuit or judicial action or proceeding arising out of or relating to the Continuing Disclosure Agreement must be brought in the Superior Court of the State of Washington in and for Benton County.

APPENDIX E

DTC AND THE BOOK-ENTRY SYSTEM

The following information has been provided by the Depository Trust Company, New York, New York ("DTC"). Energy Northwest makes no representation regarding the accuracy or completeness thereof. Beneficial Owners (as hereinafter defined) should therefore confirm the following with DTC or the DTC Participants (as hereinafter defined).

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in the principal amount of such maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its DTC Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system, in denominations of $5,000 or any integral multiple thereof, must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book entry-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by DTC Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

When notices are given, they shall be sent by the Bond Registrar to DTC only. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Energy Northwest as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Energy Northwest or the Bond Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant and not of DTC, the Bond Registrar, or Energy Northwest, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or any other nominee as may be requested by an authorized representative of DTC) is the responsibility of Energy Northwest or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to Energy Northwest and the Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

Energy Northwest may decide to discontinue use of the system of the book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

With respect to Bonds registered on the Bond Register in the name of Cede & Co., as nominee of DTC, Energy Northwest and the Bond Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom a DTC Participant holds an interest in the Bonds with respect to, (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds; (ii) the delivery to any DTC Participant or any other person, other than a bondowner as shown on the Bond Register, of any notice with respect to the Bonds, including any notice of redemption; (iii) the payment to any DTC Participant or any other person, other than a bondowner as shown on the Bond Register, of any amount with respect to principal of, premium, if any, or interest on the Bonds; (iv) the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the Bonds; (v) any consent given action taken by DTC as registered owner; or (vi) any other matter. Energy Northwest and the Bond Registrar may treat and consider Cede & Co., in whose name each Bond is registered on the Bond Register, as the holder and absolute owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. For the purposes of this Official Statement, the term "Beneficial Owner" shall include the person for whom the DTC Participant acquires an interest in the Bonds.

APPENDIX F

FORM OPINION OF BOND COUNSEL

FOSTER PEPPER PLLC

Energy Northwest
Richland, Washington

Re: Energy Northwest Wind Project Revenue Refunding Bonds, Series 2015 – $54,895,000

We have served as bond counsel to Energy Northwest ("Energy Northwest"), in connection with the issuance of the above referenced bonds (the "Bonds"), and in that capacity have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to matters of fact material to this opinion, we have relied upon representations contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

The Bonds are issued by Energy Northwest pursuant to Resolution No. 1824 (the "Bond Resolution") to provide the funds to refund certain outstanding bonds of the Nine Canyon Wind Project and to pay the costs of issuance and sale of the Bonds, all as set forth in the Bond Resolution.

Reference is made to the Bonds and the Bond Resolution for the definitions of capitalized terms used and not otherwise defined herein.

We express no opinion herein concerning the completeness or accuracy of any official statement, offering circular or other sales or disclosure material relating to the issuance of the Bonds or otherwise used in connection with the Bonds.

Under the Internal Revenue Code of 1986, as amended (the "Code"), Energy Northwest is required to comply with certain requirements after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Bond proceeds and the facilities financed or refinanced with Bond proceeds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances and the arbitrage rebate requirement to the extent applicable to the Bonds. Energy Northwest has covenanted in the Bond Resolution to comply with those requirements, but if Energy Northwest fails to comply with those requirements, interest on the Bonds could become taxable retroactive to the date of issuance of the Bonds. We have not undertaken and do not undertake to monitor Energy Northwest's compliance with such requirements.

Based upon the foregoing, as of the date of initial delivery of the Bonds to the purchaser thereof and full payment therefor, it is our opinion that under existing law:

1. Energy Northwest is a municipal corporation and joint operating agency, duly created and existing under the laws of the State of Washington, including particularly Chapter 43.52 of the Revised Code of Washington, as amended (the "Act"), having the right and power under the Act to acquire, construct, own and operate the Project, adopt the Bond Resolution, issue the Bonds and apply the proceeds of the Bonds in accordance with the Bond Resolution.

2. The Bonds have been duly authorized and executed by Energy Northwest and are issued in full compliance with the provisions of the Constitution and laws of the State of Washington and the resolutions of Energy Northwest relating thereto.

3. The Bonds constitute valid and binding obligations of Energy Northwest payable solely out of the Net Revenue of the Wind Project System to be paid into the Bond Account, except only to the extent that enforcement of payment may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and by the application of equitable principles and the exercise of judicial discretion in appropriate cases.

4. The Second Amended and Restated Power Purchase Agreement dated October 30, 2006 has been duly authorized, executed and delivered by Energy Northwest and constitutes a valid and binding obligation of Energy Northwest, enforceable upon Energy Northwest in accordance with its terms, except as such enforcement may be subject to bankruptcy, receivership, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that its enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

5. Assuming compliance by Energy Northwest after the date of issuance of the Bonds with applicable requirements of the Code, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals; however, while interest on the Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by corporations is to be taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by certain S corporations may be subject to tax, and interest on the Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. We express no opinion regarding any other federal tax consequences of receipt of interest on the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

We bring to your attention the fact that the foregoing opinions are expressions of our professional judgment on the matters expressly addressed and do not constitute guarantees of result.

Respectfully submitted,

FOSTER PEPPER PLLC

APPENDIX G

AUDITED FINANCIAL STATEMENTS OF ENERGY NORTHWEST PROJECTS FOR THE YEAR ENDED JUNE 30, 2014

[THIS PAGE INTENTIONALLY LEFT BLANK]

INDEPENDENT AUDITOR'S REPORT

To the Executive Board of Energy Northwest:

We have audited the statements of net position and the related statements of revenues, expenses and changes in net position and of cash flows of the Columbia Generating Station, Packwood Lake Hydroelectric Project, Nuclear Project No. 1, Nuclear Project No. 3, the Business Development Fund, the Nine Canyon Wind Project, and the Internal Service Fund as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the business-type activities of Energy Northwest (the "Company").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditor's Responsibility

Our responsibility is to express opinions on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 our 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, we consider internal control relevant to the Company'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 the Company'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 financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Company at June 30, 2014, and the respective results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Company adopted the provisions of GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, effective July 1, 2013. The financial statements of Columbia Generating Station, Nuclear Project No. 1, Nuclear Project No. 3, and the Nine Canyon Wind Project as of and for the year ended June 30, 2014 reflect the adoption of the provisions of GASB 65. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

Portland, Oregon
September 25, 2014

ENERGY NORTHWEST MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2014, with the basic financial statements for the FY ended June 30, 2013.

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) and, when not in conflict with GASB pronouncements, accounting standards prescribed by the Financial Accounting Standards Board (FASB). (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 total only for Energy Northwest, as a whole, for FY 2014 and FY 2013 in accordance with GASB No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments."

The financial statements for Energy Northwest include the Balance Sheets; 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 5 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, 2014 and 2013. The year of 2013 has been restated to reflect changes in accounting principles per GASB Statement No. 65. (See Note 1 to the Financial Statements.) 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, 2014 and 2013 (Dollars in thousands)

		2013		2014		Change
Assets						
Current Assets	$	199,122	$	242,268	$	43,146
Restricted Assets						
Special Funds		51,896		172,851		120,955
Debt Service Funds		672,455		662,673		(9,782)
Net Plant		1,499,711		1,517,397		17,686
Nuclear Fuel		985,824		999,007		13,183
Other Charges		3,259,059		3,078,698		(180,361)
TOTAL ASSETS		6,668,067		6,672,894		4,827
DEFERRED OUTFLOWS OF RESOURCES*		13,572		20,048		6,476
TOTAL ASSETS AND DEFERRED OUTFLOWS	**$**	**6,681,639**	**$**	**6,692,942**	**$**	**11,303**
Current Liabilities	$	621,867	$	983,794	$	361,927
Restricted Liabilities						
Special Funds		147,047		153,250		6,203
Debt Service Funds		139,029		123,653		(15,376)
Long-Term Debt		5,755,324		5,420,783		(334,541)
Other Long-Term Liabitilies		18,115		11,254		(6,861)
Other Credits		5,727		6,041		314
Net Position		(12,968)		(12,923)		45
TOTAL LIABILITIES AND NET POSITION		**6,674,141**		**6,685,852**		**11,711**
DEFERRED INFLOWS OF RESOURCES*		7,498		7,090		(408)
TOTAL LIABILITIES, NET POSITION AND DEFERRED INFLOWS	**$**	**6,681,639**	**$**	**6,692,942**	**$**	**11,303**
Operating Revenues	$	566,920	$	470,779	$	(96,141)
Operating Expenses		443,629		386,496		(57,133)
Net Operating Revenues		123,291		84,283		(39,008)
Other Income and Expenses		(122,221)		(84,238)		37,983
(DISTRIBUTION) & CONTRIBUTION		-		-		-
BEGINNING NET POSITION*		(14,038)		(12,968)		1,070
ENDING NET POSITION	**$**	**(12,968)**	**$**	**(12,923)**	**$**	**45**

* Energy Northwest's 2013 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 Statement No. 65 "Items Previously Reported as Assets and Liabilities," which became effective for Energy Northwest in fiscal year 2014. 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 1,170-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 9,781 gigawatt-hours (GWh) of electricity in FY 2014, as compared to 8,479 GWh of electricity in FY 2013, which included economic dispatch of 62 and 51 GWh respectively. The FY 2014 generation increase of 15.4 percent was due to record generation performance. Additionally, FY 2014 generation was approximately 313 GWh higher than budgeted, reflecting the continuous and successful generation run.

Columbia's cost performance is measured by the cost of power indicator. The cost of power for FY 2014 was 3.70 cents per kilowatt-hour (kWh) as compared with 4.51 cents per kWh in FY 2013. The industry cost of power fluctuates year to year depending on various factors such as refueling outages and other planned activities. The FY 2014 cost of power decrease of 18.0 percent was due to the record generation run for FY 2014 and continued successful cost control.

Net Position Analysis

The net increase to Utility Plant (plant) and Construction Work In Progress (CWIP) from FY 2013 to FY 2014 (excluding nuclear fuel) was $25.3 million. The changes to plant and CWIP were comprised of additions to plant of $156.0 million with a decrease to CWIP of $47.3 million. Remaining changes was the period effect of depreciation of $83.4 million.

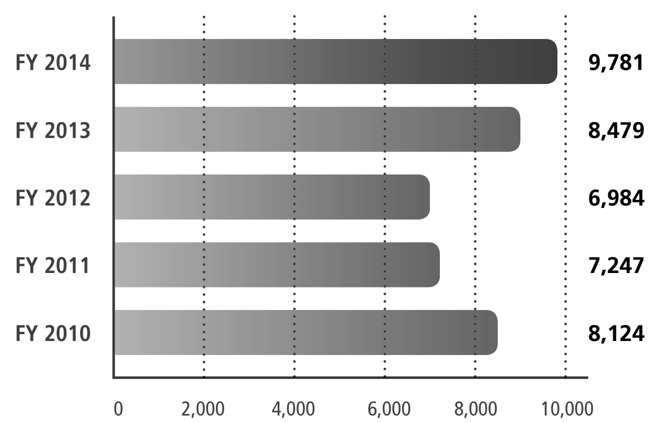
The FY 2014 CWIP balance of $69.2 million consisted of 11 major projects of at least $1.2 million: Fukushima impacts, Plant Telephone Obsolescence, Cyber Security, Stack Monitor Performance, Service Water Pump and Motor Overhauls, Turbine Blades and Valves, ISFSI Pad Expansion, High Pressure Core Spray Refurbishments, Reactor Feed Water Overhauls, Condensate Pump Refurbishments, and Residual Heat Removal Systems. These projects resulted in 74 percent of the CWIP activity. The remaining 26 percent was made up of 87 separate projects.

Nuclear fuel, net of accumulated amortization, increased $13.2 million from FY 2013 to $999.0 million for FY 2014. During FY 2014 Columbia incurred $49.1 million in capitalized fuel activity, $11.2 million of capitalized interest additions and $47.0 million of amortization.

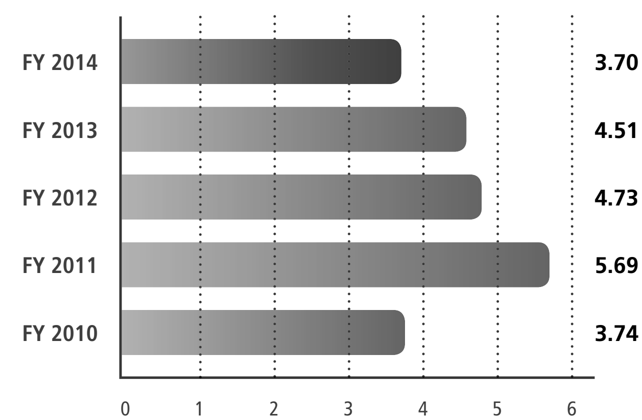
Current assets increased $52.4 million in FY 2014 to $218.7 million. Changes were increases to receivables of $23.8 million, increases to cash and investments of $9.2 million, due from other business units of $9.6 million and increases to materials and supplies and prepaid amounts of $9.8 million.

Special funds increased $120.5 million to $136.9 million in FY 2014 due to the FY 2014 bond activity and schedule of construction costs for these funds in FY 2014.

Columbia Generating Station
NET GENERATION - GWhrs



Columbia Generating Station
COST OF POWER - CENTS/kWh



The debt service funds decreased $48.3 million in FY 2014 to $99.1 million. The decrease is due to the maturity of outstanding debt along with restructuring and funding activities and the requirement of making funds available for these maturities.

Other charges increased $11.5 million in FY 2014 from $895.4 million to $907.0 million. The increase was change in Costs in Excess of Billings related to the net effect of payment of current maturities and refunding activity related to available debt of $11.5 million.

Current liabilities increased $0.9 million in FY 2014 to $140.0 million. Components of the change were a decrease to current maturities of debt of $28.8 million, increases due to timing of year end obligations of $8.6 million, and timing of due to participants that resulted in an increase of $21.1 million.

Restricted liabilities increased $2.0 million in FY 2014 to $200.7 million. The increase was due to bond activity and related decrease of $4.6 million and decommissioning increases of $6.6 million.

Long-term debt (Bonds Payable) increased $187.0 million in FY 2014 from $3,268.6 million to $3,455.7 million due to the debt associated with the planned and approved debt restructuring for the region.

Other long-term liabilities decreased $6.9 million in FY 2014 to $11.0 million related to nuclear fuel cask activity.

Statement of Revenue and Expenses Analysis

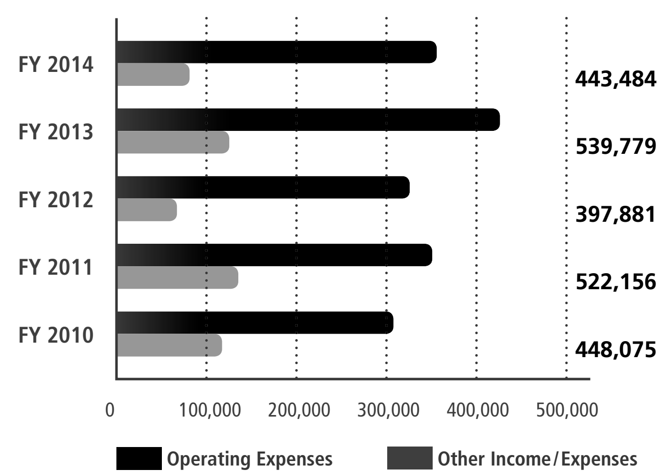
Columbia is a net-billed project. Energy Northwest recognizes revenues equal to expenses for each period on net-billed projects. No net revenue or loss is recognized and no net position is accumulated.

Operating expenses decreased $55.7 million from FY 2013 costs of $418.9 million to $363.2 million in FY 2014. The decreases in costs were due to FY 2013 being a planned refueling year as compared to FY 2014 and were mostly in the operations and maintenance areas amounting to $70.2 million. The decreased costs were offset by increased benefit costs in the administrative and general area of $1.2 million, and increases to fuel costs and generation tax of $11.8 million due to the FY 2014 record generation.

Other Income and Expenses decreased $39.1 million from FY 2013 to $80.3 million net expenses in FY 2014. The spent fuel litigation settlement from the Department of Energy (DOE) of $23.6 million was the major factor in the decrease to overall expenses and is shown as gain on DOE settlement on the Statement of Revenues, Expenses, and Changes in Net Position. (See Note 13 to the financial statements.) The remaining decrease of $15.5 million was due to decreased bond related expenses of $17.6 million, decrease in investment income of $0.6 million, decreases in miscellaneous non-utility leasing revenue of $2.3 million and completion of the TVA fuel lease revenue program in FY 2013 resulting in a $0.7 million reduction in costs.

Columbia's total operating revenue decreased from $538.3 million in FY 2013 to $443.5 million in FY 2014. The decrease of $94.8 million was due to the off cycle year of the two year refueling and maintenance program and the related effect of the net billing agreement on total revenue. (See Note 6 to the Financial Statements for Net Billing discussion.)

Columbia Generating Station
TOTAL OPERATING COSTS (dollars in thousands)

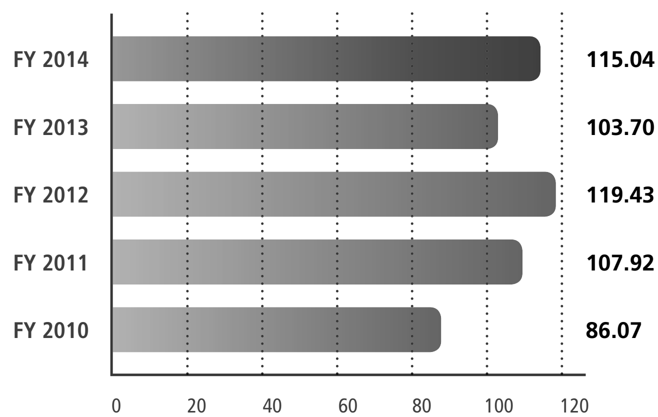


PACKWOOD LAKE HYDROELECTRIC PROJECT

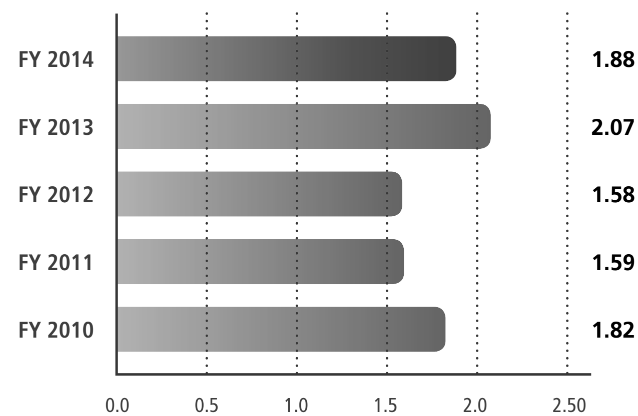
The Packwood Lake Hydroelectric Project (Packwood) is wholly owned and operated by Energy Northwest. Packwood consists of a diversion structure at Packwood Lake and a powerhouse located near the town of Packwood, Washington. The water is carried from the lake to the powerhouse through a five-mile long buried tunnel and drops nearly 1,800 feet in elevation. Packwood produced 115.04 GWh of electricity in FY 2014 versus 103.70 GWh in FY 2013. The 10.9 percent increase in generation can be attributed to more favorable water availability compared to the previous year, and resulted in the fifth highest generation in the life of the plant. Generation results for FY 2014 did exceed the estimated amount of 84.64 GWh by 35.9 percent.

Packwood's cost performance is measured by the cost of power indicator. The cost of power for FY 2014 was $1.88 cents per kWh as compared to $2.07 cents per kWh in FY 2013. The cost of power fluctuates year-to-year depending on various factors such as outage, maintenance, generation, and other operating costs. The FY 2014 cost of power decrease of 9.2 percent was a result of increased generation due to water availability and a slight decrease of overall costs attributable to operations and maintenance charges.

The Packwood Lake Hydroelectric Project
NET GENERATION - GWhrs



The Packwood Lake Hydroelectric Project
COST OF POWER - CENTS/kWh



Net Position Analysis

Total assets increased $0.2 million from FY 2013, with the major driver being an increase of $0.2 million in capital activity for utility plant. The corresponding increase to total liabilities of $0.2 million was the increase in due to participants for the results of operations. Packwood has incurred $3.7 million in relicensing costs through FY 2013 with no new costs incurred for FY 2014. These costs are shown as Other Charges on the Statement of Net Position. Packwood has been operating under a 50-year license issued by the 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 is indefinitely extended for continued operations until formal decision is issued by FERC and a new operating license is granted. As of June 30, 2014, Packwood continues to be relicensed under this extended agreement.

Statement of Revenue and Expenses Analysis

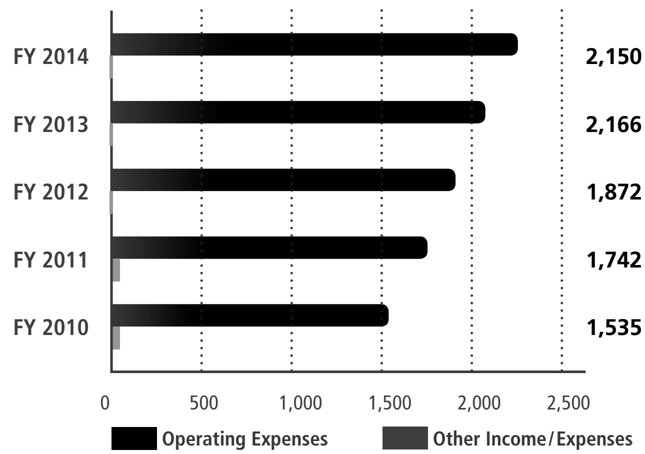
The agreement with Packwood participants obligates them to pay annual costs and to receive excess revenues. (See Note 1 to the Financial Statements.) Accordingly, Energy Northwest recognizes revenues equal to expenses for each period. No net revenue or loss is recognized and no net position is accumulated.

Operating expenses decreased $28 thousand to $2.15 million in FY 2014 from $2.18 million in FY 2013. Operations and maintenance and administrative and general costs decreased $58 thousand offset by increased costs of $31 thousand for depreciation, amortization and generation tax.

Other Income and Expense decreased from a net gain of $8 thousand in FY 2013 to a $4 thousand gain in FY 2014. The $4 thousand decrease in net gain was due to fewer property disposals and decreased investment income.

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, 2014 there is $5.8 million recorded as deferred revenues in excess of costs that are being kept within the project. Packwood participants are currently taking 100 percent of the project generation; there are no additional agreements for power sales.

The Packwood Lake Hydroelectric Project
TOTAL OPERATING COSTS (dollars in thousands)



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 percent 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 6 and 13 to the Financial Statements.)

Net Position Analysis

Restricted cash increased $52.3 million in FY 2014 to $361.8 million. The increase was due to bond activities, investment activities and transactions between other units.

Long-term debt decreased $345.9 million from $1,084.2 million in FY 2013 to $738.8 million in FY 2014 as a result of $332.1 million being transferred to current debt to be paid on July 1, 2014 along with a decrease in bond related amortization of $13.3 million. Short term debt increased $59.0 million per the debt maturity schedule. There was a decrease to restricted liabilities of $8.6 million, represented by decreases to interest payable of $7.0 million and decommissioning estimate of $1.6 million.

Statement of Revenue and Expenses Analysis

Other Income and Expenses showed a net decrease to expenses of $10.9 million from $52.5 million in FY 2013 to $41.6 million in FY 2014. Investment revenue for FY 2014 decreased $53 thousand; bond related expenses decreased $9.9 million; other expenses decreased $1.0 million, which included a restoration cost estimate decrease of $1.3 million as a result of accelerated restoration work completed, offset by a slight increase of $0.3 million in plant preservation costs.

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 percent 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 6 and 13 to the Financial Statements.)

Net Position Analysis

Long-term debt decreased $166.9 million from $1,274.2 million in FY 2013 to $1,107.3 million in FY 2014, as a result of $157.3 million being transferred to current debt to be paid on July 1, 2014 along with a decrease in bond related amortization of $9.1 million; and the remaining change was due to the debt associated with the planned and approved debt restructuring. Current debt per the debt maturity schedule decreased $8.9 million from $166.2 million in FY 2013 to $157.3 million in FY 2014. The remaining changes in liabilities of $82.1 million were due to an increase in notes payable related to bond financing of $85.2 million, and an decrease in accrued interest payable of $3.1 million.

Statement of Revenue and Expenses Analysis

Overall expenses decreased $6.5 million from FY 2013 related to bond activity (interest expense and amortization). Investment income was lower by $22 thousand but was offset by decreased liquidation (plant preservation and termination) costs.

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 energy business opportunities.

The BDF is managed as an enterprise fund. Four business lines have been created within the fund: General Services and Facilities, Generation, Professional Services, and Business Unit Support. Each line may have one or more programs that are managed as a unique business activity.

Net Position Analysis

Total assets increased $0.3 million from $10.1 million in FY 2013 to $10.4 million in FY 2014. Increases were due to cash and investments of $0.2 million, net plant increases of $0.2 million, increase to due from other business activity of $0.4 million and decreases to receivables and prepaid amounts of $0.5 million. Liabilities increased $0.6 million from FY 2013 due to timing of year end outstanding items.

Statement of Revenues and Expenses Analysis

Operating Revenues in FY 2014 totaled $6.0 million as compared to FY 2013 revenues of $9.0 million, a decrease of $3.0 million (33.3 percent). The decrease in revenues was driven by three major activity areas: Discontinued projects for Grant County, Seattle City Light and Kalama which amounted to a decrease of $1.8 million, lowered leasing rates for facilities resulting in a decrease of $0.3 million, and lower amounts of activity for Hanford calibration work of $0.9 million. Operating costs decreased $1.8 million due to decreased business activity discussed above resulting in a net operating decrease of $1.2 million.

Other Income and Expenses remained steady at $1.3 million, with decreases of $0.2 million in other expenses which was offset by decreases in miscellaneous income of $0.2 million. There were no other significant individual item variances.

The Business Development Fund 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 2014 there were no contributions (transfers), which was also the case for FY 2013.

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, Wash. 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 Bonneville Power Administration 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 produced 239.39 GWh of electricity in FY 2014 versus 228.23 GWh in FY 2013. The increase of 4.9 percent was due to more favorable wind conditions in FY 2014 as compared to FY 2013. FY 2014 was more in line with historical averages and ranked as the third highest generation in the project's history.

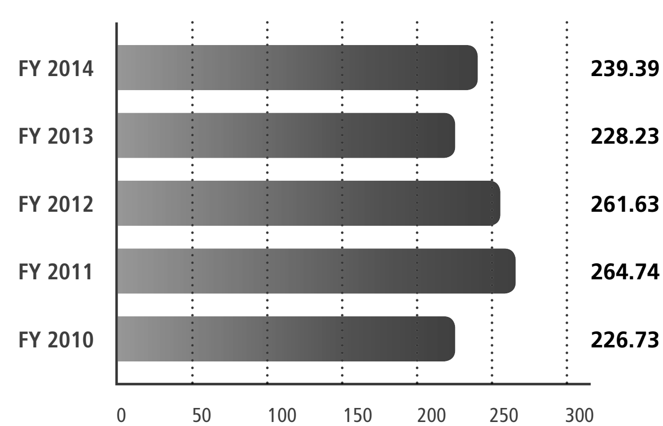
Nine Canyon's cost performance is measured by the cost of power indicator. The cost of power for FY 2014 was $7.83 cents per kWh as compared to $7.91 cents per kWh in FY 2013. The cost of power fluctuates year to year depending on various factors such as wind totals and unplanned maintenance. The slight decrease of 1.0 percent in cost of power for FY 2014 was attributable to slightly higher operating costs ($367 thousand) due to GASB Statement No. 65 implementation for bond refinancing costs offset by the third highest generation year.

Net Position Analysis

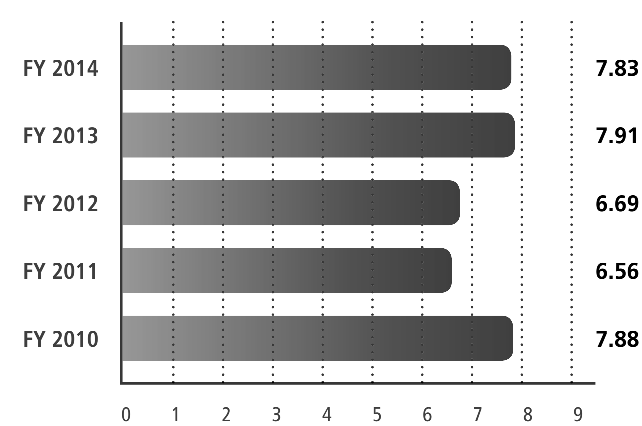
Total assets decreased $8.5 million from $113.4 million in FY 2013 to $104.9 million in FY 2014. The major driver for the change in assets was a decrease of $6.8 million in net plant due to accumulated depreciation. The remaining changes consisted of decreases to restricted assets of $1.5 million and decreases in cash and investments of $0.7 million, and slight increases to receivables and prepaids of $0.5 million. There was an overall decrease to liabilities and net position of $8.5 million with a decrease to long term debt of $12.0 million, increases to current debt maturities of $0.4 million, increases to unamortized debt activity of $2.7 million, and decreases to accrued debt related interest of $0.7 million. The increase in net position was $0.4 million in FY 2014 as compared to a decrease of $0.2 million in FY 2013. There was an adjustment to beginning net position of $1.4 million due to the retrospective application of GASB Statement No. 65. The adjustment for the GASB application was offset by an increase in net position of $0.4 million reflecting the rate stabilization approach for Nine Canyon planning out through the 2030 period.

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 were 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. The billing rates for the Nine Canyon participants increased 69 percent and 80 percent for Phase I and Phase II participants respectively in FY 2008 in order to cover total project costs, projected out to the 2030 proposed project end date. The increases for

Nine Canyon Wind Project
NET GENERATION - GWh



Nine Canyon Wind Project
COST OF POWER - CENTS/kWh



FY 2008 were a change from the previous plan where a 3 percent increase each year over the life of the project was projected. Going forward, the increase or decrease in rates will be based on cash requirements of debt repayment and the cost of operations. Phase III started with an initial planning rate of $49.82 per MWh which increased at 3 percent per year for three years. In year six (FY 2013) the rate increased to a rate that is expected to be stabilized over the life of the project. Possible adjustments may be necessary to future rates depending on operating costs and REPI funding, similar to Phase I and II.

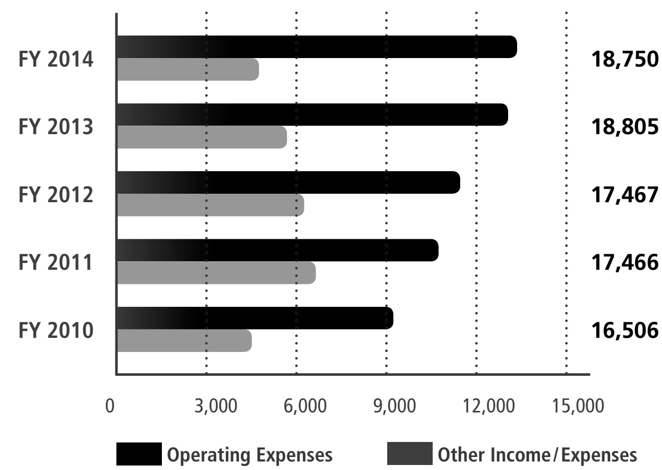
Statement of Revenues and Expenses Analysis

Operating revenues increased $0.2 million from $19.0 million in FY 2013 to $19.2 million in FY 2014. The project received revenue from the billing of the purchasers at an average rate of $76.33 per MWh for FY 2014 as compared to $80.06 per MWh for FY 2013 which is reflective of the implementation of the revised rate plan in FY 2008 to account for REPI funding shortfalls and costs of operations. The decrease in the average rate billed to purchasers was a direct result of increased generation above FY 2014 estimates. Operating costs increased from $13.1 million in FY 2013 to $13.6 million in FY 2014. Increased operating costs of $0.5 million for FY 2014 were due to $0.4 million recognition of current period costs for refinancing due to implementation of GASB Statement No. 65 and a slight increase ($0.1 million) in overall operations and maintenance expenditures.

Other income and expenses decreased $0.5 million from $5.7 million in net expenses FY 2013 to $5.2 million in FY 2014. Decreased interest costs of $0.3 million and decreases in amortized bond expenses of $0.3 million accounted for the change. Net gain or change in net position of $0.4 million for FY 2014 was a direct result of the planned average rate increase with lower than budgeted 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 2014 and is not anticipating receiving any future REPI incentives. The results from FY 2014 reflect the revised rate plan scenario and gradual increase in the return of total net position.

Nine Canyon Wind Project
TOTAL OPERATING COSTS (dollars in thousands)



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 to Financial Statements.)

Net Position Analysis

Total assets decreased $16.3 million from $55.7 million in FY 2013 to $39.4 million in FY 2014. The majority of the change ($16.6 million) was a result of year end allocation to other business units. There were small increases to cash and investments of $1.4 million with a decrease of $1.1 million to net plant accounting for the remainder of the changes.

The net increase in net position and liabilities is due to decreases in accounts payable and payroll related liabilities of $17.4 million due to year-end allocation of related expenses and an increase of $1.1 million due to change in unpaid bearer bond estimates.

Statement of Revenues and Expenses Analysis

Net revenues for FY 2014 decreased $28 thousand from FY 2013. The decrease was due to decreased amounts of other business expenses of $54 thousand, decrease in depreciation of $0.7 million offset by decreases in operating revenue due to operations of $0.8 million and interest of $4 thousand.

CURRENT DEBT RATINGS (Unaudited)

		Nine Canyon Rating	
Energy Northwest (Long-Term)	Net-Billed Rating	Phase I & II	Phase III
Fitch, Inc.	AA	A-	A-
Moodys Investors Service, Inc. (Moodys)	Aa1	A2	A2
Standard and Poor's Ratings Services (S & P)	AA-	A-	A

STATEMENT OF NET POSITION As of June 30, 2014 (Dollars in thousands)

	Columbia Generating Station	Packwood Lake Hydroelectric Project	Nuclear Project Number 1*	Nuclear Project Number 3*	Business Development Fund	Nine Canyon Wind Project	Subtotal	Internal Service Fund	Combined Total
ASSETS									
CURRENT ASSETS									
Cash	$ 39,791	$ 892	$ 3,391	$ 3,251	$ 2,348	$ 8,965	$ 58,638	$ 1,333	$ 59,971
Available-for-sale investments	12,576	500	-	-	5,434	-	18,510	4,997	23,507
Accounts and other receivables	23,962	121	-	-	118	386	24,587	148	24,735
Due from other business units	9,450	131	327	13	743	156	10,820	189	-
Materials and supplies	130,953	-	-	-	-	-	130,953	-	130,953
Prepayments and other	1,735	16	-	-	-	184	1,935	1,167	3,102
TOTAL CURRENT ASSETS	**218,467**	**1,660**	**3,718**	**3,264**	**8,643**	**9,691**	**245,443**	**7,834**	**242,268**
RESTRICTED ASSETS (NOTE 1)									
Special funds									
Cash	941	-	3,501	7,728	195	31	12,396	2,369	14,765
Available-for-sale investments	136,020	-	-	-	-	1,557	137,577	20,491	158,068
Accounts and other receivables	18	-	-	-	-	-	18		18
Debt service funds									
Cash	99,110	-	358,301	183,331	-	10,040	650,782	-	650,782
Available-for-sale investments	-	-	-	2,108	-	9,783	11,891	-	11,891
TOTAL RESTRICTED ASSETS	**236,089**	**-**	**361,802**	**193,167**	**195**	**21,411**	**812,664**	**22,860**	**835,524**
NON CURRENT ASSETS UTILITY PLANT (Note 2)									
In service	3,969,575	14,635	-	-	2,898	134,518	4,121,626	47,878	4,169,504
Not in service	-	-	29,415	-	-	-	29,415	-	29,415
Construction work in progress	69,150	-	-	-	-	-	69,150	-	69,150
Accumulated depreciation	(2,606,854)	(12,892)	(29,415)	-	(1,335)	(60,960)	(2,711,456)	(39,216)	(2,750,672)
Net Utility Plant	1,431,871	1,743	-	-	1,563	73,558	1,508,735	8,662	1,517,397
Nuclear fuel, net of accumulated depreciation	999,007						999,007		999,007
TOTAL NONCURRENT ASSETS	**2,430,878**	**1,743**	**-**	**-**	**1,563**	**73,558**	**2,507,742**	**8,662**	**2,516,404**
OTHER CHARGES									
Cost in excess of billings	906,957	-	985,437	1,182,315	-	-	3,074,709	-	3,074,709
Prepaid bond insurance	-	-	-	-	-	252	252	-	252
Other	-	3,737	-	-	-	-	3,737	-	3,737
TOTAL OTHER CHARGES	**906,957**	**3,737**	**985,437**	**1,182,315**	**-**	**252**	**3,078,698**	**-**	**3,078,698**
TOTAL ASSETS	**3,792,391**	**7,140**	**1,350,957**	**1,378,746**	**10,401**	**104,912**	**6,644,547**	**39,356**	**6,672,894**
DEFERRED OUTFLOWS OF RESOURCES									
Deferred outflows - unamortized loss on bond refunding	18,183	-	900	965	-	-	20,048	-	20,048
TOTAL DEFERRED OUTFLOWS OF RESOURCES	18,183	-	900	965	-	-	20,048	-	20,048
TOTAL ASSETS AND DEFERRED OUTFLOWS	**$ 3,810,574**	**$ 7,140**	**$ 1,351,857**	**$ 1,379,711**	**$ 10,401**	**$ 104,912**	**$ 6,664,595**	**$ 39,356**	**$ 6,692,942**

* Project recorded on a liquidation basis
The accompanying notes are an integral part of these combined financial statements

** Energy Northwest's 2013 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 Statement No. 65 "Items Previously Reported as Assets and Liabilities," which became effective for Energy Northwest in fiscal year 2014. See Note 1 for a summary of this change in accounting principle.

STATEMENT OF NET POSITION As of June 30, 2014 (Dollars in thousands)

	Columbia Generating Station	Packwood Lake Hydroelectric Project	Nuclear Project Number 1*	Nuclear Project Number 3*	Business Development Fund	Nine Canyon Wind Project	Subtotal	Internal Service Fund	Combined Total
LIABILITIES AND NET POSITION									
CURRENT LIABILITIES									
Current maturities of long-term debt	$ 32,205	$ -	$ 332,100	$ 157,300	$ -	$ 7,265	$ 528,870	$ -	$ 528,870
Current notes payable	-	-	235,445	85,180	-	-	320,625	-	320,625
Accounts payable and accrued expenses	62,214	294	338	58	1,635	556	65,095	22,166	87,261
Due to participants	46,009	1,029	-	-	-	-	47,038	-	47,038
Due to other business units	-	-	-	-	-	-	-	11,009	-
TOTAL CURRENT LIABILITIES	**140,428**	**1,323**	**567,883**	**242,538**	**1,635**	**7,821**	**961,628**	**33,175**	**983,794**
LIABILITIES-PAYABLE FROM RESTRICTED ASSETS (NOTE 1)									
Special funds									
Accounts payable and accrued expenses	133,797	-	16,608	-	-	1,341	151,746	1,504	153,250
Debt service funds									
Accrued interest payable	66,905	-	26,201	28,139	-	2,408	123,653	-	123,653
TOTAL RESTRICTED LIABILITIES	**200,702**	**-**	**42,809**	**28,139**	**-**	**3,749**	**275,399**	**1,504**	**276,903**
LONG-TERM DEBT (NOTE 5)									
Revenue bonds payable	3,304,805	-	715,905	1,071,400	-	112,120	5,204,230	-	5,204,230
Unamortized (discount)/ premium on bonds - net	150,938	-	22,919	35,894	-	6,802	216,553	-	216,553
TOTAL LONG-TERM DEBT	**3,455,743**	**-**	**738,824**	**1,107,294**	**-**	**118,922**	**5,420,783**	**-**	**5,420,783**
OTHER LONG-TERM LIABILITIES	**11,054**	**-**	**-**	**-**	**195**	**-**	**11,249**	**5**	**11,254**
OTHER CREDITS									
Advances from members and others	-	5,817	-	-	-	-	5,817	-	5,817
Other	-	-	200	-	-	24	224	-	224
TOTAL OTHER CREDITS	**-**	**5,817**	**200**	**-**	**-**	**24**	**6,041**	**-**	**6,041**
NET POSITION									
Invested in capital assets, net of related debt	-	-	-	-	1,563	(45,675)	(44,112)	8,662	(35,450)
Restricted, net	-	-	-	-	-	16,649	16,649	21,356	38,005
Unrestricted, net	-	-	-	-	7,008	2,860	9,868	(25,346)	(15,478)
NET POSITION	-	-	-	-	8,571	(26,166)	(17,595)	4,672	(12,923)
TOTAL LIABILITIES	**3,807,927**	**7,140**	**1,349,716**	**1,377,971**	**1,830**	**130,516**	**6,675,100**	**34,684**	**6,698,775**
DEFERRED INFLOWS OF RESOURCES									
Deferred inflows - unamortized gain on bond refunding	2,647	-	2,141	1,740	-	562	7,090	-	7,090
TOTAL DEFERRED INFLOWS OF RESOURCES	**2,647**	**-**	**2,141**	**1,740**	**-**	**562**	**7,090**	**-**	**7,090**
TOTAL LIABILITIES, NET POSITION, AND DEFERRED INFLOWS	**$ 3,810,574**	**$ 7,140**	**$ 1,351,857**	**$ 1,379,711**	**$ 10,401**	**$ 104,912**	**$ 6,664,595**	**$ 39,356**	**$ 6,692,942**

* Project recorded on a liquidation basis
The accompanying notes are an integral part of these combined financial statements

** Energy Northwest's 2013 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 Statement No. 65 "Items Previously Reported as Assets and Liabilities," which became effective for Energy Northwest in fiscal year 2014. See Note 1 for a summary of this change in accounting principle.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION As Of June 30, 2014 (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	Combined Total
OPERATING REVENUES	$ 443,484	$ 2,150	$ -	$ -	$ 5,964	$ 19,181	$ 470,779	$ -	$ 470,779
OPERATING EXPENSES									
Services to other business units	-	-	-	-	-	-	-	-	-
Nuclear fuel	52,986	-	-	-	-	-	52,986	-	52,986
Spent fuel disposal fee	8,162	-	-	-	-	-	8,162	-	8,162
Decommissioning	6,664	-	-	-	-	86	6,750	-	6,750
Depreciation and amortization	85,144	86	-	-	226	6,804	92,260	-	92,260
Operations and maintenance	176,197	1,883	-	-	7,334	6,236	191,650	-	191,650
Administrative & general	28,929	160	-	-	-	401	29,490	-	29,490
Generation tax	5,122	25	-	-	-	51	5,198	-	5,198
Total operating expenses	363,204	2,154	-	-	7,560	13,578	386,496	-	386,496
OPERATING INCOME (LOSS)	**80,280**	**(4)**	**-**	**-**	**(1,596)**	**5,603**	**84,283**	**-**	**84,283**
OTHER INCOME & EXPENSE									
Other	3,259	1	41,592	47,879	1,236	-	93,967	88,555	93,927
Gain on DOE settlement	23,575	-	-	-	-	-	23,575	-	23,575
Investment income	63	3	15	28	14	44	167	6	167
Interest expense and debt amortization, net of capitalized interest	(107,177)	-	(39,505)	(47,510)	-	(5,216)	(199,408)	-	(199,408)
Plant preservation and termination costs	-	-	(1,517)	(397)	-	-	(1,914)	-	(1,914)
Depreciation and amortization	-	-	(5)	-	-	-	(5)	1,363	(5)
Decommissioning	-	-	(580)	-	-	-	(580)	-	(580)
Services to other business units	-	-	-	-	-	-	-	(89,964)	-
TOTAL OTHER INCOME & EXPENSE	**(80,280)**	**4**	**-**	**-**	**1,250**	**(5,172)**	**(84,198)**	**(40)**	**(84,238)**
INCOME (LOSS)	-	-	-	-	(346)	431	85	(40)	45
TOTAL NET POSITION, BEGINNING OF YEAR **	**-**	**-**	**-**	**-**	**8,917**	**(26,597)**	**(17,680)**	**4,712**	**(12,968)**
TOTAL NET POSITION, END OF YEAR	**$ -**	**$ -**	**$ -**	**$ -**	**$ 8,571**	**$ (26,166)**	**$ (17,595)**	**$ 4,672**	**$ (12,923)**

* Project recorded on a liquidation basis
The accompanying notes are an integral part of these combined financial statements

** Energy Northwest's 2013 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 Statement No. 65 "Items Previously Reported as Assets and Liabilities," which became effective for Energy Northwest in fiscal year 2014. See Note 1 for a summary of this change in accounting principle.

STATEMENT OF CASH FLOWS As of June 30, 2014 (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	Combined Total
CASH FLOWS FROM OPERATING AND NONOPERATING ACTIVITIES								
Operating revenue receipts	$ 457,865	$ 2,290	$ -	$ -	$ 2,813	$ 18,936	$ -	$ 481,904
Cash payments for operating expenses	(239,026)	(2,174)	-	-	(2,418)	(6,135)	-	(249,753)
Non-operating revenue receipts	100	-	148,565	128,360	-	-	-	277,025
Cash payments for preservation, termination expense	-	-	1,236	18	-	-	-	1,254
Cash payments for services net of cash received from other units	-	-	-	-	-	-	1,785	1,785
Net cash provided by operating and nonoperating activities	218,939	116	149,801	128,378	395	12,801	1,785	512,215
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Proceeds from bond refundings	670,900	-	-	26,702	-	41,392	-	738,994
Payment on refunded debt	(449,525)	-	-	(26,703)	-	(42,776)	-	(519,004)
Principal paid on revenue bond maturities	(61,020)	-	(273,055)	(166,160)	-	(6,835)	-	(507,070)
Payment for bond issuance and financing costs	(6,771)	-	(288)	(405)	-	(741)	-	(8,205)
Proceeds from notes payable	61,273	-	235,445	85,180	-	-	-	381,898
Payment for notes payable	(61,273)	-	-	-	-	-	-	(61,273)
Interest paid on bonds	(141,548)	-	(59,386)	(59,331)	-	(6,032)	-	(266,297)
Interest paid on notes	(115)	-	-	-	-	-	-	(115)
Payment for capital items	(100,456)	(125)	-	-	(196)	(39)	(259)	(101,075)
Nuclear fuel acquisitions	(49,106)	-	-	-	-	-	-	(49,106)
Proceeds from sale of capital assets	37	-	-	-	-	-	-	37
Net cash provided/(used) by capital and related financing activities	(137,604)	(125)	(97,284)	(140,717)	(196)	(15,031)	(259)	(391,216)
CASH FLOWS FROM NON-CAPITAL FINANCE ACTIVITIES	-	-	-	-	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchases of investment securities	(188,296)	-	(6,038)	(36,804)	(6,945)	(35,465)	(41,395)	(314,943)
Sales of investment securities	77,617	500	219,488	184,391	4,021	38,034	42,507	566,558
Interest on investments	154	28	55	65	45	110	658	1,115
Net cash provided/(used) by investing activities	(110,525)	528	213,505	147,652	(2,879)	2,679	1,770	252,730
NET INCREASE (DECREASE) IN CASH	**(29,190)**	**519**	**266,022**	**135,313**	**(2,680)**	**449**	**3,296**	**373,729**
CASH AT JUNE 30, 2013	**169,032**	**373**	**99,171**	**58,997**	**5,223**	**18,587**	**406**	**351,789**
CASH AT JUNE 30, 2014 (NOTE B)	**$ 139,842**	**$ 892**	**$ 365,193**	**$ 194,310**	**$ 2,543**	**$ 19,036**	**$ 3,702**	**$ 725,518**

* Project recorded on a liquidation basis
The accompanying notes are an integral part of these combined financial statements

** Energy Northwest's 2013 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 Statement No. 65 "Items Previously Reported as Assets and Liabilities," which became effective for Energy Northwest in fiscal year 2014. See Note 1 for a summary of this change in accounting principle.

STATEMENT OF CASH FLOWS As of June 30, 2014 (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	Combined Total
RECONCILIATION OF NET OPERATING REVENUES TO NET CASH FLOWS PROVIDED BY OPERATING AND NON OPERATING ACTIVITIES								
Net income/loss from operations	$ 80,280	$ (4)	$ -	$ -	$ (1,596)	$ 5,602	$ -	$ 84,282
Adjustments to reconcile net operating revenues to cash provided by operating activities:								
Depreciation and amortization	132,496	80	-	-	185	6,793	1,364	140,918
Decommissioning	6,664	-	-	-	-	33	-	6,697
Non-operating revenues	-	-	41,593	47,879	-	-	-	89,472
Other	(360)	97	-	-	1,078	770	(40)	1,545
Change in operating assets and liabilities:								
Deferred charges/costs in excess of billings	19,859	(19)	109,745	80,504	-	-	-	210,089
Accounts receivable	(237)	(11)	1	3	348	(245)	(30)	(171)
Materials and supplies	(18,727)	-	-	-	-	-	-	(18,727)
Prepaid and other assets	(326)	(4)	-	-	140	(108)	333	35
Due from/to other business units	(26,067)	(122)	(57)	(23)	(400)	(166)	26,835	-
Accounts payable	25,357	99	(1,481)	15	640	122	(26,677)	(1,925)
Net cash provided by operating and nonoperating activities	**$ 218,939**	**$ 116**	**$ 149,801**	**$ 128,378**	**$ 395**	**$ 12,801**	**$ 1,785**	**$ 512,215**
Non-cash activities								
Capitalized interest	19,115	-	-	-	-	-	-	19,115

* Project recorded on a liquidation basis
The accompanying notes are an integral part of these combined financial statements

** Energy Northwest's 2013 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 Statement No. 65 "Items Previously Reported as Assets and Liabilities," which became effective for Energy Northwest in fiscal year 2014. See Note 1 for a summary of this change in accounting principle.

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.

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 6).

Energy Northwest operates the Columbia Generating Station (Columbia), a 1,170-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 March 4, 2010, FERC issued a one-year extension, or until the issuance of a new license for the project or other disposition under the Federal Power Act, whichever comes first. FERC is awaiting issuance of the National Oceanic and Atmospheric Administration's (NOAA) Biological Opinion, after which FERC will complete the final license renewal documentation for Packwood. Costs incurred to date for relicensing are $3.7 million included in other charges.

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 6).

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 wholly owns Nuclear Project No. 1. Energy Northwest is no longer responsible for site restoration costs for Nuclear Project No. 3. (See Note 13)

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 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 25, 2014, the date of audit opinion issuance date.

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. Energy Northwest has applied all applicable GASB pronouncements and has applied Financial Accounting Standards Board (FASB) standards, as other accounting literature, in those areas not directly prescribed by GASB and to the extent that they do not conflict with or contradict GASB pronouncements. 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 5).

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, 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 (unaudited) only as each Energy Northwest business unit is financed and accounted for separately from all other current and future business units. The FY 2014 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.

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27. The primary objective of Statement No. 68 is to improve accounting and financial reporting by state and local governments for pensions. This statement establishes standards for measuring and recognizing liabilities, deferred outflows and deferred inflows of resources and expenses. For defined benefit pension plans, this statement identifies the methods and assumptions to project benefit payments, discount projected benefit payments to their actuarial present value and attribute present value to periods of employee service. Note disclosure and required supplementary information about pensions are also addressed. Statement No. 68 is effective for Energy Northwest beginning in fiscal year 2015. Energy Northwest is currently evaluating the financial statement impact of adopting this statement.

Change in Accounting Principle In March 2012, GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. Energy Northwest was required to implement this pronouncement as of June 30, 2014. This statement establishes accounting and financial reporting standards reclassifying, as deferred outflows of resources or deferred inflows of resources, certain items previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items previously reported as assets and liabilities. GASB Statement No. 65 requires debt issuance costs withstanding insurance costs (if necessary) to be expensed when incurred, in prior years these expenses were amortized over the life of the bond. Gains and losses on refunded debt have been reclassified as deferred inflows of resources and deferred outflows of resources respectively. These amounts have been restated due to the retroactive application requirement of GASB Statement No. 65.

GASB 65 CHANGES (Dollars in thousands)

	Cummulative impact as of July 1, 2013
Columbia Net Position Impact	
- Debt Expense	14,290
- Amortization Of Unamortized Gain/(Loss) On Bond Refundings	354
Total	**14,644**
Nuclear Project No.1 Net Position Impact	
- Debt Expense	2,813
- Amortization Of Unamortized Gain/(Loss) On Bond Refundings	982
Total	**3,795**
Nuclear Project No.3 Net Position Impact	
- Debt Expense	3,888
- Amortization Of Unamortized Gain/(Loss) On Bond Refundings	758
Total	**4,646**
Nine Canyon Net Position Impact	
- Debt Expense	1,145
- Amortization Of Unamortized Gain/(Loss) On Bond Refundings	274
Total	**1,419**

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 - 9 years
General Plant and Equipment	3 - 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 operations (see Note 11).

c) Capitalized Interest: Energy Northwest analyzes the gross interest expense relating to the cost of the bond sale, taking into account interest earnings and draws for purchase or construction reimbursements for the purpose of analyzing impact to the recording of capitalized interest. If estimated costs are more than inconsequential, an adjustment is made to allocate capitalized interest to the appropriate plant account. Capitalized interest costs were $19.1 million. This amount includes an adjustment for a correction of an error which relates to prior periods. The cumulative, net effect of the prior period correction recorded in the current year is $18.7 million, of which $11.7 million has been capitalized to Nuclear Fuel and $7 million to Utility Plant. Capitalized interest relating to fiscal year 2014 is $0.4 million. The correction of the error in the current period is not considered to have a material effect on the fiscal 2014 financial statements.

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, including interest, were capitalized and carried at cost.

e) **Asset Retirement Obligation:** Energy Northwest has adopted ASC 410, Asset Retirement and Environmental Obligations. This standard requires Energy Northwest to recognize the fair value of a liability associated with the retirement of a long-lived asset, such as: Columbia Generating Station, Nuclear Project No. 1, and Nine Canyon, in the period in which it is incurred (see Note 11).

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 12).

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, unplanned operation and maintenance costs, termination, decommissioning, operating reserves, financing, long-term disability, and workers' compensation claims. They are classified as current or non-current assets as appropriate.

h) **Cash and Investments:** For purposes of the Statements 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, but are classified as available-for-sale investments 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.

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.

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:

PROJECTS OPERATING LEASE COSTS (Dollars in thousands)

	2015	2016	2017	2018	2019+
Columbia	$ 635	$ 635	$ 635	$ 635	$ 15,240
Nuclear Project No. 1	35	35	35	35	840
Nine Canyon	704	704	704	704	16,896
Business Development Fund	81	81	81	81	1,944
Internal Service Fund	136	136	136	136	3,264
Packwood	110	110	110	110	2,640
Total	**$ 1,701**	**$ 1,701**	**$ 1,701**	**$ 1,701**	**$ 40,824**

m) **Long-Term Liabilities:** Consist of obligations related to bonds payable and the associated premiums/discounts and gains/losses. Other noncurrent liabilities for Columbia relates to the dry storage cask activity. (see table on following page).

n) **Debt Premium, Discount and Expense:** Original issue and reacquired bond premiums, discounts and expenses 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. 23, Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities, 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.

o) **Revenue Recognition:** Energy Northwest accounts for expenses 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. 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 6).

Energy Northwest accounts for revenues and expenses on an accrual basis for the remaining business units. The difference between cumulative revenues and cumulative expenses is recognized as net revenue or loss and included in Net Position for each period.

LONG-TERM LIABILITIES (Dollars in thousands)

	Balance 6/30/2013	INCREASES	DECREASES	Balance 6/30/2014
Columbia				
Revenue bonds payable	$ 3,163,020	$ 608,240	$ 466,455	$ 3,304,805
Unamortized (discount)/premium on bonds - net	105,591	74,233	28,886	150,938
Other noncurrent liabilities	17,914	25	6,885	11,054
	$ 3,286,525	**$ 682,498**	**$ 502,226**	**$ 3,466,797**
Nuclear Project No.1				
Revenue bonds payable	$ 1,048,005	$ -	$ 332,100	$ 715,905
Unamortized (discount)/premium on bonds - net	36,251	30	13,362	22,919
	$ 1,084,256	**$ 30**	**$ 345,462**	**$ 738,824**
Nuclear Project No.3				
Revenue bonds payable	$ 1,229,245	$ 25,990	$ 183,835	$ 1,071,400
Unamortized (discount)/premium on bonds - net	44,955	543	9,604	35,894
	$ 1,274,200	**$ 26,533**	**$ 193,439**	**$ 1,107,294**
Nine Canyon				
Revenue bonds payable	$ 124,120	$ 36,570	$ 48,570	$ 112,120
Unamortized (discount)/premium on bonds - net	4,138	4,320	1,656	6,802
	$ 128,258	**$ 40,890**	**$ 50,226**	**$ 118,922**

p) Capital Contribution: Renewable Energy Performance Incentive (REPI) payments enable Nine Canyon to receive funds based on generation as it applies to the REPI bill. REPI was created as part of the Energy Policy Act of 1992 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. Nine Canyon did not record a receivable for FY 2014 REPI funding as no funds are anticipated to be disbursed to Energy Northwest under this program. The payment stream from Nine Canyon participants and the anticipated REPI funding were projected to cover the total costs of the purchase agreement. Permanent 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. The current rate schedule for the Nine Canyon participants covers total estimated project costs occurring in FY 2014 and estimated total cost recovery projections out to the 2030 proposed end date. During FY 2014 there was no cost recovery obtained from REPI.

q) 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 $20.4 million at June 30, 2014 and is recorded as a current liability.

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

s) Deferred Inflows and Outflows: Consist of losses and gains on bond refundings as labeled on the Statement of Net Position.

t) **Short-Term Debt:** Columbia entered into a line of credit during fiscal year 2014 for up to $93.0 million. $61.3 million was drawn during fiscal year 2014 to fund capital expenses which was subsequently paid in full during fiscal year 2014. Unit 1 entered into a non-revolving loan facility for $235.4 million during fiscal year 2014 to pay a portion of bonds maturing on July 1, 2014. Unit 3 entered into a non-revolving loan facility for $85.2 million during fiscal year 2014 to pay a portion of bonds maturing on July 1, 2014. Nine Canyon did not receive short-term financing during fiscal year 2014.

SHORT-TERM LIABILITIES (Dollars in thousands)

	Balance as of 6/30/2013	INCREASES	DECREASES	Balance as of 6/30/2014
Columbia				
Line of Credit	$ -	$ 61,273	$ 61,273	$ -
Nuclear Project No.1				
Non-Revolving Loan	$ -	$ 235,445	$ -	$ 235,445
Nuclear Project No.3				
Non-Revolving Loan	$ -	$ 85,180	$ -	$ 85,180
Nine Canyon				
Short-term debt	$ -	$ -	$ -	$ -
Packwood				
Short-term debt	$ -	$ -	$ -	$ -
Business Development				
Short-term debt	$ -	$ -	$ -	$ -

NOTE 2 – **Utility Plant**

Utility plant activity for the year ended June 30, 2014 was as follows:

UTILITY PLANT ACTIVITY (Dollars in thousands)

	Balance 6/30/2013	Capital Acquisitions	Sale or Other Dispositions	Balance 6/30/2014
Columbia				
Generation	$ 3,798,767	$ 156,466	$ (427)	$ 3,954,807
Decommissioning	14,768	-	-	14,768
Construction Work-in-Progress	116,483	104,493	(151,826)	69,150
Accumulated Depreciation and Decommissioning	(2,523,438)	(83,843)	427	(2,606,854)
Utility Plant, net*	**$ 1,406,581**	**$ 177,116**	**$ (151,826)**	**$ 1,431,871**
Packwood				
Generation	$ 14,437	$ 198	$ -	$ 14,635
Construction Work-in-Progress	-	198	(198)	-
Accumulated Depreciation	(12,812)	(80)	-	(12,892)
Utility Plant, net	**$ 1,625**	**$ 316**	**$ (198)**	**$ 1,743**
Business Development				
General	$ 2,543	$ 355	$ -	$ 2,898
Construction Work-in-Progress	-	355	(355)	-
Accumulated Depreciation	(1,150)	(185)	-	(1,335)
Utility Plant, net	**$ 1,393**	**$ 524**	**$ (355)**	**$ 1,563**
Nine Canyon				
Generation	$ 133,649	$ 42	$ (35)	$ 133,657
Decommissioning	861	-	-	861
Construction Work-in-Progress	-	42	(42)	-
Accumulated Depreciation and Decommissioning	(54,166)	(6,826)	32	(60,960)
Utility Plant, net*	**$ 80,345**	**$ (6,741)**	**$ (45)**	**$ 73,558**
Internal Service Fund				
General	$ 47,969	$ 259	$ (350)	$ 47,878
Construction Work-in-Progress	-	259	(259)	-
Accumulated Depreciation	(38,203)	(1,363)	350	(39,216)
Utility Plant, net	**$ 9,766**	**$ (846)**	**$ (259)**	**$ 8,662**

* Does not include Nuclear Fuel amount of $999 million, net of amortization

NOTE 3

AVAILABLE-FOR-SALE INVESTMENTS (Dollars in thousands)

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value (1) (2)
Columbia	$ 148,627	$ 3	$ (34)	$ 148,596
Packwood	500	-	-	500
Nuclear Project No. 1	-	-	-	-
Nuclear Project No. 3	2,108	-	-	2,108
Business Development Fund	5,435	-	-	5,435
Internal Service Fund	25,439	4	(1)	25,441
Nine Canyon	11,338	2	(1)	11,339

(1) All investments are in U.S. Government backed securities including U.S. Government Agencies and Treasury Bills.
(2) No investments shown have a maturity greater than one year.

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 designated in specific bond resolutions.

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 does not specifically address concentration of credit risk. An individual authorized security or obligation can receive up to 100 percent of the authorized investment amount; there are no individual concentration limits.

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.

NOTE 4 **– Other Charges and Credits for Resources**

Other charges of $3.7 million relate to the Packwood relicensing effort. Other credits of $24 thousand for Nine Canyon consist of cost of issuance related to the bond refunding in FY 2014. The $200 thousand in other credits for Unit 1 consist of performance deposits related to asset sales.

NOTE 5 **- 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. 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), and Resolution No. 1789 (2014 Bonds). No 2001 or 2003 Nine Canyon bonds remained outstanding as of June 30, 2014 under Resolution Nos. 1214 and 1299 respectively.

During the year ended June 30, 2014, Energy Northwest issued, for Columbia and Project 3, the Series 2014-A bonds. For Columbia, 2014-B fixed rate bonds were also issued. The Columbia and Project 3 bonds were issued with a coupon interest rate ranging from 0.315 percent to 5.0 percent.

The Series 2014-A bonds issued for Columbia and Project 3 are tax-exempt fixed-rate bonds. Series 2014-B bonds issued for Columbia are taxable fixed rate bonds. These bonds were issued in majority to refund prior Columbia and Project 3 bonds (See Note 1). These transactions resulted in a net loss for accounting purposes of $11.23 million. The 2014-A and 2014-B refunding bonds resulted in a combined economic gain of $26.1 million and $1.2 million for Columbia and Project 3, respectively. The economic gain was recorded according to GASB 7.

During fiscal year 2014, Nine Canyon issued the 2014 Series bonds that refunded prior Nine Canyon bonds. The 2014 Series tax-exempt fixed rate bonds were issued with a coupon interest rate ranging from 4.0 percent to

5.0 percent. This transaction resulted in a net gain for accounting purposes of $0.5 million. The 2014 series refunding bonds resulted in an economic gain of $3.6 million. The economic gain was recorded according to GASB 7.

The Bond Proceeds, Weighted Average Coupon Interest Rates, Net Accounting Loss, and Total Defeased Bonds for Columbia and Project 3 2014-A, Columbia 2014-B and 2014 Series for Nine Canyon are presented in the following tables:

BOND PROCEEDS (Dollars in millions)

	2014A	2014B	2014	TOTAL
Columbia	591.93	90.52	-	682.45
Project 3	26.53	-	-	26.53
Nine Canyon	-	-	40.89	40.89
Total	$ 618.46	$ 90.52	$ 40.89	$ 749.87

WEIGHTED AVERAGE COUPON INTEREST RATE FOR REFUNDED BONDS

	2014A	2014B	2014
Columbia	5.05%	4.94%	
Project 3	5.25%		
Nine Canyon			4.69%
Total	5.06%	4.94%	4.69%

WEIGHTED AVERAGE COUPON INTEREST RATE FOR NEW BONDS

	2014A	2014B	2014
Columbia	4.83%	2.46%	
Project 3	2.00%		
Nine Canyon			4.90%
Total	4.68%	2.46%	4.90%

NET ACCOUNTING LOSS (Dollars in millions)

	2014A	2014B	2014	TOTAL
Columbia	9.50	1.90	-	11.40
Project 3	(0.17)	-	-	(0.17)
Nine Canyon	-	-	(0.51)	(0.51)
Total	$ 9.33	$ 1.90	$ (0.51)	$ 10.72

TOTAL DEFEASED (Dollars in millions)

	2014A	2014B	2014	TOTAL
Columbia	379.94	54.31	-	434.25
Project 3	26.54	-	-	26.54
Nine Canyon	-	-	41.31	41.31
Total	$ 406.48	$ 54.31	$ 41.31	$ 502.10

2014 REFUNDING RESULTS (Dollars in thousands)

CASH FLOW DIFFERENCE

2014-A (Tax-Exempt) Transaction		
Columbia		
Prior Debt Service	$	488,911
EN Interest Contribution		(4,190)
Refunding Debt Service		(479,202)
Net Cash Flow Savings (Dissavings)	$	5,519
Project 3		
Prior Debt Service	$	27,928
Refunding Debt Service		(26,578)
Net Cash Flow Savings (Dissavings)	$	1,350
2014-B (Taxable) Transaction		
Columbia		
Prior Debt Service	$	62,301
Refunding Debt Service		(64,867)
Net Cash Flow Savings (Dissavings)	$	(2,566)
Nine Canyon 2014 Transaction		
Nine Canyon		
Prior Debt Service	$	52,758
Refunding Debt Service		(46,725)
Net Cash Flow Savings (Dissavings)	$	6,033

Energy Northwest did not issue or refund any bonds associated with Project No. 1 during fiscal year 2014.

Outstanding principal on revenue and refunding bonds for the various business units as of June 30, 2014, and future debt service requirements for these bonds are presented in the following tables:

COLUMBIA GENERATING REVENUE AND REFUNDING BONDS

(Dollars in thousands)

Series	Coupon Rate (%)	Serial or Term Maturities	Amount
2003A	5.50	7-1-2015	$ 81,090
2004A	5.25	7-1-17/2018	20,375
2004C	5.25	7-1-17/2018	5,510
2005A	5.00	7-1-15/2018	16,035
2005C	4.72-4.74	7-1-14/2015	29,235
2006A	5.00	7-1-20/2024	313,980
2006C	5.00	7-1-20/2024	9,095
2006D	5.80	7-1-2023	3,425
2007A	5.00	7-1-14/2018	66,295
2007B	5.33	7-1-20/2021	9,935
2007D	5.00	7-1-21/2024	35,080
2008A	5.00-5.25	7-1-14/2018	89,295
2008B	5.95	7-1-20/2021	12,025
2008C	5.00-5.25	7-1-21/2024	37,240
2009A	3.00-5.00	7-1-14/2018	113,570
2009B	4.59-6.8	7-1-23/2024	10,095
2009C	4.25-5.00	7-1-20/2024	69,170
2010B	3.75-4.25	7-1-20/2024	16,005
2010C	4.52-5.12	7-1-20/2024	75,770
2010D	5.61-5.71	7-1-23/2024	155,805
2011A	4.00-5.00	7-1-14/2023	301,325
2011B	4.19-5.19	7-1-19/2024	29,920
2011C	3.55	7-1-2019	4,600
2012A	5.00	7-1-18/2021	441,240
2012D	4.00-5.00	7-1-25/2044	34,140
2012E	1.06-4.14	7-1-15/2037	748,515
2014A	3.00-5.00	7-1-16/2040	517,720
2014B	0.315-4.052	7-1-15/2030	90,520
Revenue bonds payable			**$ 3,337,010**
Estimated fair value at June 30, 2014			**$ 3,708,117**

NUCLEAR PROJECT NO. 1 REFUNDING REVENUE BONDS

(Dollars in thousands)

Series	Coupon Rate (%)	Serial or Term Maturities	Amount
1989B	7.125	7-1-2016	$ 41,070
2003A	5.50	7-1-2014	128,650
2005A	5.00	7-1-14/2015	51,365
2006A	5.00	7-1-14/2017	83,965
2007A	5.00	7-1-14/2017	49,280
2007C	5.00	7-1-14/2017	174,955
2008A	5.00-5.25	7-1-14/2017	209,695
2008D	5.00	7-1-14/2017	21,985
2009A	3.25-5.00	7-1-14/2015	48,905
2009B	4.59	7-1-2014	515
2010A	3.00-5.00	7-1-14/2017	45,680
2012A	5.00	7-1-14/2017	126,555
2012B	5.00	7-1-2017	41,285
2012C	1.264	7-1-2015	24,100
Revenue bonds payable			**$ 1,048,005**
Estimated fair value at June 30, 2014			**$ 1,116,735**

NUCLEAR PROJECT NO. 3 REFUNDING REVENUE BONDS

(Dollars in thousands)

Series	Coupon Rate (%)	Serial or Term Maturities	Amount
1989A	(A)	7-1-2014	$ 1,357
1989B	7.25	7-1-2014	3,618
	7.125	7-1-2016	76,145
			79,763
1993C	5.70-5.75	7-1-14/2018	20,321
2004A	5.25	7-1-14/2016	57,300
2005A	5.00	7-1-14/2015	78,790
2006A	5.00	7-1-16/2018	39,445
2007A	4.50-5.00	7-1-14/2018	80,475
2007C	5.00	7-1-14/2018	46,880
2008A	5.25	7-1-2018	13,790
2008D	5.00	7-1-14/2017	28,535
2009A	5.00-5.25	7-1-14/2018	116,055
2009B	4.59	7-1-2014	970
2010A	5.00	7-1-16/2018	279,980
2010B	5.00	7-1-2016	29,865
2011A	4.00-5.00	7-1-2018	92,285
2012A	5.00	7-1-2018	67,885
2012B	3.00-5.00	7-1-16/2017	30,330
2012C	1.26-1.74	7-1-15/2016	61,635
2014A	2.00	7-1-2015	25,990
Compound interest bonds accretion			77,049
Revenue bonds payable			**$ 1,228,700**
Estimated fair value at June 30, 2014			**$ 1,349,792**

(A) Compound Interest Bonds

NINE CANYON WIND PROJECT REVENUE AND REFUNDING BONDS

(Dollars in thousands)

Series	Coupon Rate (%)	Serial or Term Maturities	Amount
2005	4.50-5.00	7-1-14/2023	3,620
2006	4.50-5.00	7-1-14/2030	66,385
2012	2.50-5.00	7-1-14/2023	12,810
2014	4.00-5.00	7-1-15/2023	36,570
Revenue bond payable			**$ 119,385**
Estimated fair value at June 30, 2014			**$ 130,276**
Total bonds payable			**$ 5,733,100**
Estimated fair value at June 30, 2014			**$ 6,304,920**

DEBT SERVICE REQUIREMENTS As of June 30, 2014 (Dollars in thousands)

COLUMBIA GENERATING STATION

FISCAL YEAR*	PRINCIPAL	INTEREST	TOTAL
6/30/2014 Balance:**	$ 32,205	$ 66,905	$ 99,110
2015	244,995	143,971	388,966
2016	78,645	132,729	211,374
2017	93,930	129,939	223,869
2018	423,885	125,921	549,806
2019	414,000	110,487	524,487
2020-2024	1,714,115	320,528	2,034,643
2025-2029	55,695	71,341	127,036
2030-2034	209,675	36,200	245,875
2035-2039	47,815	11,975	59,790
2040-2044	22,050	2,132	24,182
	$ 3,337,010	**$ 1,152,126**	**$ 4,489,136**

* Fiscal year for this report indicates the cash funding requirement year.
** Principal and Interest due July 1, 2014.

NUCLEAR PROJECT NO. 1

FISCAL YEAR*	PRINCIPAL	INTEREST	TOTAL
6/30/2014 Balance:**	$ 332,100	$ 26,201	$ 358,301
2015	191,430	35,443	226,873
2016	239,385	27,026	266,411
2017	285,090	14,118	299,208
	$ 1,048,005	**$ 102,788**	**$ 1,150,793**

* Fiscal year for this report indicates the cash funding requirement year.
** Principal and Interest due July 1, 2014.

NUCLEAR PROJECT NO. 3

FISCAL YEAR*	PRINCIPAL	INTEREST	TOTAL
6/30/2014 Balance:**	$ 124,704	$ 60,735	$ 185,439
2015	129,250	59,614	188,864
2016	247,499	56,838	304,337
2017	177,617	45,124	222,741
2018	472,581	32,625	505,206
Adjustment ***	77,049	(77,049)	-
	$ 1,228,700	**$ 177,887**	**$ 1,406,587**

* Fiscal year for this report indicates the cash funding requirement year.
** Principal and Interest due July 1, 2014.
*** Adjustment for Compound Interest Bonds accretion; Compound Interest Bonds are reflected at their face amount less discount on the balance sheet.

NINE CANYON WIND PROJECT

FISCAL YEAR*	PRINCIPAL	INTEREST	TOTAL
6/30/2014 Balance:**	$ 7,265	$ 2,408	$ 9,673
2015	7,130	5,398	12,528
2016	7,440	5,091	12,531
2017	7,805	4,730	12,535
2018	8,185	4,356	12,541
2019	8,605	3,947	12,552
2020-2024	43,155	12,942	56,097
2025-2029	24,260	4,691	28,951
2030	5,540	249	5,789
	$ 119,385	**$ 43,812**	**$ 163,197**

* Fiscal year for this report indicates the cash funding requirement year.
** Principal and Interest due July 1, 2014.

NOTE 6 - 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 13)

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 7 - Pension Plans

Substantially all Energy Northwest 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 retirement plans. 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 (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements No. 27, Accounting for Pensions by State and Local Government Employers and No. 50, Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27.

Any information obtained from the DRS is the responsibility of the state of Washington. PricewaterhouseCoopers LLP (PwC), independent auditors for Energy Northwest, has not audited or examined any of the information available from the DRS; accordingly, PwC does not express an opinion or any other form of assurance with respect thereto.

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49% of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2% of the average final compensation (AFC) per year of service, but the benefit may not exceed 60% of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3% annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2% of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3% annually.

PERS Plan 2 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 reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5% to 15% of salaries, based on member choice. Members who do not choose a contribution rate default to a 5% rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012 :

Retirees and Beneficiaries Receiving Benefits	82,282
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Non-vested	44,273
Total	263,347

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6% for state agencies and local government unit employees, and at 7.5 % for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5% to 15%.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

*** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.

*** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both Energy Northwest and the employees made the required contributions. Energy Northwest's required contributions for the years ending June 30 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2014	$ 75,202	$ 13,095,190	$ 5,919,781
2013	$ 106,514	$ 10,630,935	$ 5,075,823
2012	$ 124,071	$ 9,773,209	$ 4,710,819

NOTE 8 - **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 2014 Energy Northwest contributed $3.2 million in employer matching funds while employees contributed $10.8 million for FY 2014.

NOTE 9 - **Other Employment Benefits – Post-Employment**

In addition to the pension benefits available through PERS, Energy Northwest offers post-employment life insurance benefits to retirees who are eligible to receive pensions under PERS Plan 1, Plan 2, and Plan 3. There are 57 retirees who remain participants in the insurance program. In 1994, Energy Northwest's Executive Board approved provisions which continued the life insurance benefit to retirees at 25 percent of the premium for employees who retire prior to January 1, 1995, and charged the full 100 percent premium to employees who retired after December 31, 1994. The life insurance benefit is equal to the employee's annual rate of salary at retirement for non-bargaining employees retiring prior to January 1, 1995. The life insurance benefit has a maximum limit of $10,000 for retirees after December 31, 1994. The cost of coverage for retirees remained unchanged for FY 2014 and was $2.82 per $1,000 of coverage. Employees who retired prior to January 1, 1995, contribute $.58 cents per $1,000 of coverage while Energy Northwest pays the remainder; retirees after December 31, 1994, pay 100 percent of the cost coverage. Premiums are paid to the insurer on a current period basis. At the time each employee retired, Energy Northwest accrued an estimated liability for the actuarial value of the future premium. Energy Northwest revises the liability for the actuarial value of estimated future premiums, net of retiree contributions. The total liability recorded at June 30, 2014, was $0.5 million for these benefits.

During FY 2014, pension costs for Energy Northwest employees and post-employment life insurance benefit costs for retirees were calculated and allocated to each business unit based on direct labor dollars. This allocation basis resulted in the following percentages by business unit for FY 2014 for this and other allocated costs; Columbia at 94 percent; Business Development at 4 percent; and Project 1, Nine Canyon, Packwood and Project 3 receiving the residual amount of 2 percent.

NOTE 10 - **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, 2014.

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 $13.2 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 $375 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 $127.3 million not including state insurance premium tax. Assessments are limited to $18.96 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.

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.

NOTE 11 - **Asset Retirement Obligation (ARO)**

Energy Northwest adopted ASC 410 on July 1, 2002. This standard requires an entity to recognize the fair value of a liability of an ARO for legal obligations related to the dismantlement and restoration costs associated with the retirement of tangible long-lived assets, such as nuclear decommissioning and site restoration liabilities, in the period in which it is incurred. Upon initial recognition of the AROs that are measurable, the probability weighted future cash flows for the associated retirement costs are discounted using a credit-adjusted-risk-free rate, and are recognized as both a liability and as an increase in the capitalized carrying amount of the related long-lived assets. Capitalized asset retirement costs are depreciated over the life of the related asset with accretion of the ARO liability classified as an operating expense on the statement of revenues, expenses, and changes in net position each period. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss if the actual costs differ from the recorded amount. 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.

Energy Northwest has identified legal obligations to retire generating plant assets at the following business units: Columbia, Nuclear Project No. 1 and Nine Canyon. Decommissioning and site restoration requirements for Columbia and Nuclear Project No. 1 are governed by the NRC regulations and 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 and 13)

As of June 30, 2014, Columbia has a capital decommissioning net asset value of zero and an accumulated liability of $131.4 million for the generating plant, and for the ISFSI a net asset value of $1.1 million and an accumulated liability of $2.3 million. The adjustment to ISFSI was associated with new NRC (Nuclear Regulatory Commission) spent fuel decommissioning requirements.

Nuclear Project No. 1 in FY 2014 current year accretion of $.6 million and downward revision in future restoration estimates of $2.2 million resulted in the decrease to the ARO liability of $1.6 million. Nuclear Project No. 1 has a capital decommissioning net asset value of zero and an accumulated liability of $16.6 million.

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. As of June 30, 2014, Nine Canyon has a capital decommissioning net asset value of $0.5 million and an accumulated liability of $1.3 million.

Packwood's obligation has not been calculated because the time frame and extent of the obligation was considered under this statement as indeterminate. As a result, no reasonable estimate of the ARO obligation can be made. An ARO will be required to be recorded if circumstances change. Management believes that these assets will be used in utility operations for the foreseeable future.

The following table describes the changes to Energy Northwest's ARO liabilities for the year ended June 30, 2014 the balance is included in the accounts payable and accrued expense balances for each unit. ISFSI is included in Columbia's balance:

Asset Retirement Obligation (Dollars in millions)

Columbia Generating Station		
Balance At June 30, 2013	$	124.91
Current year accretion expense		6.53
ARO at June 30, 2014	$	**131.44**
ISFSI		
Balance At June 30, 2013	$	2.16
Current year accretion expense		0.10
ARO at June 30, 2014	$	**2.26**
Nuclear Project No. 1		
Balance At June 30, 2013	$	18.24
Current year accretion expense		0.58
Revision in future restoration estimates		(2.21)
ARO at June 30, 2014	$	**16.61**
Nine Canyon Wind Project		
Balance At June 30, 2013	$	1.29
Current year accretion expense		0.05
ARO at June 30, 2014	$	**1.34**

NOTE 12 - **Decommissioning and Site Restoration**

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 (See Note 11 for Columbia ARO). 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 in March 2013.

Energy Northwest's estimate of Columbia's decommissioning costs in FY 2013 dollars is $459.0 million (Columbia - $454.6 million and ISFSI - $4.4 million). This estimate, which is updated biannually with the last update in fiscal year 2013 is based on the NRC minimum amount required to demonstrate reasonable financial assurance for a boiling water reactor with the power level of Columbia.

Site restoration requirements for Columbia 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 for Columbia that was approved by the EFSEC on June 12, 1995. Energy Northwest's current estimate of Columbia's site restoration costs is $109.0 million in constant dollars (based on the 2013 study) and is updated biannually along with the decommissioning estimate. Both decommissioning and site restoration estimates (based on 2013 study) 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 decommissioning and site restoration funds as of June 30, 2014, totaled approximately $214.3 million and $35.9 million, respectively. Since September 1996, these 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 trustee is a domestic U.S. bank that certifies the funds for use when needed to retire the asset. The trust is 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.

Energy Northwest established a decommissioning and site restoration plan for the ISFSI in 1997. Beginning in FY 2003, an annual contribution is made to the Energy Northwest Decommissioning Fund. These contributions are held by Energy Northwest and not held in trust by BPA. The fair market value of cash and investments as of June 30, 2014, is $1.2 million. These contributions will occur through FY 2044; cash payments will begin for decommissioning and site restoration in FY 2045 with equal installments for five years totaling $10.6 million in constant dollars based on the study.

NOTE 13 - 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. A new plan with additional details was submitted in FY 2003. This submittal was used to calculate the ARO discussed in Note 11.

Business Development Fund Interest in Northwest Open Access Network

The Business Development Fund is a member of the Northwest Open Access Network (NoaNet). Members formed NoaNet pursuant to an Interlocal Cooperation Agreement for the development and efficient use by the members and others of a communication network in conjunction with BPA.

The Business Development Fund has a 7.38 percent interest in NoaNet with a potential mandate of an additional 25 percent step-up possible for a maximum 9.23 percent. NoaNet has $9.3 million in network revenue bonds and note payables outstanding, based on their December 30, 2013 audited financial statements. The $5.5 million of the network revenue bonds will be paid in full in December of 2016, and the $3.8 million in note payables will be paid in full in December 2017. The members are obligated to pay the principal and interest on the bonds when due in the event and to the extent that NoaNet's Gross Revenue (after payment of costs of Maintenance and Operation) is insufficient for this purpose. The maximum principal share (based on step-up potential) that the Business Development Fund could be required to pay is $.9 million. The Business Development Fund is not obligated to reimburse losses of NoaNet unless an assessment is made to NoaNet's members based on a two-thirds vote of the membership. In FY 2014 the Business Development Fund was not required to contribute to NoaNet. Financial statements for NoaNet may be obtained by writing to: Northwest Open Access Network, NoaNet Headquarters, 5802 Overlook Ave. NE, Tacoma, WA 98422. Any information obtained from NoaNet is the responsibility of NoaNet. PwC has not audited or examined any information available from NoaNet; accordingly, PwC does not express an opinion or any other form of assurance with respect thereto.

Other Litigation and Commitments

Energy Northwest v. SPX Heat Transfer Inc. (CV13-5151-RMP). Energy Northwest filed suit against SPX Heat Transfer Inc. (SPX) on December 24, 2013 seeking the recovery of damages relating to SPX's breach of contract. In February, 2009, SPX's predecessor in interest Yuba Heat Transfer LLC and Energy Northwest entered into a contract for the design, engineering, fabrication and delivery of the condenser modules and related components for Energy Northwest's Columbia Generating Station. In the lawsuit, Energy Northwest contends that SPX breached the contract (1) by failing to meet contract specifications for condenser backpressure and sub-cooling; (2) by failing to provide work that was free from defect in design and fabrication; and (3) by failing to meet the express warranties contained in the contract. No specific amount of damages has been demanded in the complaint.

SPX has responded to the lawsuit and has included a counterclaim for damages. In its counterclaim, SPX seeks the balance of the contract amount, which is $2,070,334 plus accumulated interest. Additionally, SPX seeks recovery of some or all of a portion of the incentive fee contained in the contract as determined by the formula in the contract with no specific amount demanded. Energy Northwest has denied that it owes SPX the contract balance or any amount of the performance incentive.

On July 22, 2014, Energy Northwest made an offer of settlement to SPX in accordance with RCW 39.04.240, RCW 4.84.260 and the Federal Rules of Civil Procedure, Rule 68. In the offer of settlement, Energy Northwest agreed to accept a judgment from SPX for all claims including but not limited to SPX's counterclaims, for $0.00. Should SPX decline this offer of settlement and Energy Northwest prevails at trial with a jury verdict greater than the offer of settlement, in addition to the jury verdict SPX would be obligated to pay Energy Northwest its legal costs and attorneys' fees from the date of the offer of settlement. The outcome of this matter cannot be predicted at this time.

Energy Northwest v. United States of America, (No. 11-447C), EN-SNF2. Energy Northwest filed a second action against the United States of America (the "Government") in the U.S. Court of Federal Claims in July 2011 for its continuing breach of contract for the Government's failure to dispose of spent nuclear fuel and high-level radioactive waste and the additional damages Energy Northwest incurred or will incur between September 1, 2006, and June 30, 2012. On March 11, 2014, the court awarded Energy Northwest summary judgment for costs incurred to continue to operate and maintain its dry storage program. This favorable decision ultimately led to the approval by the Executive Board of a settlement agreement with the Government in the amount of $23.6 million to dispose of the second action. This amount has been recorded within Non-Operating Revenues on the Statement of Revenues, Expenses, and Changes in Net Position. The settlement agreement also provides for a claims process to obtain payment for continuing damages between July 1, 2012, through December 31, 2016, which obviates the need for litigation to recover damages for this time period. The settlement agreement is expected to be fully executed by the parties by fall 2014. 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.

Energy Northwest is involved in other various claims, legal actions and contractual commitments and in certain claims and contracts arising in the normal course of business. Although some suits, claims and commitments are significant in amount, final disposition is not determinable. In the opinion of management, the outcome of such litigation, claims or commitments will not have a material adverse effect on the financial positions of the business units or Energy Northwest as a whole. The future annual cost of the business units, however, may either be increased or decreased as a result of the outcome of these matters.

NOTE 14 – **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 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 are anticipated to be $5 million or less. As of June 30, 2014, Energy Northwest had recorded $0.5 million in charges to the DOE for delivery of the DUF6 and storage 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 in fiscal year 2014.

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 $731 million. The sales under this agreement are scheduled to take place between 2015 and 2022.

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. For the year ended June 30, 2014, Energy Northwest incurred expense of $8.16 million in waste disposal fees, recorded in fuel disposal within Columbia's Statement of Revenues, Expenses, and Changes in Net Position. 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 $55.3 million. Fees for disposal of fuel in the reactor are expensed as part of the fuel cost.

The current period operating expense for Columbia includes an $8.2 million charge from DOE for future spent fuel storage and disposal in accordance with the Nuclear Waste Policy Act of 1982 and $47.0 million for amortization of fuel used in the reactor.

Energy Northwest has completed the Independent Spent Fuel Storage Installation (ISFSI) project, 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. Nine casks were issued from the cask inventory account in FY 2014 totaling $9.2 million. Spent fuel is transferred from the spent fuel pool to the ISFSI periodically to allow for future refueling. Current period costs were $2.3 million for dry cask storage costs which are recorded in nuclear fuel expense.

Designer: **Ben Stewart**
Editor: **Anna Markham**

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

ENERGY NORTHWEST • Wind Project Revenue Refunding Bonds, Series 2015

ENERGY NORTHWEST

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: ImageMaster, LLC
www.imagemaster.com