

STRATEGIC PLAN Fiscal Year 2010 - 2019

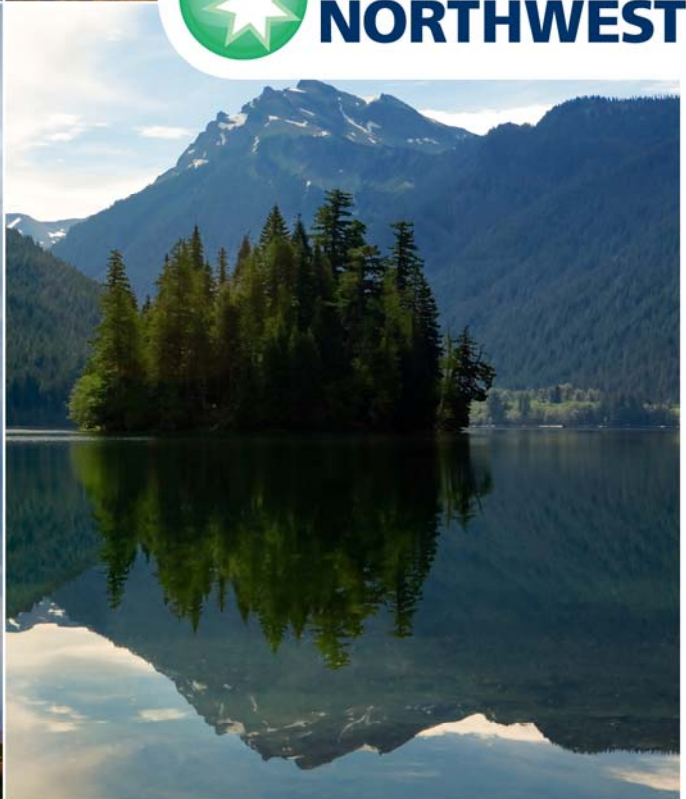
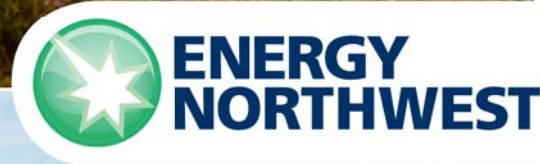


Table of Contents

CEO Message 2

Tiered Planning Structure 3

Introduction 4

Our Core Purpose and Core Values..... 5

Our Vision 6

Our Mission 7

Strategic Objectives 8

Strategic Focus and Enabling Milestones 10

Energy Northwest - Background, Members, Boards and Projects 11



Leadership for Changing Times

It was 1964. Washington's first public power Joint Operating Agency began making electricity at the Packwood Lake Hydroelectric Project. Nationally, activist and songwriter Bob Dylan was lamenting societal turmoil in America in his ballad "The Times They are a-Changin..."

Nearly 45 years later the great wisdom of building the Packwood project is evident and the only thing certain about the future of Northwest power issues is that once again, "the times they are a changin..."

The federal hydropower system –our regional economic calling card for decades – is now fully subscribed while demand for power continues to grow. Economic expansion and population growth will require new generation facilities to sustain our industries and quality of life.

Fortunately, Energy Northwest is strong and well positioned to respond to those changes. We are more prepared than ever to lead development of new power sources to serve the region throughout the 21st century.

This plan outlines our path to maintaining future supplies of reliable, affordable, environmentally responsible power for the region.

Our success in meeting the challenges of the future will be determined in two fundamental areas; new power generation projects and a professional workforce.

We must ensure our new generation power projects are robust, diverse and distributed. They need to be built to last well beyond 50 years, include a diverse mix of renewable fuels and technologies, and be located near transmission lines serving population centers needing the power.

It will be especially important to build full-time base-load power generation projects that can absorb and balance the output from wind and other intermittent renewable power sources.

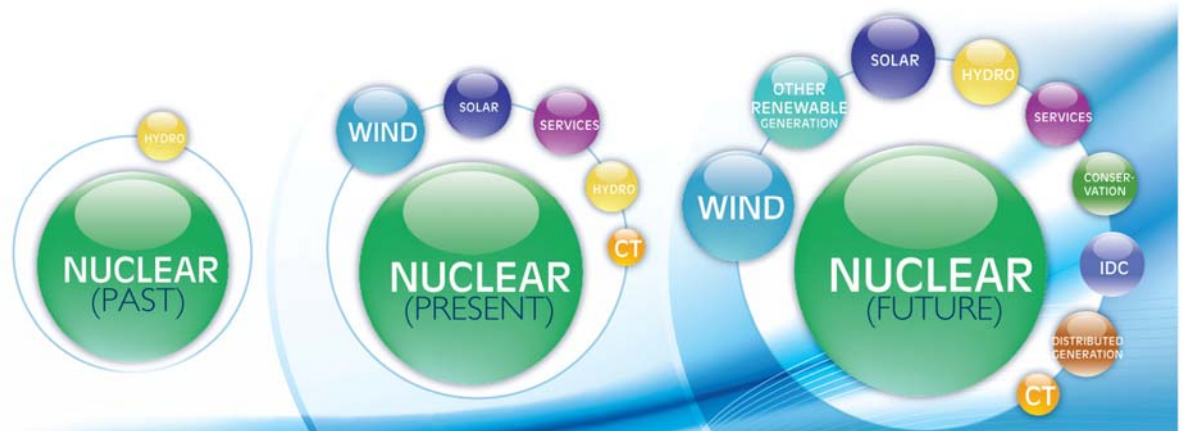
Perhaps more challenging than building the next generation of power facilities, will be finding and retaining the high quality professional workforce needed to operate our electricity generating projects.

Our ability to attract and retain talented, motivated people will require a professional workplace with competitive compensation and long-term career opportunities.

In the final analysis, power plants are little more than concrete, steel and copper. Our people are our real strength, our greatest asset. We must address the challenges of maintaining a first-rate workforce if we are to grow and continue meeting the power needs of Northwest ratepayers.

I ask every member of our Energy Northwest team to read this plan and understand how your daily activities help us achieve our overall objectives. In the process you should be able to see where you fit into the larger team and how you contribute to our collective success.

While this plan is forward looking, I thank you for your current individual and team efforts to help us build our reputation as "The region's premier source for public power energy solutions."



Tiered Planning Structure



Introduction

As depicted on the previous page, Energy Northwest uses a tiered planning structure.

The first tier includes **core purpose** and **core values**. The core purpose describes why Energy Northwest exists as an organization. Core values are the fundamental beliefs by which we, as an organization and as employees, live. All of our plans and work must be derived from, or be in accordance with, our core purpose and values.

The second tier consists of our **vision, mission, and strategic objectives**. The vision describes Energy Northwest five to 10 years in the future. Our mission describes what we do, how we do it, and for whom we do it. Strategic objectives refer to broad categories which are essential performance areas in order to achieve our vision. In addition this year, our Board of Directors and Executive Board developed a **strategic focus and enabling milestones** to address underlying issues or trends.

Key performance indicators, targets and actions/initiatives make up the third tier. Key performance indicators measure progress within an objective and targets are the performance goals. Business plan actions/initiatives describe the most important projects and programs being undertaken by Energy Northwest to achieve our vision. Business plan actions are detailed actions that support the vision and are specific to individual business units. Detailed business plan actions, key performance indicators and targets can be found in each Energy Northwest Project's business plan.

The fourth tier includes **individual performance expectations**. Expectations define the work each employee does that will allow us to meet our objectives through our business plan actions. At Energy Northwest, we recognize that high-level objectives are only achieved through the actions and superior performance of our employees.

Our Core Purpose

To make the lives of those we serve better tomorrow than they are today.

We meet our core purpose by providing energy solutions in a manner beneficial to the Northwest. To best serve the Northwest ratepayers, we strive to provide reliable power at least cost to the region, while protecting the environment and ensuring the safety of our employees and the public.

Our Core Values

- ✦ Teamwork
- ✦ Excellence
- ✦ Accountability
- ✦ Mutual respect and trust
- ✦ Safety

Achieved through open, honest communication

Core values are the beliefs that guide our daily activities and frame our behaviors. We believe that application of these values is essential to achieving our strategic objectives and our vision.

Our Vision

Energy Northwest:

The region's premier source for public power energy solutions.

Vivid Description of the Vision Statement

To be the region's premier source of energy solutions, we will do the following:

- ✦ Conduct our activities with the highest regard for nuclear, industrial, and environmental safety.
- ✦ Be a "Can do" organization.
- ✦ Listen to our members and become a champion for their causes.
- ✦ Continue to enhance the reputation and credibility of Energy Northwest through sustained excellence of our operating facilities.
- ✦ Create additional value for our members by seeking new and innovative ways to support them.
- ✦ Create a customer focused organization that results in the following:
 - ◆ Excited and expanded membership.
 - ◆ Broad public power participation in projects.
 - ◆ Opportunities for project ownership to public power.
 - ◆ Solutions through aggregation for the benefit of public power.
- ✦ Acquire and/or develop electricity generating and/or transmission facilities.
- ✦ Be an "Employer of Choice".
- ✦ Maximize the value of generating resources for the benefit of the entire Northwest.
- ✦ Bring value to our members through partnering with public and private entities.

Our Mission

Provide responsible and cost-effective energy solutions for the region's ratepayers.

First and foremost, our members and employees are our primary stakeholders. We serve the ratepayers of the Pacific Northwest through our members and project participants. To best serve the ratepayers, we strive to provide reliable power and other energy services to the region at the least cost, while protecting the environment and ensuring the safety of our employees and the public.

Strategic Objectives

Energy Northwest has identified five strategic objectives to provide broad direction to our employees and set the framework for developing supporting business plan actions. The following provides additional descriptive statements for each of the strategic objectives.

Safety and Wellness

- Instill and promote a strong nuclear safety culture – nuclear safety is our first priority.
- Create a work environment emphasizing safe work behaviors and individual accountability.
- Promote overall workforce health.
- Educate employees and families on personal safety and wellness.

Maximizing Value for Members, Participants, Customers and Employees

- Develop and enhance relationships with members, potential members and participants.
- Create additional value for members, participants, customers and employees.
- Maximize the value of our generating resources.

Performance Excellence

- Improve the safe, reliable, and cost-effective operation of all Energy Northwest operating facilities.
- Optimize employee performance through process improvements, diverse assignments, increased responsibilities and training.
- Improve productivity by leveraging Information Technology.
- Promote shared responsibility for communication.
- Promote a culture of continuous improvement.
- Prepare future public power workers and leaders.

Strategic Objectives (Cont'd)

Business Development

- Aggregate resources, services and loads for public power.
- Be a strong developer of “environmentally friendly” electric generating projects.
- Provide Energy/Business Services at competitive costs.
- Develop business lines that provide the proper balance between public purpose, reserves for future growth, and customer value.

Public Confidence, Trust & Stewardship

- Manage our assets using best business practices.
- Ensure our customers and the public know who we are and what we are doing through proactive strategic communications.
- Conduct all of our activities in a manner demonstrating environmental stewardship.
- Demonstrate stewardship to the region by providing reliable, at cost and environmentally responsible electric generation.

Strategic Focus and Enabling Milestones

Strategic focus and enabling milestones are new for this year's strategic plan. The Board of Directors, Executive Board and the Senior Staff developed the strategic focus and enabling milestones to effectively address important emerging and underlying issues facing Energy Northwest.

Specific strategic focus areas and enabling milestones for the FY10 strategic plan are as follows:

Strategic Focus: Create broad regional awareness of energy issues and build informed key audience support of Energy Northwest.

Enabling Milestones

- Staff develops a "Strategic Communications Plan" identifying audiences, tactics, timeline, messages and issues.

Senior Sponsor: Vic Parrish

Strategic Focus: Provide visionary leadership that matches our members diverse energy needs with cost effective solutions.

Enabling Milestones

- Develop a nuclear generating station resource option in the Northwest including strategic partnerships.

Senior Sponsor: Vic Parrish

- Develop a resource options list (for other than nuclear) with pros and cons
Note: Focus on application of commercial technology for large projects and pilot projects for technologies that are near commercialization.

Senior Sponsor: Jack Baker

- Acquire greater than 20 square miles of land for future carbonless generation

Senior Sponsor: Jack Baker

Energy Northwest

Background

In the early 1950s, many Public Utility District (PUD) commissioners envisioned a time when the federal hydroelectric resources would be inadequate to meet the growing needs of their customers. Since many of the PUDs were not large enough to build a generating facility of their own, they sought legislation that would allow them to pool their resources to build power plants. In 1953 the Washington State Legislature passed a Joint Operating Agency law that allowed PUDs and municipalities with electrical systems to form a single agency to build and operate generating facilities. In 1957, 17 PUDs availed themselves of the law to form the Washington Public Power Supply System. On June 2, 1999, the Washington Public Power Supply System was renamed Energy Northwest.

Membership

Energy Northwest membership has changed since its beginning. Currently, our membership includes 20 PUDs and four municipalities.

Asotin County PUD No. 1
Benton PUD
Chelan County PUD
City of Port Angeles
City of Richland
Clallam County PUD
Clark County PUD
Cowlitz County PUD
Ferry County PUD
Franklin County PUD
Grant County PUD
Grays Harbor County PUD

Kittitas County PUD
Klickitat County PUD
Mason County PUD No. 1
Mason County PUD No. 3
Okanogan County PUD
Pacific County PUD No. 2
Seattle City Light
Skamania County PUD
Snohomish County PUD
Tacoma Public Utilities
Wahkiakum County PUD
Whatcom County PUD

Boards

An 11 member Executive Board is Energy Northwest's policy-making body. The Chief Executive Officer executes the programs and policies approved by the Executive Board. A Board of Directors, composed of one representative from each Energy Northwest member utility, has authority to initiate, terminate, or decommission projects and elects five of its members and three outside individuals to serve on the Executive Board. The Participant's Review Board (PRB) is comprised of nine members elected from the participants of Columbia Generating Station. They review the budget, the fuel plan, and the major purchases. Additionally, every other Energy Northwest project has its own Participants Board to oversee project operations.

Energy Northwest Projects

The Packwood Lake Hydroelectric Project was Energy Northwest's first generating project. It began commercial operation in 1964 and is still in operation today, generating a maximum 27.5 megawatts of electricity. As of July 1, 2008, the Packwood Station has generated 4.1 billion kilowatt-hours gross of electricity.

Columbia Generating Station is an operating nuclear power plant, which began commercial operation in 1984. Columbia Generating Station's nameplate capacity is 1,199 megawatts gross (1,150 MW net), and as of July 1, 2008, the station has generated 169.5 billion kilowatt-hours of electricity since commercial operation began.

The Project 1 and 4 sites are being restored and evaluated for future use.

The Business Development Fund was created in 1997 to promote new business opportunities in the energy field. Energy Northwest has ongoing development efforts in the areas of generation, professional services, general services, and facilities management.

The White Bluffs Solar Project began commercial operation in May 2002 with a maximum generating capacity of 38.7 kilowatts. As of July 1, 2008, White Bluffs has generated 274 thousand kilowatt-hours gross of renewable electricity.

The Nine Canyon Wind Project began commercial operation in September 2002 with a generating capacity of 48.1 megawatts. A 15.6 megawatt addition to the project reached commercial operation in December 2003. A third phase of 32.2 megawatts has been added. As of July 1, 2008, the Nine Canyon Wind Project is one of the largest publicly owned wind projects in the United States and has generated over 915 million kilowatt-hours of renewable electricity.