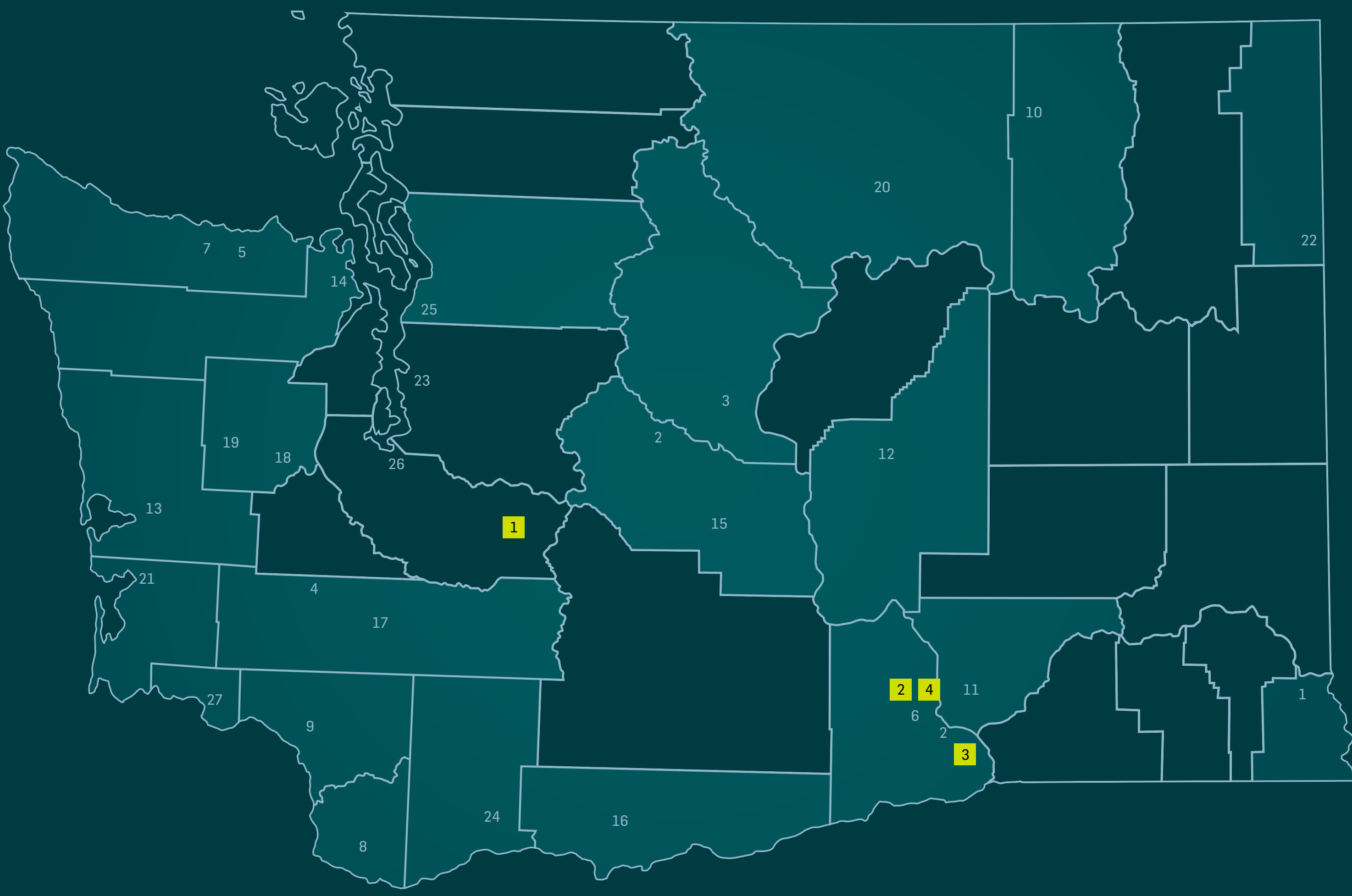
sustaining EXCELLENCE & delivering INNOVATION AND VALUE

ENERGY NORTHWEST



OUR *members* & *projects*

1 Asotin County Public Utility District
2 Benton PUD
3 Chelan County PUD
4 Centralia City Light
5 City of Port Angeles
6 City of Richland Energy Services
7 Clallam County PUD
8 Clark Public Utilities
9 Cowlitz County PUD 1
10 Ferry County PUD
11 Franklin County PUD
12 Grant County PUD 2
13 Grays Harbor County PUD 1
14 Jefferson County PUD
15 Kittitas County PUD
16 Klickitat County PUD
17 Lewis County PUD
18 Mason County PUD 1
19 Mason County PUD 3
20 Okanogan County PUD
21 Pacific County PUD 2
22 Pend Oreille County PUD
23 Seattle City Light
24 Skamania County PUD
25 Snohomish County PUD
26 Tacoma Public Utilities
27 Wahkiakum County PUD

1 Packwood Lake Hydroelectric Project
2 Columbia Generating Station
3 Nine Canyon Wind Project
4 White Bluffs Solar Station

contents

A *Message* TO OUR STAKEHOLDERS

We are proud to share Energy Northwest's accomplishments through our annual report. The agency continues to deliver carbon-free electricity to the Pacific Northwest.

We attribute the success of Energy Northwest to our dedicated team of nearly 1,100 professionals. Their focus on performance excellence ensured our energy generation projects and equipment continued to operate reliably and predictably throughout the fiscal year.

During December 2014, the agency celebrated the 30th anniversary of commercial operation for Columbia Generating Station, the region's only nuclear energy facility and the state's third largest generating resource (behind Grand Coulee and Chief Joseph dams). With today's social focus on improving our global air quality, Columbia's carbon-free baseload generation is more vital than ever to the interests of regional ratepayers; the power plant annually prevents about 4.4 million metric tons of carbon dioxide from entering the atmosphere (3.6 million if natural gas is used as the sole source option).

Performance

On the morning of May 9, Columbia set a new record for its longest continuous operational run – 683 days – when operators shut down the reactor for start of the station's biennial refueling and maintenance outage. Columbia achieved what's known as a "breaker to breaker" run, meaning the plant operated non-stop since reconnecting to the grid June 25, 2013, following its previous refueling outage.

During its 683-day run, Columbia produced nearly 18 million megawatt-hours of electricity and operated at more than 98 percent capacity. Columbia also broke its third consecutive calendar year generation record, sending nearly 9.5 million megawatt-hours of clean nuclear energy to the Northwest power grid.

In May, we began a 50-day refueling and maintenance outage at Columbia that included installation of key modifications to further strengthen plant safety and gain greater efficiencies. Completion of these projects raised Columbia's capacity by approximately 28 megawatts-electric. That equates to more than 200,000 megawatt-hours of additional generation per year. Employees completed all of the work during the outage safely, without a single Occupational Safety and Health Administration recordable or lost-time accident.

Looking at our non-nuclear initiatives, in fiscal 2015, Nine Canyon Wind

COLUMBIA SENT MORE THAN **8.1 MILLION** MEGAWATT-HOURS OF ELECTRICITY TO THE GRID IN FY15.

Project set a new availability record – 99.2 percent. We recognized our team of wind technicians for this historical achievement and their implementation of innovative preventative maintenance to minimize turbine unavailability.

On Feb. 9, 2015, we launched a demand response pilot project in partnership with the City of Richland, Cowlitz County Public Utility District, Pend Oreille County PUD and the Bonneville Power Administration. Demand-side resources have the potential to defer or displace the need for new generation in the region and make the most efficient use of existing generation – resulting in overall cost savings for Northwest ratepayers.

We're also proud to have partnered with Benton PUD, Clark Public Utilities, Inland Power and Light Company, Mason County PUD 3 and Seattle City Light on a community solar guide for utilities interested in creating a solar program for their customers.

Small Modular Reactors

Energy Northwest, as part of a teaming agreement with NuScale Power and the Utah Associated Municipal Power Systems, is moving forward with work on the Carbon Free Power Project, a small modular reactor facility planned for construction in southeastern Idaho within the next 10 years. We are supporting early siting work and the startup of licensing and training programs.

We believe small modular reactors will eventually play a role in future power generation here in Washington state and the Northwest.

IN FISCAL YEAR 2015, NINE CANYON WIND PROJECT SET A NEW AVAILABILITY RECORD.

Safety

Our agency emphasizes safety in everyday work activities. During fiscal 2015, Energy Northwest received the first place Northwest Public Power Association safety award for our strong industrial safety performance. We continue to strengthen our safety performance, while continuously reaching for the highest levels of excellence.

Sustainability

This year we integrated sustainability reporting into our annual report. Building and maintaining trust with key stakeholders is important to all Energy Northwest employees.

*We believe **sustainability reporting** is another way to build awareness of Energy Northwest's overall positive impact on our environment, including social and economic aspects.*

Our employees continue to volunteer their time and talents to support those in need in our communities through March of Dimes, Benton Franklin Head Start and United Way.

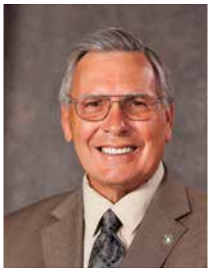
As a team, we're moving forward on all of our initiatives to reach our vision as the region's leader in power generation and energy solutions. Our sustained excellence in performance and focus on innovation provide public power members and regional ratepayers with safe, reliable, cost-effective, responsible power generation and energy solutions.

Respectfully,

Sid Morrison	**Mark Reddemann**
Chair, Executive Board	Chief Executive Officer

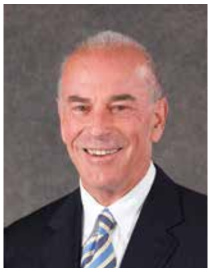
STRATEGIC, INTRUSIVE, ACCOUNTABLE LEADERSHIP

SID **MORRISON**
Chair
Outside Director
Zillah, Wash.



JACK **JANDA**
Vice Chair
Inside Director
Shelton, Wash.

LORI **SANDERS**
Secretary
Inside Director
Kennewick, Wash.



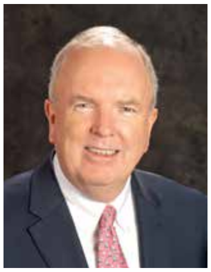
DAVE **REMINGTON**
Assistant Secretary
Gubernatorial Appointee
Spokane, Wash.

MARC **DAUDON**
Gubernatorial Appointee
Seattle, Wash.

LINDA **GOTT**
Inside Director
Shelton, Wash.

JAMES **MOSS**
Gubernatorial Appointee
Edgewood, Wash.

WILL **PURSER**
Inside Director
Sequim, Wash.



SKIP **ORSER**
Outside Director
Raleigh, N.C.

TIM **SHELDON**
Outside Director
Potlatch, Wash.

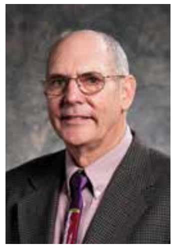
KATHY **VAUGHN**
Inside Director
Lynnwood, Wash.

Executive BOARD

The Energy Northwest Executive Board sets policies that govern the operations of the agency. It is made up of 11 members: five elected from the board of directors, three outside members appointed by the board of directors and three outside members appointed by Washington's governor.

TERRY BREWER
President
Commissioner,
Grant County PUD 2

BARNEY BURKE
Vice President
Commissioner,
Jefferson County PUD



BILL GORDON
Secretary
Commissioner,
Franklin County PUD

ARIE CALLAGHAN
Assistant Secretary
Commissioner,
Grays Harbor County PUD 1

DOUG AUBERTIN
Commissioner,
Ferry County PUD

CARNAN BERGREN
Commissioner,
Chelan County PUD

BILL GAINES
Director of Utilities,
Tacoma Public Utilities

LINDA GOTT
Commissioner,
Mason County PUD 3

LIZ GREEN
Commissioner,
Skamania County PUD

DAN GUNKEL
Commissioner,
Klickitat County PUD

BOB HAMMOND
Energy Services Director,
City of Richland

STEVE HOUSTON
Commissioner,
Okanogan County PUD

JACK JANDA
Commissioner,
Mason County PUD 1

MIKE JONES
Power Supply and
Environmental Affairs Officer,
Seattle City Light

ROBERT JUNGERS
Commissioner,
Wahkiakum County PUD

CURT KNAPP
Commissioner,
Pend Oreille County PUD

PHIL LUSK
Power Resources Manager,
City of Port Angeles

JIM MALINOWSKI
Commissioner,
Clark Public Utilities

M.L. NORTON
General Manager,
City of Centralia

NED PIPER
Commissioner,
Cowlitz County PUD

WILL PURSER
Commissioner,
Clallam County PUD

JUDY RIDGE
Commissioner,
Asotin County PUD

SHAN ROWBOTHAM
Commissioner,
Kittitas County PUD

LORI SANDERS
Commissioner,
Benton PUD

CHUCK TENPAS
Commissioner,
Lewis County PUD

DIANA THOMPSON
Commissioner,
Pacific County PUD 2

KATHY VAUGHN
Commissioner,
Snohomish County PUD

Board OF DIRECTORS

The Energy Northwest Board of Directors is comprised of representatives from each of its Washington state member utilities. The board of directors has final authority on any decision to purchase, acquire, construct, terminate or decommission any plants and facilities of Energy Northwest. Board members represent utilities with strong histories of serving the public power needs of Washington ratepayers. Their experience helps guide the agency as a continuing and effective source of powerful energy solutions.

SENIOR *Leadership*

The senior leadership team manages day-to-day operations, executes programs and projects, establishes long-term strategies in direct support of the Energy Northwest vision, and provides essential hands-on leadership to foster continual improvement and strengthen organizational core values in the workforce.

MARK **REDDEMANN**
Chief Executive Officer

BRAD **SAWATZKE**
Chief Operating Officer
& Chief Nuclear Officer

BRENT **RIDGE**
Vice President for Corporate Services;
Chief Financial & Risk Officer

GROVER **HETTEL**
Vice President for Operations

ALEX **JAVORIK**
Vice President for Engineering

BOB **DUTTON**
General Counsel
& Chief Ethics Officer

JIM **GASTON**
General Manager for Energy Services
& Development

Sustainability REPORTING

Sustainability reporting has evolved during the past decade and focuses on reporting to stakeholders the impact the organization has on environmental, social and economic factors as a result of its everyday activities.

Environmental

The environmental dimension of sustainability concerns the organization's impact on living and non-living natural systems, including land, air, water and ecosystems.

Social

The social dimension of sustainability concerns the impacts the organization has on the social systems it operates within.

Economic

The economic dimension of sustainability concerns the organization's impacts on the economic conditions of its stakeholders and on economic systems at local, national and global levels. It does not focus on the financial condition of the organization.

Environmental Stewardship

Environmental Stewardship is the cornerstone of the Energy Northwest Environmental Management System and all employees consider the environment in the conduct of daily work activities. Commitment to regulatory compliance and pollution prevention are key to continuation of Energy Northwest's EMS registration to the International Organization for Standardization 14001:2004. Each year Energy Northwest is subject to third-party oversight by NSF International Strategic Registrations, an accredited registrar, which ensures conformance with the rigorous requirements of the standard. Following a successful external, independent maintenance audit, Energy Northwest maintained its EMS certification to the ISO 14001 Standard.

During fiscal year 2015, Energy Northwest achieved its environmental goals to reduce waste generation and increase community outreach and electrical efficiency. Energy Northwest reduced hazardous waste generation by more than 10 percent from fiscal 2014. Columbia Generating Station reduced mixed waste generation by more than 20 percent from 2013 (a refueling and maintenance outage year).

Energy Northwest's solid waste recycling efforts bested fiscal year 2014 by more than 10 percent and the agency achieved more than 100 megawatt-hours of electrical efficiency gain.

Additionally, Energy Northwest surpassed its goal of recycling 1,500 pounds of surplus refrigerants stored at Columbia.

Energy Northwest recycled approximately 29 million pounds of metals, in association with site restoration activities at the Industrial Development Complex.

For fiscal 2016, Energy Northwest has again established aggressive

EARTH DAY 2015:
A COMMUNITY CLEAN-UP PROJECT ALONG THE YAKIMA RIVER.

environmental targets to reduce waste generation of all waste types, including hazardous, mixed and solid wastes, and increase energy efficiency gains.

Energy Northwest installed and began operating at Columbia its Liquid Effluent Evaporation Facility, a lined pond which eliminates a significant volume of wastewater discharges to the ground.

We empower our team to make an environmental impact at work and in our communities.

Energy Northwest volunteers teamed with AREVA to celebrate Earth Day by holding a community clean-up project along the Yakima River.

Economic Value

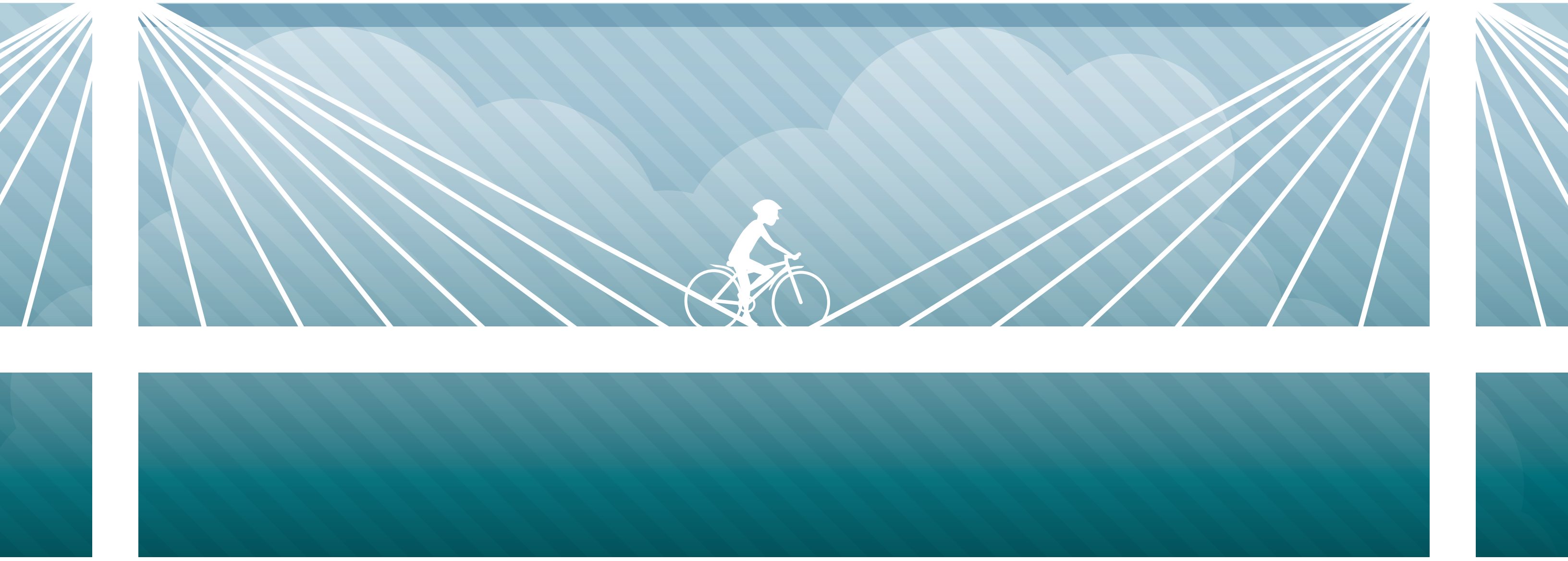
In addition to generating massive amounts of power, Energy Northwest generates a huge cash flow for the economy.

During fiscal year 2015, Energy Northwest added to its 1,100 workforce 1,500 temporary workers from the local area and across the country in support of Columbia Generating Station's refueling and maintenance outage.

The agency also paid $4.9 million in privilege taxes to the state of Washington – setting a record for the largest tax sum ever paid by the public power agency. The annual tax is levied on public power electricity producers for the privilege of generating electricity in the state and is directly tied to the amount of electricity generated. The 2014 generation record by Columbia Generating Station of nearly 9.5 million megawatt-hours significantly contributed to fiscal 2015's record-breaking privilege tax payment by Energy Northwest.

Since 2001, Energy Northwest and the Bonneville Power Administration have worked together to refinance certain maturities of Net Billed Bonds. These refinancings are currently known as "Regional Cooperation Debt." In 2014 and 2015, Energy Northwest issued approximately $461 million of bonds to refinance outstanding Net Billed Bonds that matured in 2014 and 2015. These refinancings made available to BPA additional funds enabling BPA to advance the repayment of $550 million of BPA's repayment obligations to the Department of the Treasury. BPA estimates that the interest expense savings to the region associated with the refinancings are approximately $144 million through fiscal year 2023.

INTEREST EXPENSE SAVINGS TO THE REGION ASSOCIATED WITH BOND REFINANCINGS ARE APPROXIMATELY **$144 MILLION** THROUGH FISCAL YEAR 2023.



Community Service

As a major Washington state employer and member of the local Tri-Cities business community for nearly 60 years, Energy Northwest strongly believes in supporting the communities and associated non-profit agencies where its employees work and live.

From the CEO to the newest employee, Energy Northwest cares through direct, hands-on involvement. During fiscal year 2015, Energy Northwest employees contributed more than $100,000 in direct fundraising and countless hours to the community. The agency officially supports three major charities: Benton and Franklin Head Start, March of Dimes and United Way.

Benton and Franklin Head Start

Since 1980 Energy Northwest employees have helped bring holiday season cheer to more than 11,000 children in low-income families in local communities. Each year, Energy Northwest employees commit to adopting every child in the Benton and Franklin Head Start program.

March of Dimes

Team Energy Northwest raised more than $34,000 during 2015 for the March of Dimes, exceeding its goal and demonstrating the philanthropy and generosity of its employees. Approximately 40 employees, along with their friends and family, participated in a 3.1 mile walk during the annual Tri-Cities March for Babies event to support neonatal birth centers and local families in need.

United Way

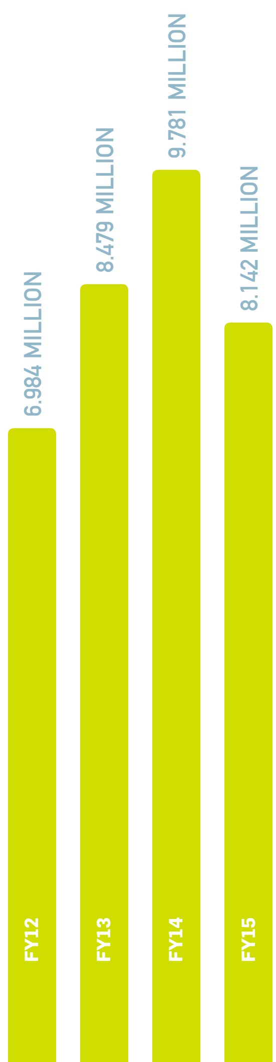
During 2015, employees contributed more than $75,000 to the United Way of Benton and Franklin Counties. The employees' contributions help provide hot meals to elderly neighbors, fund youth developmental programs, provide disaster relief planning for local communities and build self-esteem in at-risk youth.

DURING FISCAL 2015 EMPLOYEES SPONSORED NEARLY **450 CHILDREN** IN THE HEAD START PROGRAM.

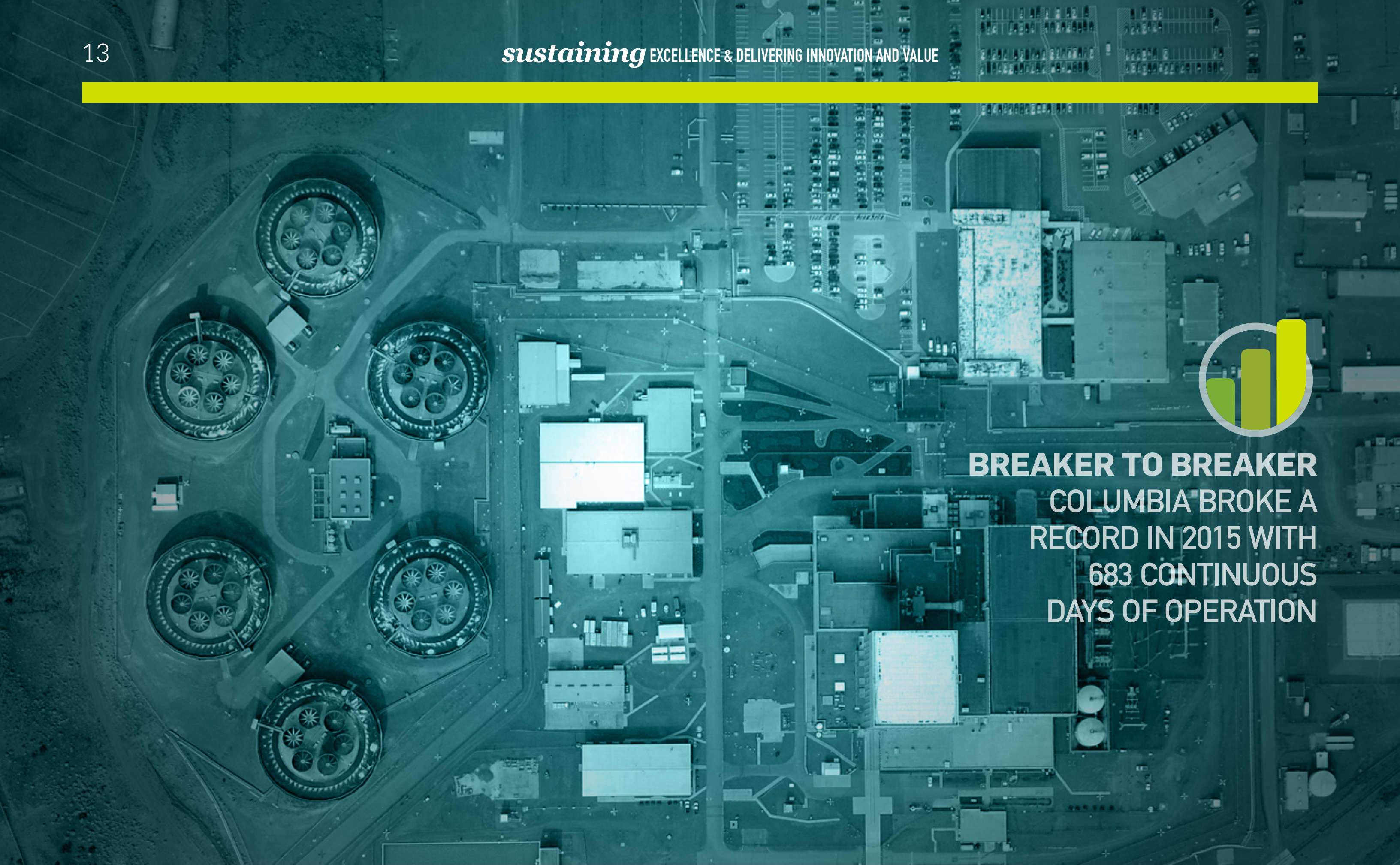
Columbia GENERATING STATION

The last of three new main transformers arrived at the end of March for installation during the refueling and maintenance outage. Each unit weighs 350,000 pounds. (See page 14 for information).

*Columbia Generating Station is the Northwest's only commercial nuclear energy facility, generating **1,190 megawatts of electricity,** which is sold at-cost to the Bonneville Power Administration. Ninety-two Northwest utilities receive a percentage of its output. Columbia is the third largest electricity generator in Washington state.*



Columbia
Net Generation - MWh



BREAKER TO BREAKER

COLUMBIA BROKE A RECORD IN 2015 WITH 683 CONTINUOUS DAYS OF OPERATION

In December, Columbia Generating Station marked its 30th year of commercial operation. During that time, Columbia provided more than 214 million megawatt-hours to the power grid. A boiling water reactor, Columbia saw its first fuel loaded into the reactor core Dec. 25, 1983. After a period to test systems and components, Columbia began commercial operation, sending its first power to the Northwest grid Dec. 13, 1984.

Columbia also set its third consecutive calendar year generation record. The plant sent nearly 9.5 million megawatt-hours of electricity to the grid, beating the previous calendar year generation record set in 2012 (9.3 million MWhrs), which followed a generation record for a refueling outage year in 2013 (8.4 million MWhrs).

Columbia achieved another record, in May this time, for its longest continuous operational run – 683 days – set on the day operators shut down the reactor for start of the station's biennial refueling and maintenance outage (see next page). The record also included an industry rarity – a "breaker to breaker" run, meaning the plant operated non-stop since reconnecting to the grid June 25, 2013, following its previous refueling outage. Columbia's previous online record – 505 days – was set in April 2011.

COLUMBIA SET ITS THIRD CALENDAR YEAR GENERATION RECORD IN A ROW, PRODUCING MORE ENERGY DURING 2014 THAN ANY OTHER YEAR IN ITS HISTORY.

Refueling & MAINTENANCE OUTAGE 22

Columbia Generating Station began a 50-day refueling and maintenance outage May 9 that included several major projects and the loading of 248 new, higher-efficiency nuclear fuel assemblies into the reactor core. The agency temporarily hired an additional 1,500 skilled outage workers locally and from across the country to support maintenance projects throughout the plant.

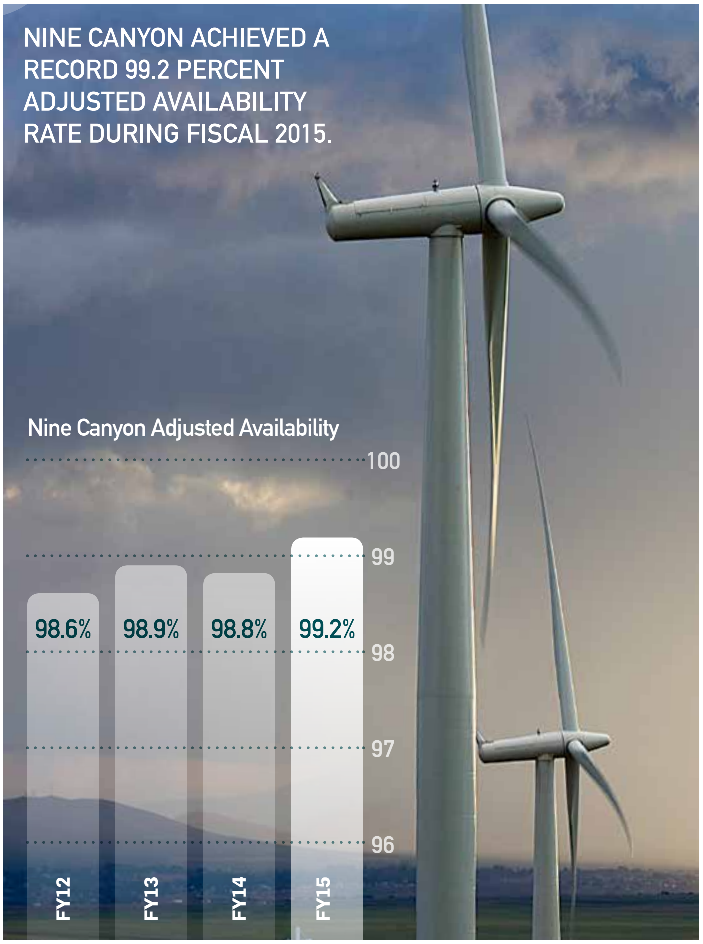
Major projects included:

- The feedwater flowmeter project which installed more accurate ultrasonic instruments to increase the accuracy of water flow measurement through the reactor core, allowing increased feedwater flow and subsequent higher megawatt output. The project resulted in an increase of Columbia's output capacity by 21 megawatts.

- Installation of a new power range neutron monitoring system, replacing analog circuit controls with more reliable and redundant digital circuit controls. Installation of the new PRNM hardware allows for implementation of improvements in analytical methods. The benefits of this project to Columbia are significant, including efficient use of nuclear fuel, an increase in overall efficiency of reactor operations and increased equipment reliability.

- Columbia installed three new 175-ton main power transformers. The former transformers were original plant equipment and approaching their end-of-service life. The new transformers increased overall plant reliability and will serve Columbia through its current operating life, scheduled for the end of 2043.

IN ALL, OUR WORKERS SAFELY COMPLETED MORE THAN 2,150 WORK ORDERS INVOLVING MORE THAN 13,000 TASKS, ALL DONE WITH **ZERO RECORDABLE INJURIES** – ANOTHER STATION RECORD.

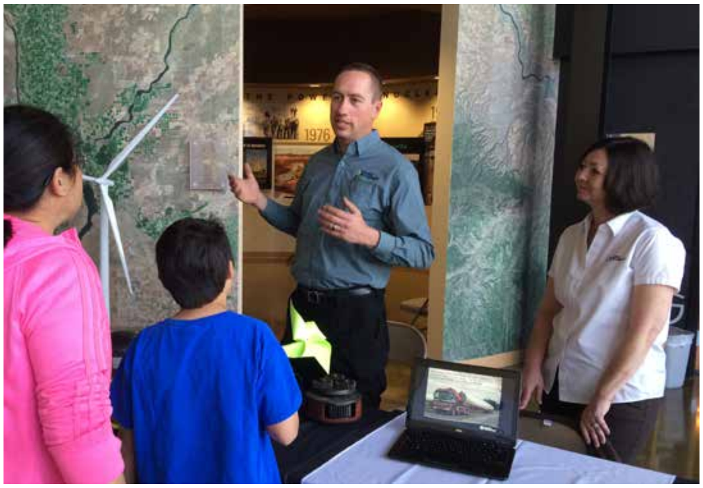


ENERGY SERVICES & *Development*

Nine Canyon Wind Project

Nine Canyon Wind Project, located on the hilltops southeast of Kennewick, Wash., is one of the largest public-owned wind projects in the nation with 63 wind turbines—14 rated at 2.3 megawatts and 49 rated at 1.3 megawatts.

Each turbine has its own miniature weather station that monitors wind direction and speed. Motors rotate the turbines into the wind and sophisticated control systems ensure the blades turn at the optimal speed to maximize power generation. The turbines are self-starting and begin generating electricity when wind speed reaches eight miles per hour, with full power achieved at about 35 mph. If winds exceed 55 mph on a sustained basis, the turbines shut down automatically and restart when the winds fall below 45 mph.



Nine Canyon's public outreach program promoting renewable energy reached more than 300 members of the community during fiscal year 2015.

In concert with BPA, Energy Northwest successfully launched the demand response pilot project Feb. 9, 2015.

Demand-side resources have the potential to defer or displace the need for new generation, making the best use of existing generation and resulting in ***regional cost savings.***

Packwood Lake Hydroelectric Project

The 27.5-megawatt Packwood Lake Hydroelectric Project is located in the Gifford Pinchot National Forest in Lewis County, Wash., approximately 20 miles south of Mt. Rainier. The facility began commercial operation in 1964 as Energy Northwest's first electric power generation project.

Hydro is a carbon-free resource, and fish screens protect migrating fish populations. Water levels in Packwood Lake and Lake Creek are closely monitored to preclude other environmental impacts.

White Bluffs Solar Station

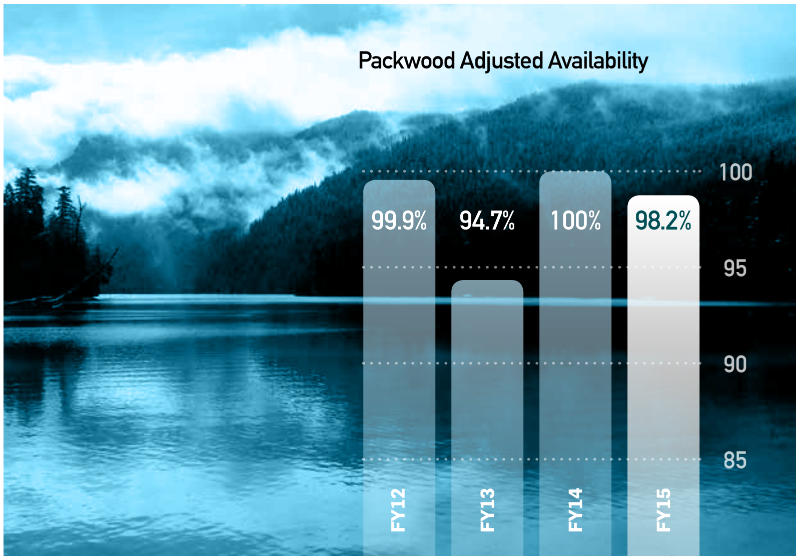
White Bluffs Solar Station, a 242-panel demonstration facility, is located at the agency's Industrial Development Complex near Columbia Generating Station in Richland, Wash.

The collaborative project is funded by Energy Northwest, the Bonneville Power Administration, the Bonneville Environmental Foundation and the Department of Energy.

Generation & Project Development

During fiscal year 2015, Energy Northwest activated its Demand Response Aggregated Control System and successfully launched a demand response pilot project. DRACS is a communication and control infrastructure used for demand-side management of power loads. A pilot project with BPA is currently under way with a demand response resource up to 35 megawatts of reliable, fast-reaction demand response capacity.

Energy Northwest also launched a new, member-driven community solar initiative during the year. This aggregated public power effort may result in multiple community solar installations throughout Washington state.

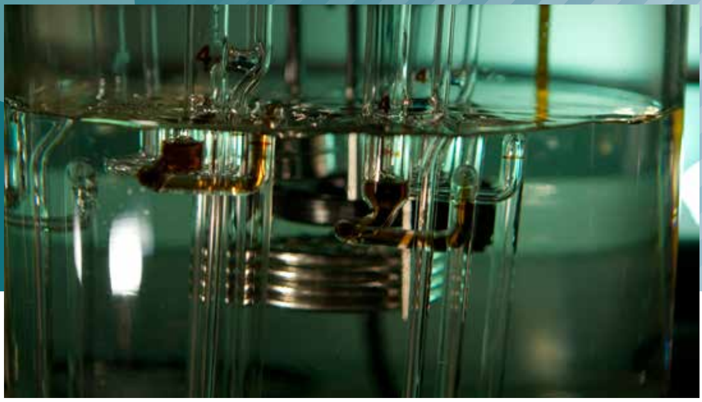


Operations & Maintenance

Operations & Maintenance Services renewed a contract with the city of Burbank, Calif. to operate and maintain the Tieton Hydroelectric Project at Rimrock Lake in the Cascades.

Energy Northwest also continues to provide operations and maintenance services to the natural gas-fired Olympic View Generating Station, owned by Mason County Public Utility District 3.

TIETON HYDROELECTRIC PROJECT



Applied Process Engineering Laboratory

Energy Northwest manages the Applied Process Engineering Laboratory as a lease facility for laboratory-based research and development within a controlled operating environment. Approximately 90 percent of the leasable space was occupied during fiscal 2015, with 10 percent remaining available for business start-ups or as specialized testing labs for emerging technologies.

Calibration Services Laboratory

The Energy Northwest Standards Laboratory, located adjacent to Columbia, is a multi-faceted applied physics laboratory performing calibrations in virtually every aspect of metrology, including torque, force, pressure, vacuum, mass, dimensional, electrical, electronic, temperature, humidity, flow, vibration, light and sound.

ENSL is accredited to International Standard ANSI/ISO/IEC 17025 by the American Association for Laboratory Accreditation. The laboratory achieved re-accreditation during fiscal 2015, through January 2017.

Major laboratory clientele include Columbia, Bechtel, Washington Closure Hanford, Washington River Protection Solutions, CH2M Hill, Pacific Northwest National Laboratory, AREVA, Columbia Energy & Environmental, High-Line Engineering, Intermech, Energy Solutions and Mid-Columbia Engineering.

The Energy Northwest laboratory is also involved with educational outreach in the Tri-Cities through participation in the annual Science Technology Engineering and Math Conference and World Metrology Day. Participation includes hands-on classroom instruction and hosting students at ENSL facilities for work-based learning experiences.

Environmental and Analytical Services Laboratory

Energy Northwest's Environmental and Analytical Services Laboratory provides chemical analysis and environmental monitoring expertise for utility, municipal and residential customers. The laboratory continues to maintain accreditation for wastewater, drinking water, radiochemical analyses and licensure as a clinical laboratory for drug screenings.

Services provided to Columbia and outside clients include metals quantification, general chemistry, microbiological testing, radiological monitoring, lubricant condition monitoring, material verification, commercial-grade dedication of materials, and aquatic and terrestrial monitoring.

Laboratory staff is active in the community, providing classroom education to Delta High School students, serving as judges for local science and technology competitions, and participating in the annual Science Technology Engineering and Math Conference. Staff also provides instruction to Delta students on analytical chemistry, laboratory testing methods, careers in environmental science and the importance of clean energy.

Industrial Development Complex

The Industrial Development Complex is located just east of Columbia and operated by Energy Northwest. A leasing business line successfully leverages available outlying buildings by renting office and warehouse space.

Laboratory staff is involved with educational outreach in the Tri-Cities, including presentations to students, serving as judges for local science and technology competitions, and participating in the annual Science Technology Engineering and Math Conference.

Financial
Data & Information

MANAGEMENT REPORT ON RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

Energy Northwest maintains an ongoing internal auditing program that provides for independent assessment of the effectiveness of internal controls, and for recommendations of possible improvements thereto. In addition, PricewaterhouseCoopers LLP has considered the internal control structure in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements. Management has considered recommendations made by the internal auditor and PricewaterhouseCoopers LLP concerning the control procedures and has taken appropriate action to respond to the recommendations. Management believes that, as of June 30, 2015, internal control procedures are adequate.

M.E. Reddemann
Chief Executive Officer

B. Ridge
Vice President for Corporate Services; Chief Financial and Risk Officer

AUDIT, LEGAL AND FINANCE COMMITTEE CHAIR'S LETTER

The executive board's Audit, Legal and Finance Committee (committee) is composed of 11 independent directors. Members of the committee are Chair Kathy Vaughn, Marc Daudon, Jack Janda, Jim Moss, Skip Orser, Will Purser, Dave Remington, Lori Sanders, Tim Sheldon, Linda Gott and Sid Morrison, ex-officio. The committee held 9 meetings during the fiscal year ended June 30, 2015.

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

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

Kathleen R. Vaughn
Chair,
Audit, Legal and Finance Committee

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 each major fund of Energy Northwest (the "Company"), which consists 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, 2015, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Company at June 30, 2015, and the respective changes in financial position and its cash flows thereof 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 and 6 to the financial statements, the Company adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27, effective July 1, 2014. The financial statements of Columbia Generating Station, Packwood Lake Hydroelectric Project, Nuclear Project No.1, the Business Development Fund, and the Nine Canyon Wind Project as of and for the year ended June 30, 2015 reflect the adoption of the provisions of GASB 68. Our opinions are not modified with respect to this matter.

Other Matter

The accompanying management's discussion and analysis, the Schedule of the Company's Proportionate Share of Net Pension Liability and the Schedule of the Company's Contributions (Schedules of Required Supplementary Information) as listed in the table of contents of the Company's 2015 Annual Report are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

Portland, Oregon
September 24, 2015

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, 2015, with the basic financial statements for the FY ended June 30, 2014.

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

Because each business unit is financed and accounted for separately, the following section on financial performance is discussed by business unit to aid in analysis of assessing the financial position of each individual business unit. For comparative purposes only, the table on the following page represents a memorandum total only for Energy Northwest, as a whole, for FY 2015 and FY 2014.

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

The Statements of Net Position present the financial position of each business unit on an accrual basis. The Statements of Net Position report financial information about construction work in progress, the amount of resources and obligations, restricted accounts and due to/from balances for each business unit. (See Note 1 to the Financial Statements.)

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

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

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

The basic financial statements of each business unit along with the notes to the financial statements and management discussion and analysis should be used to provide an overview of Energy Northwest's financial performance. The following discussion provides comparative financial information for the years ended June 30, 2015 and 2014. The year of 2014 has not been restated to reflect changes in accounting principles per GASB Statement No. 68; however, FY 2015 beginning balance has been restated. (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, 2015 and 2014 (Dollars in thousands)

	2014	2015	Change
Assets			
Current Assets	$ 242,268	$ 233,276	$ (8,992)
Restricted Assets			
Special Funds	172,851	318,116	145,265
Debt Service Funds	662,673	352,643	(310,030)
Net Plant	1,517,397	1,562,376	44,979
Nuclear Fuel	999,007	976,327	(22,680)
Long-Term Receivables		59	59
Other Charges	3,078,698	3,187,338	108,640
TOTAL ASSETS	**6,672,894**	**6,630,135**	**(42,759)**
DEFERRED OUTFLOWS OF RESOURCES*	20,048	38,845	18,797
TOTAL ASSETS AND DEFERRED OUTFLOWS	**$ 6,692,942**	**$ 6,668,980**	**$ (23,962)**
Current Liabilities	$ 983,794	$ 517,195	$ (466,599)
Restricted Liabilities			
Special Funds	153,250	158,818	5,568
Debt Service Funds	123,653	119,479	(4,174)
Long-Term Debt	5,420,783	5,731,753	310,970
Other Long-Term Liabitilies	11,254	105,843	94,589
Other Credits	6,041	5,850	(191)
Net Position			
Invested in capital assets, net of related debt	(35,450)	(44,813)	(9,363)
Restricted, net	38,005	43,685	5,680
Unrestricted, net	(15,478)	(14,301)	1,177
TOTAL LIABILITIES AND NET POSITION	**6,685,852**	**6,623,509**	**(62,343)**
DEFERRED INFLOWS OF RESOURCES*	7,090	45,471	38,381
TOTAL LIABILITIES, NET POSITION AND DEFERRED INFLOWS	**$ 6,692,942**	**$ 6,668,980**	**$ (23,962)**
Operating Revenues	$ 470,779	$ 542,257	$ 71,478
Operating Expenses	386,496	421,622	35,126
Net Operating Revenues	84,283	120,635	36,352
Other Income and Expenses	(84,238)	(118,467)	(34,229)
(DISTRIBUTION) & CONTRIBUTION	-	-	-
Beginning Net Assets*	(12,968)	(17,597)	(4,629)
ENDING NET POSITION	**$ (12,923)**	**$ (15,429)**	**$ (2,506)**

* Energy Northwest's 2014 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 2015. 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 1,157-megawatt electric (MWe, Design Electric Rating, net) boiling water nuclear power plant located on the Department of Energy's (DOE) Hanford Site north of Richland, Washington.

Columbia produced 8,142 gigawatt-hours (GWh) of electricity in FY 2015, as compared to 9,781 GWh of electricity in FY 2014, which included economic dispatch of 0 and 62 GWh respectively. The FY 2015 generation decrease of 16.8 percent was due to a record generation run in FY 2014 coupled with Columbia entering its planned 42 day refueling outage (R-22) on May 9, 2015 and down powers. The 42 day planned outage extended an additional 8 days and ended on June 27. The down powers took place in the first quarter of FY 2015. The extended outage and down powers resulted in budgeted generation lower than budget by 280 GWh for the fiscal year.

Columbia's cost performance is measured by the cost of power indicator. The cost of power for FY 2015 was 5.05 cents per kilowatt-hour (kWh) as compared with 3.70 cents per kWh in FY 2014. The industry cost of power fluctuates year to year depending on various factors such as refueling outages and other planned activities. The FY 2015 cost of power increase of 36.5 percent was due to the planned outage and impacts from the extended R-22 activity and first quarter down power.

Assets, Liabilities, and Net Position Analysis

The net increase to Utility Plant (plant) and Construction Work In Progress (CWIP) from FY 2014 to FY 2015 (excluding nuclear fuel) was $52.9 million. The changes to plant and CWIP were comprised of additions to plant of $152.1 million with a decrease to CWIP of $10.9 million. Remaining change was the period effect of depreciation of $88.3 million.

The FY 2015 CWIP balance of $58.2 million consisted of 14 major projects of at least $1.0 million: Cyber Security, Pipe Replacement, Scram Discharge Monitoring, Fukushima Impacts, Main Condenser, Feedwater Flowmeter, LPRM replacement, Critical Spares, Rad Monitors, ECCS Pump Flow, Main Transformer, Security Cameras, Radio Obsolescence, and Circuit/Panel Upgrade. These projects resulted in 74 percent of the CWIP activity. The remaining 26 percent was made up of 151 separate projects.

Nuclear fuel, net of accumulated amortization, decreased $22.7 million from FY 2014 to $976.3 million for FY 2015. During FY 2015 Columbia incurred $58.4 million in capitalized fuel/reload activity with a decrease in fuel of $37.9 million due to amortization, a decrease of $18.0 million for activity related to movement of TVA fuel and a decrease of $25.3 million for transfer of fuel monitoring equipment to utility plant in service.

Current assets decreased $20.7 million in FY 2015 to $197.7 million. Changes were decreases to receivables of $8.3 million, decreases to cash and investments of $15.2 million, clearing of due from other business units of $9.4 million and increases to materials and supplies and prepaid amounts of $12.2 million.

Special funds increased $146.8 million to $283.8 million in FY 2015 due to the FY 2015 bond activity and schedule of construction costs for these funds in FY 2015.

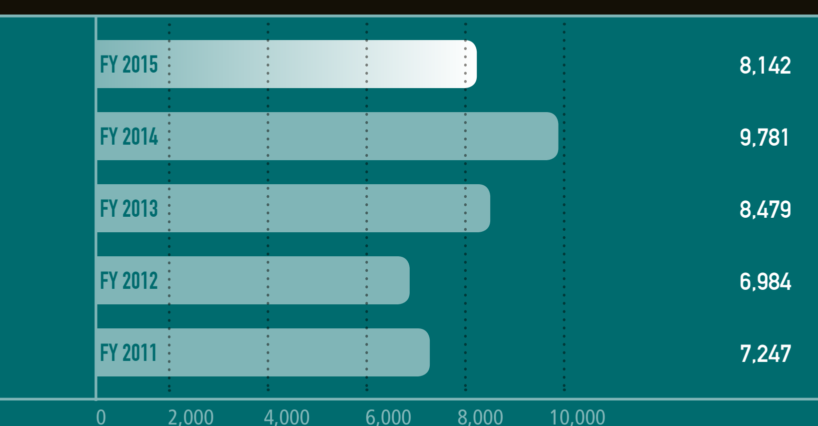
The debt service funds increased $83.3 million in FY 2015 to $182.4 million. The increase is due to the restructuring and funding activities for the regional cooperative debt program associated with the 2015 bond activities.

Other charges increased $146.3 million in FY 2015 from $907.0 million to $1,053.3 million. The increase was change in Costs in Excess of Billings related to the net effect of payment of current maturities and refunding activity.

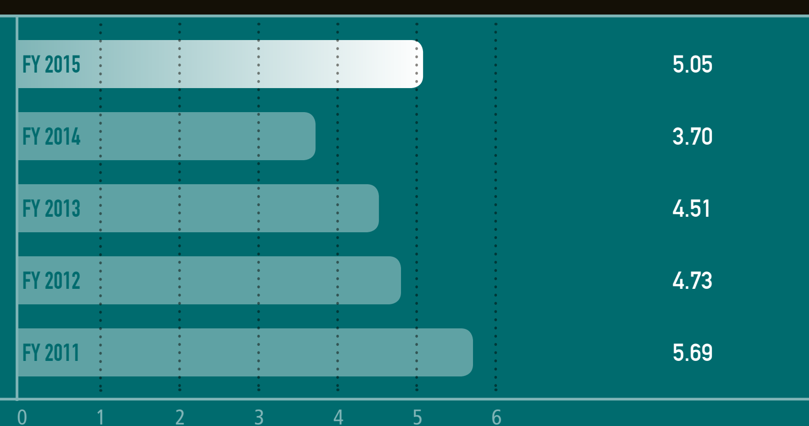
Deferred outflows increased $15.2 million in FY 2015 from $18.2 million to $33.4 million. The major change was an increase of $12.3 million due to the recognition of a deferred pension outflow in accordance with GASB No. 68. An increase of $2.9 million was associated with the 2015 bond activity.

Current liabilities increased $144.8 million in FY 2015 to $285.2 million.

COLUMBIA GENERATING STATION
Net Generation - GWhrs



COLUMBIA GENERATING STATION
Cost of Power - Cents/kWh



Components of the change were increases to current maturities of debt of $82.4 million, addition of notes payable promissory note for refunding of $93.6 million, increase to taxes payable of $5.0 million due to fuel assemblies being moved into Washington State for R-22, decrease in generation tax of $0.7 million due to R-22 impacts, increase of bearer bonds payable of $0.3 million, decreases due to timing of year end obligations of $8.5 million, and timing of due to participants that resulted in an decrease of $27.3 million.

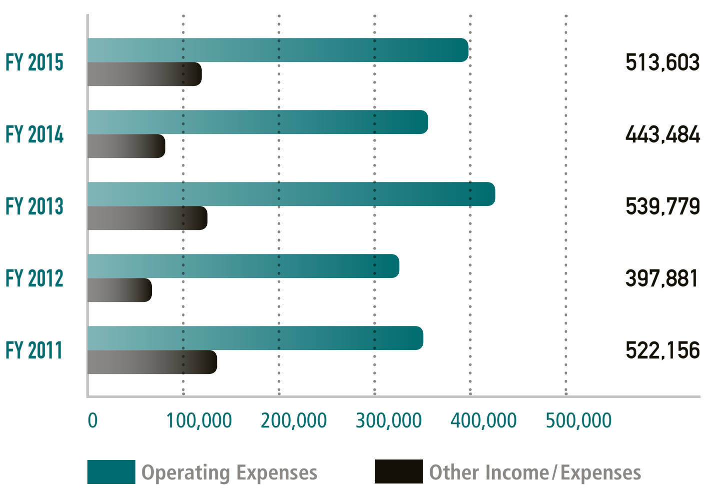
Restricted liabilities increased $7.9 million in FY 2015 to $208.6 million. The increase was due to accrued decommissioning of $6.9 million and interest related to bond activity of $1.0 million.

Long-term debt (Bonds Payable) increased $119.7 million in FY 2015 from $3,455.7 million to $3,575.4 million due to the restructuring and funding activities for the regional cooperative debt program associated with the 2015 bond activities.

Other long-term liabilities increased $90.6 million in FY 2015 to $101.6 million. The increase was due to reorganization of pension liability in accordance with GASB No. 68, of approximately $88.6 million; and nuclear fuel cask activity, of approximately $2.0 million.

Deferred inflows increased $38.3 million from $2.7 million in FY 2014 to $40.9 million in FY 2015. An increase of $39.3 million was recognized to deferred pension inflow in accordance with GASB No. 68. A decrease to bond refunding inflows of $1.0 million was due to the restructuring and funding activities for the regional cooperative debt program associated with the 2015 bond activities.

COLUMBIA GENERATING STATION
Total Operating Costs (Dollars in thousands)



Revenue and Expenses Analysis

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

Operating expenses increased $34.7 million from FY 2014 costs of $363.2 million to $397.9 million in FY 2015. The increases in costs were due to FY 2015 being a planned refueling year as compared to FY 2014 and were mostly in the operations and maintenance areas amounting to $68.7 million. The increase in operations and maintenance costs due to R-22 were offset by a decrease in nuclear fuel costs of $25.5 million and a decrease of $8.2 million in fuel disposal fee. The decrease of $9.5 million in fuel expense was due to less generation and R-22 impacts along with a decrease in costs of $15.1 million due to the ISFSI settlement claim with the Department of Energy (See Note 13 to the Financial Statements) along with decreases to fuel operating costs of $0.5 million for fuel casks and $0.4 million relating to fuel interest costs. Fuel disposal fees ceased in FY 2015 per notice from the DOE, resulting in the $8.2 million decrease. (See Note 13 to the Financial Statements.) Decrease in costs for administrative and general of $4.1 million were mostly driven by FY 2014 having a $3.7 million charge with the adoption of GASB No. 65 in FY 2014, recognition of $2.6 million of pension expense in accordance with GASB No. 68 in FY 2015, and decreases in other costs of $2.2 million. Generation tax decreased $1.0 million due to lower generation, depreciation increased $4.6 million which is reflective of the plant focus on reliability and decommissioning increased slightly at $0.3 million per established schedule.

Other Income and Expenses increased $35.4 million from FY 2014 to $115.7 million net expenses in FY 2015. A major piece of the increase was the spent fuel litigation settlement from the DOE of $23.6 million reported in FY 2014 as a gain on DOE settlement on the Statement of Revenues, Expenses, and Changes in Net Position. The FY 2015 amount of $15.1 million has been recorded as a reduction to fuel expense to represent the true cost of the fuel cask program. The cask costs were never an intended cost for the facility and only resulted from a failure to perform from the Department of Energy. (See Note 13 for DOE settlement discussion.) The remaining increase of $11.8 million was due to increased bond related expenses of $20.0 million, increase in investment income of $0.3 million, increases in miscellaneous non-utility leasing revenue of $4.0 million, and an increase of $3.9 million for gain on SWU sale related to the TVA fuel contract. (See Note 13 for Nuclear Fuels discussion).

Columbia's total operating revenue increased from $443.5 million in FY 2014 to $513.6 million in FY 2015. The increase of $70.1 million was due to the refueling year of the two year cycle for the refueling and maintenance program and the related effect of the net billing agreement on total revenue.

PACKWOOD LAKE HYDROELECTRIC PROJECT

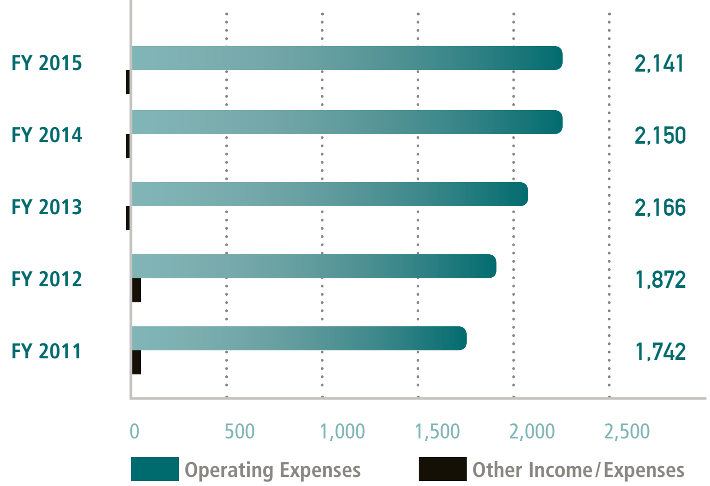
The Packwood Lake Hydroelectric Project (Packwood) is wholly owned and operated by Energy Northwest. Packwood consists of a diversion structure at Packwood Lake and a powerhouse located near the town of Packwood, Washington. The water is carried from the lake to the powerhouse through a five-mile long buried tunnel and drops nearly 1,800 feet in elevation. Packwood produced 107.16 GWh of electricity in FY 2015 versus 115.04 GWh in FY 2014. The 6.8 percent decrease in generation can be attributed to less favorable water conditions compared to the previous year; FY 2015 was the 14th best generation year compared to FY 2014 which ranked 5th. Although FY 2015 was a low water year, generation results exceeded the budgeted generation amount of 84.64 GWh by 26.7 percent due to higher than average generation and a delay in new license requirements (See Note 1 to the financial statements) which will eventually lower the generating capacity for Packwood.

Packwood's cost performance is measured by the cost of power indicator. The cost of power for FY 2015 was $2.01 cents per kWh as compared to $1.88 cents per kWh in FY 2014. The cost of power fluctuates year-to-year depending on various factors such as outage, maintenance, generation, and other operating costs. The FY 2015 cost of power increase of 6.9 percent was a result of decreased generation as overall results of operations were relatively unchanged (.42%).

Assets, Liabilities, and Net Position Analysis

Total assets increased $0.6 million from FY 2015, with the major driver being an increase to cash of $0.3 million to cash and $0.3 million due from other business units. The corresponding increase to total liabilities of $0.5 million was the $0.3 million increase due to bearer bond recognition, an increase of $0.3 million in net pension liability and increase of $0.1 million to deferred pension inflow as a result of recognition of pension liability in accordance with GASB No. 68. Packwood has incurred $3.7 million in relicensing costs through FY 2015 with no new costs incurred for FY 2015. These costs are shown as Other Charges on the Statement of Net Position. Packwood has been operating under a 50-year license issued by 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 to operate under the original license which is indefinitely extended for continued operations until a formal decision is issued by FERC and a new operating license is granted. As of June 30, 2015, Packwood continues to be relicensed under this extended agreement.

THE PACKWOOD LAKE HYDROELECTRIC PROJECT
Total Operating Costs (Dollars in thousands)



Revenue and Expenses Analysis

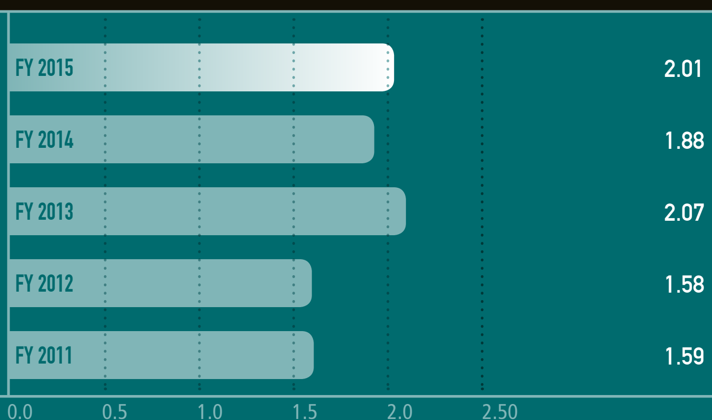
The agreement with Packwood participants obligates them to pay annual costs and to receive excess revenues. (See Note 1 to the Financial Statements.) Accordingly, Energy Northwest recognizes revenues equal to expenses for each period. No net revenue or loss is recognized and no net position is accumulated.

Operating expenses remained consistent from the prior year.

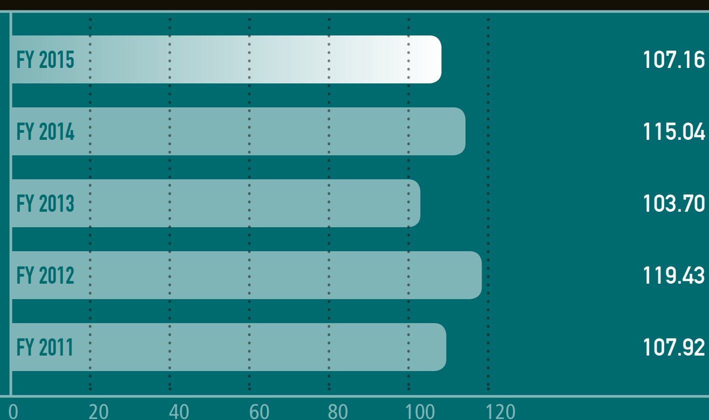
Other Income and Expense remained unchanged from previous year resulting in a net gain of $4 thousand.

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, 2015 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
Cost of Power - Cents/kWh



THE PACKWOOD LAKE HYDROELECTRIC PROJECT
Net Generation - GWhrs



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 5 and 12 to the Financial Statements.)

Assets, Liabilities, and Net Position Analysis

Restricted cash decreased $281.6 million in FY 2015 to $80.2 million. The decrease was due to bond activities, investment activities and transactions between other units.

Long-term debt increased $124.8 million from $715.9 million in FY 2014 to $840.7 million in FY 2015 as a result of $53.7 million being transferred to current debt to be paid on July 1, 2015 along with an increase in bond related amortization of $45.1 million; the remaining changes were due to the debt associated with the planned and approved regional cooperative debt program (2015 A and B). Short term debt decreased $278.3 million per the debt maturity schedule and current notes payable decreased $183.6 million as a result of the regional cooperative debt program. There was a decrease to restricted liabilities of $3.0 million, represented by decreases to interest payable of $3.1 million and slight increase in the decommissioning estimate of $0.1 million.

Revenue and Expenses Analysis

Other Income and Expenses showed a net decrease to expenses of $6.6 million from $41.6 million in FY 2014 to $35.0 million in FY 2015. Investment revenue for FY 2015 remained the same as previous year at $15 thousand; bond related expenses decreased $6.0 million; other expenses decreased $0.3 million, which included a restoration cost estimate decrease of $0.5 million as a result of the FY 2014 change in estimate in the accelerated restoration work plan, offset by an adjustment of $0.2 million to account for an Internal Service Fund allocation charge.

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 5 and 12 to the Financial Statements.)

Assets, Liabilities, and Net Position Analysis

Long-term debt increased $9.6 million from $1,071.4 million in FY 2014 to $1,081.0 million in FY 2015, as a result of $47.8 million being transferred to current debt to be paid on July 1, 2015 along with a decrease in bond related amortization of $17.6 million; and the remaining changes were due to the debt associated with the planned and approved regional cooperative debt program (2015 A and B). Current debt per the debt maturity schedule decreased $109.5 million from $157.3 million in FY 2014 to $47.8 million in FY 2015. The remaining changes in liabilities of $54.3 million were due to a decrease in notes payable related to bond financing of $52.6 million, increase to bearer bond activity of $0.3 million and a decrease in accrued interest payable of $2.0 million.

Revenue and Expenses Analysis

Overall expenses decreased $6.0 million from FY 2014 related to bond activity decreases of $5.9 million (interest expense and amortization) and $0.1 million decrease to 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.

Assets, Liabilities, and Net Position Analysis

Total assets and deferred outflows increased $0.3 million from $10.4 million in FY 2014 to $10.3 million in FY 2015. There were small decreases to plant of $0.1 million offset by increases to current assets of the same amount. The major change in assets was $0.3 million due to the recognition of a deferred pension outflow in accordance with GASB No. 68. There was an overall increase to liabilities and net position of $0.3 million. Liabilities decreased $0.3 million from FY 2014 due to timing of year end outstanding items, with an increase to net pension liability of $2.7 million and increase to deferred inflows of $1.2 million to account for the net pension liability in accordance with GASB No. 68. There was an adjustment to beginning net position of $3.6 million due to the retrospective application of GASB No. 68. The change in net position of $0.4 million from operations in FY 2015 as compared to a decrease of $0.3 million in FY 2014 reflects the control of costs, new lines of business and achievement of better margin for business sectors.

Revenue and Expenses Analysis

Operating Revenues in FY 2015 totaled $7.2 million as compared to FY 2014 revenues of $6.0 million, an increase of $1.2 million (20.0 percent). The increase in revenues was driven by two new activities: Demand Response Initiative (revenues of $0.8 million) and the Tieton Hydroelectric Project (revenues of $0.5 million). The Demand Response Initiative is a project to have readily available resources to reduce electricity demand on the Bonneville Power Administration (BPA) System. The Tieton Hydroelectric project is a facility located in Southeastern Washington along the Tieton River. Various laboratory services (Environmental and Calibration) revenue increased $0.4 million, lease activity decreased $0.2 million due to occupancy utilization, and engineering/technical services decreased $0.3 million. New projects related to expansion of nuclear options (Modular Nuclear and UAMPS Carbon Free Power) generated $48 thousand, two other projects for solar expansion are continuing with less than $10 thousand in revenues.

Operating costs increased $0.7 million from $7.6 million in FY 14 to $8.3 in million in FY 2015. The increases in costs were due to the two new revenue producing activities described above. These projects increased costs $1.5 million, decreased business activity discussed above for engineering/technical services accounted for $0.4 million resulting in a FY 2015 net operating cost increase of $1.1 million.

Other Income and Expenses increased $0.2 million in FY 2015 to $1.4 million, with the change attributable to less indirect costs. 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 2015 there were no contributions (transfers), which was also the case for FY 2014.

NINE CANYON WIND PROJECT

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

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

Nine Canyon produced 196.75 GWh of electricity in FY 2015 versus 239.39 GWh in FY 2014. The decrease of 17.8 percent was a result of very poor wind conditions resulting in the lowest generation since all three phases came on line in 2009. There were two small outages where additional generation of 249 MWh was not realized however FY 2015 would still have been at the lowest levels since 2009. Capacity factor for FY 2015 was 24 percent as compared to 29.4 percent for FY 2014.

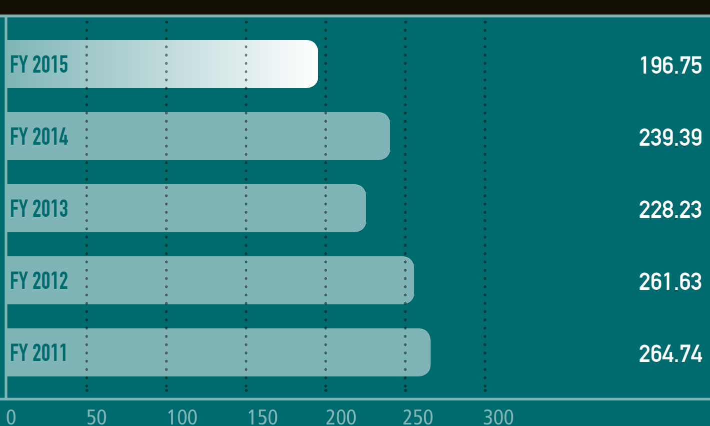
Nine Canyon's cost performance is measured by the cost of power indicator. The cost of power for FY 2015 was $8.31 cents per kWh as compared to $7.83 cents per kWh in FY 2014. The cost of power fluctuates year to year depending on various factors such as wind totals and unplanned maintenance. The increase of 6.1 percent in cost of power for FY 2015 was directly attributable to the extremely poor wind conditions. Operating expenses decreased slightly from $13.6 million in FY 2014 to $13.3 million in FY 2015. These cost control measures along with the $1.2 million in decreased treasury related expenses in FY 2015 (a result of the 2015 refinancing) helped to mitigate the overall impact of poor wind conditions and resultant loss of generation on the cost of power calculation.

Assets, Liabilities, and Net Position Analysis

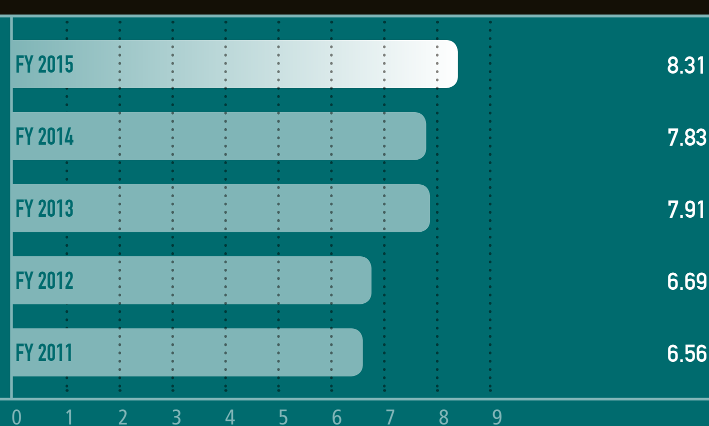
Total assets decreased $4.0 million from $104.9 million in FY 2014 to $100.9 million in FY 2015. The major driver for the change in assets was a decrease of $6.7 million in net plant due to accumulated depreciation. The remaining changes consisted of increases to current cash and investments of $0.9 million, decreases to special and debt service funds of $0.3 million, decrease of $0.2 million in account receivables, increase to unamortized debt expense and deferred outflows of $2.4 million and an increase of $0.1 million to deferred pension outflow to recognize pension related asset associated with the implementation of GASB No. 68. There was an overall decrease to liabilities and net position of $4.0 million with a decrease to long term debt (including unamortized bond discount/premium) of $5.8 million, increases to current debt maturities of $0.1 million, decreases to payables and interest of $0.2 million, an increase of $0.8 million in net pension liability and an increase of $0.4 million to the deferred pension inflow to recognize pension liabilities associated with the implementation of GASB No. 68. There was an adjustment to beginning net position of $1.0 million due to the retrospective application of GASB No. 68. The change in net position of $1.9 million from operations in FY 2015 as compared to an increase of $0.4 million in FY 2014 reflects the steady operations and treasury savings due to the 2015 refinancing.

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

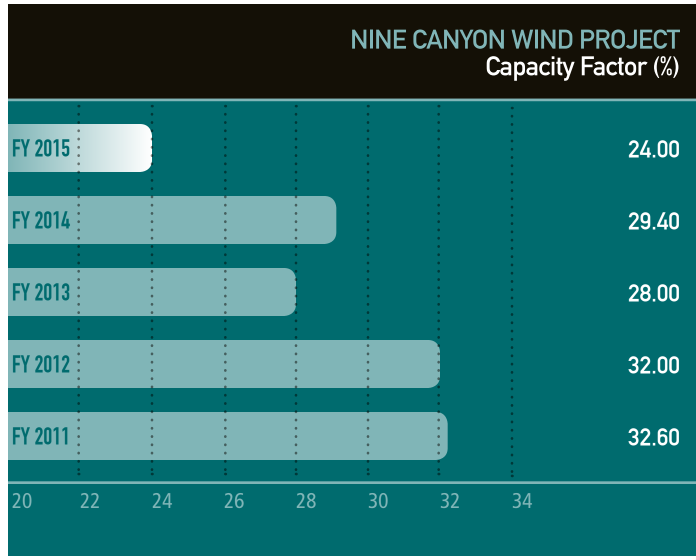
NINE CANYON WIND PROJECT
Net Generation - GWh

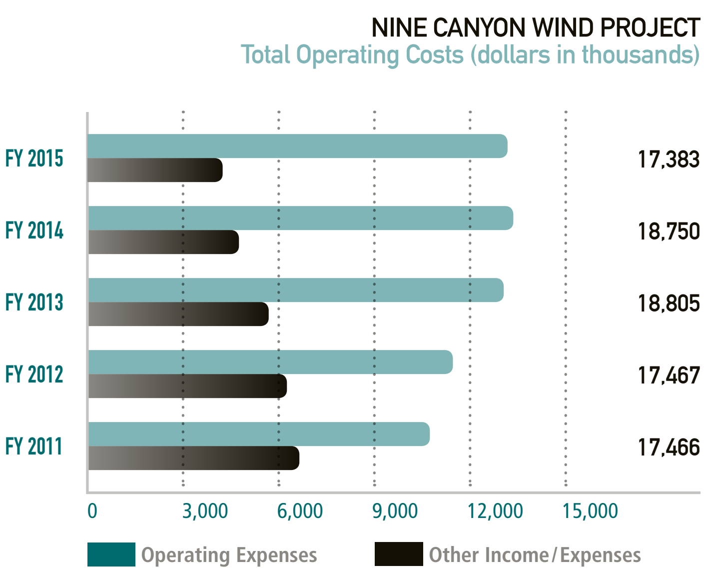


NINE CANYON WIND PROJECT
Cost of Power - Cents/kWh



participants and the REPI receipts was projected to cover the total costs over the purchase agreement. Continued shortfalls in REPI funding for the Nine Canyon project led to a revised rate plan to incorporate the impact of this shortfall over the life of the project. 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 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.





Revenues and Expenses Analysis

Operating revenues remained relatively steady from FY 2014 levels, increasing $0.1 million. The project received revenue from the billing of the purchasers at an average rate of $76.10 per MWh for FY 2015 as compared to $76.33 per MWh for FY 2014 which is reflective of the implementation of the revised rate plan in FY 2008 to account for REPI funding shortfalls and costs of operations. Operating costs decreased $0.3 million in FY 2015 from $13.6 million in FY 2014 to $13.3 million in FY 2015. Decreased operating costs in FY 2015 were due to the FY 2014 recognition of current period costs for refinancing due to implementation of GASB No. 65. Other operating items remained steady with no major fluctuations in individual operations or maintenance activities.

Other income and expenses decreased $1.1 million from $5.2 million in net expenses FY 2014 to $4.1 million in FY 2015. Decreased interest costs of $0.7 million and decreases in amortized bond expenses of $0.4 million accounted for the change. Net gain or change in net position of $1.9 million for FY 2015 was a direct result of the planned rate structure with projected treasury savings due to refunding and 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 2015 and is not anticipating receiving any future REPI incentives. The results from FY 2015 reflect the revised rate plan scenario and gradual increase in the return of total net position

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.)

Assets, Liabilities, and Net Position Analysis

Total assets increased $2.5 million from $39.4 million in FY 2014 to $41.9 million in FY 2015. There were increases to cash and investments of $2.2 million, receivables and prepaids of $0.6 million and increase in due to other business units of $0.9 million. Decreases to plant of $1.0 million accounted for the remainder of change in total assets.

The net decrease in net position and liabilities is due to increases in accounts payable and payroll related liabilities of $4.2 million due to year-end allocation of related expenses and an decrease of $1.5 million due to change in unpaid bearer bond estimates.

Revenues and Expenses Analysis

Other income and expenses for FY 2015 increased to $107 thousand from FY 2014. There were increases in other business expenses of $80 thousand, increases to depreciation of $23 thousand, along with slightly lower overhead costs of $36 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-	NR	A

STATEMENT OF NET POSITION As of June 30, 2015 (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	Eliminations	2015 Combined Total
ASSETS										
CURRENT ASSETS										
Cash	$ 37,162	$ 1,169	$ 843	$ 39	$ 7,640	$ 543	$ 47,396	$ 7,347	$ -	$ 54,743
Investments	-	498	2,487	2,983	-	9,315	15,283	27	-	15,310
Accounts and other receivables	15,671	110	1	-	291	175	16,248	469	-	16,717
Due from other business units	-	446	399	310	796	188	2,139	1,086	(3,225)	-
Materials and supplies	142,962	-	-	-	-	-	142,962	-	-	142,962
Prepayments and other	1,930	17	2	2	1	190	2,142	1,402	-	3,544
TOTAL CURRENT ASSETS	**197,725**	**2,240**	**3,732**	**3,334**	**8,728**	**10,411**	**226,170**	**10,331**	**(3,225)**	**233,276**
RESTRICTED ASSETS (Note 1)										
Special funds										
Cash	883	-	3,444	5,114	159	825	10,425	1,834	-	12,259
Investments	282,744	-	-	-	-	754	283,498	22,193	-	305,691
Accounts and other receivables	166	-	-	-	-	-	166	-	-	166
Debt service funds										
Cash	182,436	-	76,793	73,928	-	9,646	342,803	-	-	342,803
Investments	-	-	-	-	-	9,837	9,837	3	-	9,840
TOTAL RESTRICTED ASSETS	**466,229**	**-**	**80,237**	**79,042**	**159**	**21,062**	**646,729**	**24,030**	**-**	**670,759**
NON CURRENT ASSETS UTILITY PLANT (Note 2)										
In service	4,121,660	14,736	-	-	3,011	134,643	4,274,050	46,814	-	4,320,864
Not in service	-	-	29,415	-	-	-	29,415	-	-	29,415
Construction work in progress	58,203	-	-	-	-	-	58,203	-	-	58,203
Accumulated depreciation	(2,695,114)	(12,966)	(29,415)	-	(1,556)	(67,748)	(2,806,799)	(39,307)	-	(2,846,106)
Net Utility Plant	1,484,749	1,770	-	-	1,455	66,895	1,554,869	7,507	-	1,562,376
Nuclear fuel, net of accumulated depreciation	976,327	-	-	-	-	-	976,327	-	-	976,327
LONG TERM RECEIVABLES	-	-	-	-	-	-		59	-	59
TOTAL NONCURRENT ASSETS	**2,461,076**	**1,770**	**-**	**-**	**1,455**	**66,895**	**2,531,196**	**7,566**	**-**	**2,538,762**
OTHER CHARGES										
Cost in excess of billings**	1,053,228	-	972,083	1,158,289	-	-	3,183,600	-	-	3,183,600
Other	-	3,737	-	-	-	1	3,738	-	-	3,738
TOTAL OTHER CHARGES	**1,053,228**	**3,737**	**972,083**	**1,158,289**	**-**	**1**	**3,187,338**	**-**	**-**	**3,187,338**
TOTAL ASSETS	**4,178,258**	**7,747**	**1,056,052**	**1,240,665**	**10,342**	**98,369**	**6,591,433**	**41,927**	**(3,225)**	**6,630,135**
DEFERRED OUTFLOWS OF RESOURCES										
Deferred outflows - unamortized loss on bond refunding	21,102	-	800	1,643	-	2,400	25,945	-	-	25,945
Deferred pension outflows	12,333	43	36	-	378	110	12,900	-	-	12,900
TOTAL DEFERRED OUTFLOWS OF RESOURCES	33,435	43	836	1,643	378	2,510	38,845	-	-	38,845
TOTAL ASSETS AND DEFERRED OUTFLOWS	**$ 4,211,693**	**$ 7,790**	**$ 1,056,888**	**$ 1,242,308**	**$ 10,720**	**$ 100,879**	**$ 6,630,278**	**$ 41,927**	**$ (3,225)**	**$ 6,668,980**

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

** Energy Northwest's 2015 Statement of Net Position and Statements of Revenues and Expenses and Changes in Net Position were not updated for the application of the required retroactive application of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions," which became effective for Energy Northwest in fiscal year 2015. See Note 1 for a summary of this change in accounting principle.

STATEMENT OF NET POSITION As of June 30, 2015 (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	Eliminations	2015 Combined Total
LIABILITIES AND NET POSITION										
CURRENT LIABILITIES										
Current maturities of long-term debt	$ 114,590	$ -	$ 53,750	$ 47,815	$ -	$ 7,130	$ 223,285	$ -	$ -	$ 223,285
Current notes payable	93,648	-	51,850	32,620	-	-	178,118	-	-	178,118
Accounts payable and accrued expenses	57,210	552	553	345	1,319	519	60,498	35,218	-	95,716
Due to participants	18,655	958	463	-	-	-	20,076	-	-	20,076
Due to other business units	1,086	-	-	-	-	-	1,086	2,139	(3,225)	-
TOTAL CURRENT LIABILITIES	**285,189**	**1,510**	**106,616**	**80,780**	**1,319**	**7,649**	**483,063**	**37,357**	**(3,225)**	**517,195**
LIABILITIES-PAYABLE FROM RESTRICTED ASSETS (NOTE 1)										
Special funds										
Accounts payable and accrued expenses	140,706	-	16,716	-	-	1,396	158,818	-	-	158,818
Debt service funds										
Accrued interest payable	67,846	-	23,043	26,113	-	2,477	119,479	-	-	119,479
TOTAL RESTRICTED LIABILITIES	**208,552**	**-**	**39,759**	**26,113**	**-**	**3,873**	**278,297**	**-**	**-**	**278,297**
LONG-TERM DEBT (NOTE 5)										
Revenue bonds payable	3,407,450	-	840,675	1,081,005	-	101,620	5,430,750	-	-	5,430,750
Unamortized (discount)/ premium on bonds - net	167,965	-	68,050	53,494	-	11,494	301,003	-	-	301,003
TOTAL LONG-TERM DEBT	**3,575,415**	**-**	**908,725**	**1,134,499**	**-**	**113,114**	**5,731,753**	**-**	**-**	**5,731,753**
OTHER LONG-TERM LIABILITIES										
Pension liability	88,631	306	260	-	2,716	788	92,701	-	-	92,701
Dry storage cask liability	12,749	-	-	-	-	-	12,749	-		12,749
Other	229	-	-	-	159	-	388	5		393
TOTAL OTHER LONG-TERM LIABILITIES	**101,609**	**306**	**260**	**-**	**2,875**	**788**	**105,838**	**5**	**-**	**105,843**
OTHER CREDITS										
Advances from members and others **	-	5,838	-	-	-	-	5,838	-	-	5,838
Other	-	-	-	-	-	12	12	-	-	12
TOTAL OTHER CREDITS	**-**	**5,838**	**-**	**-**	**-**	**12**	**5,850**	**-**	**-**	**5,850**
TOTAL LIABILITIES	**4,170,765**	**7,654**	**1,055,360**	**1,241,392**	**4,194**	**125,436**	**6,604,801**	**37,362**	**(3,225)**	**6,638,938**
DEFERRED INFLOWS OF RESOURCES										
Deferred inflows - unamortized gain on bond refunding	1,620	-	1,413	916	-	409	4,358	-	-	4,358
Deferred pension inflows**	39,308	136	115	-	1,205	349	41,113	-	-	41,113
TOTAL DEFERRED INFLOWS OF RESOURCES	**40,928**	**136**	**1,528**	**916**	**1,205**	**758**	**45,471**	**-**	**-**	**45,471**
NET POSITION										
Invested in capital assets, net of related debt	-	-	-	-	1,455	(53,834)	(52,379)	7,566	-	(44,813)
Restricted, net	-	-	-	-	-	19,655	19,655	24,030	-	43,685
Unrestricted, net	-	-	-	-	3,866	8,864	12,730	(27,031)	-	(14,301)
NET POSITION**	-	-	-	-	8,571	(25,315)	(19,994)	4,672		(15,429)
TOTAL LIABILITIES, NET POSITION, AND DEFERRED INFLOWS	**$ 4,211,693**	**$ 7,790**	**$ 1,056,888**	**$ 1,242,308**	**$ 10,720**	**$ 100,879**	**$ 6,630,278**	**$ 41,927**	**$ (3,225)**	**$ 6,668,980**

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STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION As Of June 30, 2015 (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	2015 Combined Total
OPERATING REVENUES	$ 513,603	$ 2,141	$ -	$ -	$ 7,228	$ 19,285	$ 542,257	$ -	$ 542,257
OPERATING EXPENSES									
Services to other business units	-	-	-	-	-	-	-	-	-
Nuclear fuel	27,433	-	-	-	-	-	27,433	-	27,433
Decommissioning	6,938	-	-	-	-	88	7,026	-	7,026
Depreciation and amortization	89,745	90	-	-	261	6,799	96,895	-	96,895
Operations and maintenance	244,915	1,877	-	-	8,027	6,334	261,153	-	261,153
Administrative & general	24,796	155	-	-	-	14	24,965	-	24,965
Generation tax	4,085	23	-	-	-	42	4,150	-	4,150
Total operating expenses	397,912	2,145	-	-	8,288	13,277	421,622	-	421,622
OPERATING INCOME (LOSS)	**115,691**	**(4)**	**-**	**-**	**(1,060)**	**6,008**	**120,635**	**-**	**120,635**
OTHER INCOME & EXPENSE									
Other	11,112	1	35,017	41,910	1,422	5	89,467	71,464	89,360
Investment income	412	3	15	21	11	60	522	7	522
Interest expense and debt amortization, net of capitalized interest	(127,215)	-	(33,463)	(41,599)	-	(4,171)	(206,448)	-	(206,448)
Plant preservation and termination costs	-	-	(1,203)	(332)	-	-	(1,535)	-	(1,535)
Depreciation and amortization	-	-	(258)	-	-	-	(258)	1,386	(258)
Decommissioning	-	-	(108)	-	-	-	(108)	-	(108)
Services to other business units	-	-	-	-	-	-	-	(72,964)	-
TOTAL OTHER INCOME & EXPENSE	**(115,691)**	**4**	**-**	**-**	**1,433**	**(4,106)**	**(118,360)**	**(107)**	**(118,467)**
INCOME (LOSS)	-	-	-	-	373	1,902	2,275	(107)	2,168
GASB 68 ADJUSTMENT as of 7/1/2014**	-	-	-	-	(3,623)	(1,051)	(4,674)	-	(4,674)
TOTAL NET POSITION, BEGINNING OF YEAR	**-**	**-**	**-**	**-**	**8,571**	**(26,166)**	**(17,595)**	**4,672**	**(12,923)**
TOTAL NET POSITION, END OF YEAR	**$-**	**$-**	**$-**	**$-**	**$5,321**	**$(25,315)**	**$(19,994)**	**$4,565**	**$(15,429)**

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STATEMENT OF CASH FLOWS As of June 30, 2015 (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	2015 Combined Total
CASH FLOWS FROM OPERATING ACTIVITIES								
Operating revenue receipts	$ 467,908	$ 2,512	$ -	$ -	$ 3,037	$ 19,505	$ -	$ 492,962
Cash payments for operating expenses	(287,592)	(2,139)	-	-	(2,869)	(6,454)	-	(299,054)
DOE Cash settlement	23,575	-	-	-	-	-	-	23,575
Cash received from TVA fuel activities	21,917	-	-	-	-	-	-	21,917
Cash payments for services net of cash received from other units	-	-	-	-	-	-	3,483	3,483
Net cash provided by operating activities	225,808	373	-	-	168	13,051	3,483	242,883
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Proceeds from bond refundings	242,424	-	235,290	84,700	-	413	-	562,827
Principal paid on revenue bond maturities	(32,205)	-	(332,100)	(157,300)	-	(7,265)	-	(528,870)
Payment for bond issuance and financing costs	(3,871)	(2)	(1,209)	(727)	(1)	(440)	-	(6,250)
Proceeds from notes payable	93,648	-	51,848	32,620	-	-	-	178,116
Payment for notes payable	-	-	(235,443)	(85,180)	-	-	-	(320,623)
Interest paid on bonds	(138,890)	-	(47,481)	(54,154)	-	(5,107)	-	(245,632)
Interest paid on notes	-	-	(53)	(19)	-	-	-	(72)
Payment for capital items	(117,124)	(99)	(259)	-	(357)	(168)	(1,321)	(119,328)
Nuclear fuel acquisitions	(55,268)	-	-	-	-	-	-	(55,268)
Payments received from BPA for terminated nuclear projects	-	-	47,766	65,686	-	-	-	113,452
Net cash provided/(used) by capital and related financing activities	(11,286)	(101)	(281,641)	(114,374)	(358)	(12,567)	(1,321)	(421,648)
CASH FLOWS FROM NON-CAPITAL FINANCE ACTIVITIES	-	-	-	-	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchases of investment securities	(392,540)	(994)	(8,717)	(26,364)	(5,540)	(36,208)	(37,734)	(508,097)
Sales of investment securities	258,449	995	6,226	25,484	10,975	27,639	40,880	370,648
Interest on investments	208	4	19	25	11	63	171	501
Net cash provided/(used) by investing activities	(133,883)	5	(2,472)	(855)	5,446	(8,506)	3,317	(136,948)
NET INCREASE (DECREASE) IN CASH	80,639	277	(284,113)	(115,229)	5,256	(8,022)	5,479	(315,713)
CASH AT JUNE 30, 2014	139,842	892	365,193	194,310	2,543	19,036	3,702	725,518
CASH AT JUNE 30, 2015 (NOTE B)	**$ 220,481**	**$ 1,169**	**$ 81,080**	**$ 79,081**	**$ 7,799**	**$ 11,014**	**$ 9,181**	**$ 409,805**

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

STATEMENT OF CASH FLOWS As of June 30, 2015 (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	2015 Combined Total
RECONCILIATION OF NET OPERATING REVENUES TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES								
Net income/loss from operations	$ 115,691	$ (4)	$ -	$ -	$ (1,059)	$ 6,008	$ -	$ 120,636
Adjustments to reconcile net operating revenues to cash provided by operating activities:								
Depreciation and amortization	132,321	90	-	-	261	6,799	1,386	140,857
Decommissioning	6,938	-	-	-	-	88	-	7,026
Non-operating revenues	-	(1)	-	-	-	(5)	(108)	(114)
Other	12,885	(6)	-	-	1,343	94	99	14,415
Change in operating assets and liabilities:								
Deferred charges/costs in excess of billings	(42,856)	415	-	-	-	-	-	(42,441)
Accounts receivable	7,933	7	-	-	(172)	142	(531)	7,379
Materials and supplies	(12,009)	-	-	-	-	-	-	(12,009)
Prepaid and other assets	(195)	(1)	-	-	(1)	(6)	(234)	(437)
Due from/to other business units	10,536	(315)	-	-	(53)	(32)	(9,767)	369
Due from/to participants	-	(70)	-	-	(37)	-	-	(107)
Accounts payable	(5,436)	258	-	-	(114)	(37)	12,638	7,309
Net cash provided by operating and nonoperating activities	**$ 225,808**	**$ 373**	**$ -**	**$ -**	**$ 168**	**$ 13,051**	**$ 3,483**	**$ 242,883**
Non-cash activities								
Capitalized interest	3,767	-	-	-	-	-	-	3,767

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 **- Summary of Operations and Significant Accounting Policies**

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

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

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

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

All electrical energy produced by Energy Northwest's net-billed business units is ultimately delivered to electrical distribution facilities owned and operated by Bonneville Power Administration (BPA) as part of the Federal Columbia River Power System. BPA in turn distributes the electricity to electric utility systems throughout the Northwest, including participants in Energy Northwest's business units, for ultimate distribution to consumers. Participants in Energy Northwest's net-billed business units consist of public utilities and rural electric cooperatives located in the western United States who have entered into net-billing agreements with Energy Northwest and BPA for participation in one or more of Energy Northwest's business units. BPA is obligated by law to establish rates for electric power which will recover the cost of electric energy acquired from Energy Northwest and other sources, as well as BPA's other costs (see Note 5).

Energy Northwest operates the Columbia Generating Station (Columbia), a 1,157-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 5).

Nuclear Project No. 1, a 1,250-MWe plant, was placed in extended construction delay status in 1982, when it was 65 percent complete. Nuclear Project No. 3, a 1,240-MWe plant, was placed in extended construction delay status in 1983, when it was 75 percent complete. On May 13, 1994, Energy Northwest's Board of Directors adopted resolutions terminating Nuclear Projects Nos. 1 and 3. All funding requirements remain as net-billed obligations of Nuclear Projects Nos. 1 and 3. Energy Northwest is no longer responsible for site restoration costs for Nuclear Project No. 3. (See Note 12)

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 24, 2015, 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 4).

Energy Northwest maintains an Internal Service Fund for centralized control and accounting of certain capital assets such as data processing equipment, and for payment and accounting of internal services, payroll, benefits, administrative and general expenses, and certain contracted services on a cost reimbursement basis. Certain assets in the Internal Service Fund are also owned by this Fund and operated for the benefit of other projects. Depreciation relating to capital assets is charged to the appropriate business units based upon assets held by each project.

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

The combined total column on the financial statements is for presentation only as each Energy Northwest business unit is financed and accounted for separately from all other current and future business units. The FY 2015 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".

GASB Statement No. 67, "Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25" and GASB Statement No. 69, "Government Combinations and Disposal of Government Operations" was effective at beginning of FY 2015, but has no impact for Energy Northwest. Implementation of the statement was not required.

Issued but not Adopted Guidance GASB Statement No. 72, "Fair Value Measurement and Application" primary objective is to address the reporting issues related to fair value measurements. This statement provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 72 is effective for Energy Northwest in fiscal year 2016. The impact of GASB Statement No. 72 has not yet been determined by Energy Northwest management.

GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets" that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 primary objective is to improve the usefulness of information about pensions included in the general purpose external financial reports for making decisions and assessing accountability. GASB Statement No. 73 is effective in fiscal year 2017. The impact of GASB Statement No. 73 has not yet been determined by Energy Northwest management.

GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" primary objective is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) for OPEB Plans. GASB Statement No. 74 is effective in 2017, however does not apply to Energy Northwest as it only applies to OPEB plans.

GASB Statement No. 75, "Accounting and financial Reporting for Postemployment Benefits Other than Pensions" primary objective is to improve the accounting and financial reporting for employer's with postemployment benefits other than pensions (other postemployment or OPEB). GASB Statement No. 75 is effective for Energy Northwest in fiscal year 2018. The impact of GASB Statement No. 75 has not yet been determined by Energy Northwest management.

GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" primary objective is to identify in the context of the current governmental financial reporting environment the hierarchy of generally accepted accounting principles to improve financial reporting. GASB Statement No. 76 is effective for Energy Northwest in fiscal year 2016. The impact of GASB Statement No. 76 has not yet been determined by Energy Northwest management.

GASB Statement 77, "Tax Abatement Disclosures" primary objective is to assist citizens, taxpayers, legislative and oversight bodies, municipal bond analysts, and others to assess the current economic position of the entity. GASB Statement No.77 is effective in fiscal year 2017, but is not applicable to Energy Northwest.

Change in Accounting Principle In fiscal year 2015, Energy Northwest implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions and GASB Statement No. 71, "Pension Transition for contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68". The primary objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pensions. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources (See Note 1 for definition of deferred inflow / outflow of resources), and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, prior to implementing GASB Statement No. 68, employers participating in a cost-sharing plan recognized annual pension expense essentially equal to their contractually required contribution to the plan. Upon the adoption of GASB Statement No. 68, employers participating in cost-sharing plans recognize their proportionate share of the collective pension amounts for all benefits provided through the plan based on an allocation methodology. GASB Statement No. 71 amends GASB Statement No. 68 regarding the deferred outflows of resources for governments whose current year pension contributions are reported subsequent to the measurement date. The collective financial impact resulting from the implementation of GASB Statements No. 68 and 71 is the restatement of 2015 beginning balances by $123,656 million for Energy Northwest's portion of the net pension liability incurred in prior years, which is then allocated across the business units. See financial statement Note 6 for further details on the impact to Energy Northwest.

Dollars in Thousands	Columbia	Packwood	Nuclear Project No. 1	Business Development	Nine Canyon
7/1/14 Balances as Previously Reported:					
Cost in Excess of Billings	$ 906,957	$ -	$ 985,437	$ -	$ -
Advances from members and others	-	5,817	-	-	-
Net Position	-	-	-	8,571	(26,166)
GASB 68 Restatement Adjustment to Beginning Balances	118,228	408	346	3,623	1,051
7/1/14 Restated Balances:					
Cost in Excess of Billings	1,025,185	-	985,783	-	-
Advances from members and others	-	5,409	-	-	-
Net Position	-	-	-	4,948	(27,217)

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 other income and expense (see Note 10).

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 $3.8 million for utility plant with no capitalized Interest for fuel.

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 (ARO's):** In the absence of government-specific guidance that directly addresses ARO's, Energy Northwest has adopted Accounting Standards Codification (ASC) 410, Asset Retirement and Environmental Obligations as issued by the FASB, which is considered "other accounting literature" that does not conflict with or contradict GASB standards, according to GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments (GAAP hierarchy). ASC 410 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 10).

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 11).

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 Statement of Cash Flows, cash includes unrestricted and restricted cash balances and each business unit maintains its cash and investments. Short-term highly liquid investments are not considered to be cash equivalents; and are stated at fair value with unrealized gains and losses reported in investment income (see Note 3). Energy Northwest resolutions and investment policies limit investment authority to obligations of the United States Treasury, Federal National Mortgage Association and Federal Home Loan Banks. Safe keeping agents, custodians, or trustees hold all investments for the benefit of the individual Energy Northwest business units.

I) **Accounts Receivable:** The percentage of sales method is used to estimate uncollectible accounts. The reserve is then reviewed for adequacy against an aging schedule of accounts receivable. Accounts deemed uncollectible are transferred to the provision for uncollectible accounts on a yearly basis. Accounts receivable specific to each business unit are recorded in the residing business unit.

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	2020+
Columbia	$ 634	$ 634	$ 634	$ 634	$ 634	$ 14,582
Nuclear Project No. 1	35	35	35	35	35	805
Nine Canyon	667	667	667	667	667	15,341
Business Development Fund	37	37	37	37	37	851
Internal Service Fund	138	138	138	138	138	3,174
Packwood Lake Project	100	100	100	100	100	2,300
Total	**$ 1,611**	**$ 1,611**	**$ 1,611**	**$ 1,611**	**$ 1,611**	**$ 37,053**

M) **Long-Term Liabilities:** Consist of obligations related to bonds payable and the associated premiums/discounts and gains/losses. Other noncurrent liabilities are pension liabilities recognized according to GASB Statement No. 68 (see Note 6), dry storage cask liabilities for Columbia Generating Station, and other immaterial liabilities. The table below summarizes activities for all long-term liabilities excluding pension liabilities.

LONG-TERM LIABILITIES

(Dollars in thousands)

	Balance 6/30/2014	Increase	Decrease	Balance 6/30/2015
Columbia				
Revenue bonds payable	$ 3,304,805	$ 659,635	$ 556,990	$ 3,407,450
Unamortized (discount)/premium on bonds - net	150,938	47,031	30,004	167,965
Current maturities of long-term debt	32,205	114,590	32,205	114,590
Other noncurrent liabilities	11,054	2,585	661	12,978
	$ 3,499,002	**$ 823,841**	**$ 619,860**	**$ 3,702,983**
Nuclear Project No.1				
Revenue bonds payable	$ 715,905	$ 327,360	$ 202,590	$ 840,675
Unamortized (discount)/premium on bonds - net	22,919	58,197	13,066	68,050
Current maturities of long-term debt	332,100	53,750	332,100	53,750
	$ 1,070,924	**$ 439,307**	**$ 547,756**	**$ 962,475**
Nuclear Project No.3				
Revenue bonds payable	$ 1,071,400	$ 184,890	$ 175,285	$ 1,081,005
Unamortized (discount)/premium on bonds - net	35,894	30,226	12,626	53,494
Current maturities of long-term debt	157,300	47,815	157,300	47,815
	$ 1,264,594	**$ 262,931**	**$ 345,211**	**$ 1,182,314**
Nine Canyon				
Revenue bonds payable	112,120	54,895	65,395	$101,620
Unamortized (discount)/premium on bonds - net	6,802	7,671	2,979	11,494
Current maturities of long-term debt	7,265	7,130	7,265	7,130
	$ 126,187	**$ 69,696**	**$ 75,639**	**$ 120,244**

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. 65, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities", gains and losses on debt refundings have been deferred and amortized as a component of interest expense over the shorter of the remaining life of the old or new debt.

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. Revenues of Nuclear Project No.1 and Nuclear Project No.3 are recorded under other income and expense, as these two business units are terminated nuclear projects. No net revenue or loss is recognized, and no net position is accumulated. The difference between cumulative billings received and cumulative expenses is recorded as either billings in excess of costs (other credits) or as costs in excess of billings (other charges), as appropriate. Such amounts will be settled during future operating periods (see Note 5).

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 income or loss and included in Net Position for each period.

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 2015 and estimated total cost recovery projections out to the 2030 proposed end date. During FY 2015 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 $21.4 million at June 30, 2015 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:** Deferred outflows of resources are defined as the consumption of net assets by Energy Northwest that are applicable to a future reporting period, and are reported in the statement of financial position in a separate section following assets. Deferred inflows of resources are defined as acquisitions of net assets by Energy Northwest that is applicable to a future reporting period, and are reported in the statement of financial position in a separate section following liabilities.

These amounts consist of losses and gains on bond refundings, subsequent contributions, difference between projected and actual investment income, and other GASB 68 related costs (see Note 6) as labeled on the Statement of Net Position.

T) **Other Charges and Credits for Resources:** Other charges of $3.7 million relate to the Packwood relicensing effort. Other credits of $12 thousand for Nine Canyon consist of cost of issuance related to the bond refunding in FY 2015.

U) **Short-Term Debt:** The non-revolving loan facilities that were established for Project 1 and Project 3 in the amount of $235.4 million and $85.2 million respectively, in fiscal year 2014 were subsequently paid in full during fiscal year 2015. Three new non-revolving credit facilities were established in fiscal year 2015: $70.0 million for Columbia to pay a portion of debt service and operations and maintenance related costs of which $48.1 million remained outstanding as of June 30, 2015. An agreement for up to $130 million in total; $51.9 million for Project 1, $45.5 million for Columbia, and $32.6 million for Project 3 were drawn to fund debt principal maturing on July 1, 2015. Additionally, a loan agreement was established for up to $117.2 million in total; $41.1 million for Project 1 and $76.1 million for Project 3 to fund monthly debt service sinking fund requirements beginning in July 2015. No funds were drawn against the $117.2 million agreement for Project 1 and Project 3 as of June 30, 2015. Nine Canyon did not receive short-term financing during fiscal year 2015.

SHORT-TERM LIABILITIES

(Dollars in thousands)	Balance 6/30/2014	Increases	Decreases	Balance Outstanding 6/30/2015	Balance Available at 6/30/2015
Columbia					
Non-Revolving Loan	$ -	$ 93,648	$ -	$ 93,648	$ 21,842
Nuclear Project No.1					
Non-Revolving Loan	235,445	51,850	235,445	51,850	41,070
Nuclear Project No.3					
Non-Revolving Loan	85,180	32,620	85,180	32,620	76,145
Nine Canyon					
Short-term debt	-	-	-	-	-
Packwood					
Short-term debt	-	-	-	-	-
Business Development					
Short-term debt	-	-	-	-	-
Total	**$ 320,625**	**$ 178,118**	**$ 320,625**	**$ 178,118**	**$ 139,057**

NOTE 2 - Utility Plant

Utility plant activity for the year ended June 30, 2015 was as follows:

	Balance 06/30/2014	Capital Acquisitions	Sale or Other Dispositions	Balance 06/30/2015
Columbia				
Generation	$ 3,954,807	$ 152,276	$ (191)	$ 4,106,892
Decommissioning	14,768	-	-	14,768
Construction Work-in-Progress	69,150	225,054	(236,001)	58,203
Accumulated Depreciation and Decommissioning	(2,606,854)	(88,451)	191	(2,695,114)
Utility Plant, net*	**$ 1,431,871**	**$ 288,879**	**$ (236,001)**	**$ 1,484,749**
Packwood				
Generation	$ 14,635	$ 113	$ (12)	$ 14,736
Construction Work-in-Progress	-	114	(114)	-
Accumulated Depreciation	(12,892)	(86)	12	(12,966)
Utility Plant, net	**$ 1,743**	**$ 141**	**$ (114)**	**$ 1,769**
Business Development				
Generation	$ 2,898	$ 113	$ -	$ 3,011
Construction Work-in-Progress	-	113	(113)	-
Accumulated Depreciation	(1,335)	(221)	-	(1,556)
Utility Plant, net	**$ 1,563**	**$ 5**	**$ (113)**	**$ 1,455**
Nine Canyon				
Generation	$ 133,657	$ 157	$ (32)	$ 133,782
Decommissioning	861	-	-	861
Construction Work-in-Progress	-	157	(157)	-
Accumulated Depreciation and Decommissioning	(60,960)	(6,820)	32	(67,748)
Utility Plant, net*	**$ 73,558**	**$ (6,506)**	**$ (157)**	**$ 66,895**
Internal Service Fund				
Generation	$ 47,878	$ 179	$ (1,296)	$ 46,761
Construction Work-in-Progress	-	232	(179)	53
Accumulated Depreciation	(39,216)	(1,387)	1,296	(39,307)
Utility Plant, net	**$ 8,662**	**$ (976)**	**$ (179)**	**$ 7,507**

* Does not include Nuclear Fuel, net of amortization

NOTE 3 - Investments

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

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

Concentration of credit risk: Energy Northwest's investment policy 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.

INVESTMENTS (Dollars in thousands)

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value (1) (2)
Columbia	$ 282,654	$ 163	$ (73)	$ 282,744
Packwood	497	1	-	498
Nuclear Project No. 1	2,484	3	-	2,487
Nuclear Project No. 3	2,979	4	-	2,983
Business Development Fund	-	-	-	-
Internal Service Fund	22,209	14	-	22,223
Nine Canyon Wind	19,891	15	-	19,906

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

(2) The majority of investments have maturities of less than 1 year. Approximately $98.88 million have a maturity beyond 1 year with the longest maturity being June 30, 2017

NOTE 4 - Long-Term Debt

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

During the year ended June 30, 2015, Energy Northwest issued, for Project 1 and Project 3, 2014-C fixed-rate bonds. The Series 2015-A fixed-rate bonds and 2015-B fixed-rate bonds for Project 1, Columbia, and Project 3 were also issued. The Project 1, Columbia, and Project 3 bonds were issued with a coupon interest rate ranging from 0.55 percent to 5.0 percent.

The 2014-C bonds for Project 1 and Project 3 are tax-exempt fixed-rate bonds issued to repay an outstanding Note obligation originally issued to repay prior Project 1 and Project 3 bonds. The Series 2015-A bonds issued for Project 1, Columbia, and Project 3 are tax-exempt fixed-rate bonds. Series 2015-B bonds issued for Project 1, Columbia, and Project 3 are taxable fixed-rate bonds. These bonds were issued in majority to refund prior Project 1, Columbia, and Project 3 bonds (See Note 1). These transactions resulted in a net loss for accounting purposes of $8.7 million. The 2015-A, and 2015-B refunding bonds resulted in a combined economic gain of $26.0 million, $0.2 million and $1.0 million for Columbia, Project 1 and Project 3, respectively.

During fiscal year 2015, Nine Canyon issued the 2015 Series bonds that refunded prior Nine Canyon bonds. The 2015 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 loss for accounting purposes of $2.54 million. The 2015 series refunding bonds resulted in an economic gain of $5.1 million.

The Bond Proceeds, Weighted Average Coupon Interest Rates, Net Accounting Loss, and Total Defeased Bonds for Project 1 and Project 3 2014-C; Project 1, Columbia, and Project 3 2015-A and 2015-B; and 2015 Series for Nine Canyon are presented in the following tables:

BOND PROCEEDS (Dollars in thousands)

	2014C	2015A	2015B	2015	Total
Project 1	$ 235,443	$ 137,679	$ 12,435	$ -	$ 385,557
Columbia	-	377,491	329,175	-	706,666
Project 3	85,176	96,395	33,545	-	215,116
Nine Canyon	-	-	-	62,566	62,566
Total	$ 320,619	$ 611,565	$ 375,155	$ 62,566	$ 1,369,905

WEIGHTED AVERAGE COUPON INTEREST RATE FOR REFUNDED BONDS

	2014C	2015A	2015B	2015
Project 1	(A)	4.47%	5.00%	
Columbia		4.90%	5.00%	
Project 3	(A)	2.77%	5.00%	
Nine Canyon				4.82%
Total	(A)	4.24%	5.00%	4.82%

NET ACCOUNTING (GAIN)/LOSS (Dollars in thousands)

	2014C	2015A	2015B	2015	Total
Project 1	$ -	$ (273)	$ 372	$ -	$ 99
Columbia	-	(114)	7,482	-	7,368
Project 3	-	70	1,171	-	1,241
Nine Canyon	-	-	-	2,543	2,543
Total	$ -	$ (317)	$ 9,025	$ 2,543	$ 11,251

TOTAL DEFEASED (Dollars in thousands)

	2014C	2015A	2015B	2015	Total
Project 1	(A)	$ 137,680	$ 11,160	$ -	$ 148,840
Columbia	-	169,325	273,075	-	442,400
Project 3	(A)	96,140	31,330	-	127,470
Nine Canyon	-	-	-	58,265	58,265
Total	$ -	$ 403,145	$ 315,565	$ 58,265	$ 776,975

(A) The 2014C Bonds were issued with the purpose of repaying $235.4 million and $85.2 million of Project 1 and Project 3 Notes respectively established in June 2014.

WEIGHTED AVERAGE COUPON INTEREST RATE FOR NEW BONDS

	2014C	2015A	2015B	2015
Project 1	5.00%	5.00%	0.97%	
Columbia		4.80%	2.83%	
Project 3	5.00%	4.92%	1.16%	
Nine Canyon				4.65%
Total	5.00%	4.86%	2.62%	4.65%

2015 REFUNDING RESULTS

Outstanding principal on revenue and refunding bonds for the various business units as of June 30, 2015, and future debt service requirements for these bonds are presented in the following tables:

2015-A (Tax-Exempt) Transaction	Columbia	Project 1	Project 3
Cash Flow Difference			
Old debt service cash flows	$ 184,502	$ 137,680	$ 96,817
New debt service cash flows	265,370	192,176	119,074
EN interest contribution	388	-	88
Net Cash Flow Savings (Dissavings)	$ (81,256)	$ (54,496)	$ (22,345)
Economic Gain / Loss			
Present value of old debt service cash flows	$ 176,820	$ 137,165	$ 96,432
Present value of new debt service cash flows	171,150	137,043	96,055
EN interest contribution	388	-	88
Economic Gain (Loss)	$5,282	$122	$289

2015-B (Taxable) Transaction	Columbia	Project 1	Project 3
Cash Flow Difference			
Old debt service cash flows	$ 380,389	$ 12,555	$ 36,030
New debt service cash flows	347,834	12,693	34,604
EN interest contribution	4,741	194	544
Net Cash Flow Savings (Dissavings)	$ 27,814	$ (332)	$ 882
Economic Gain / Loss			
Present value of old debt service cash flows	$ 318,194	$ 12,277	$ 34,861
Present value of new debt service cash flows	292,738	11,958	33,570
EN interest contribution	4,741	194	544
Economic Gain (Loss)	$ 20,715	$ 125	$ 747

Nine Canyon 2015 Transaction	Nine Canyon
Cash Flow Difference	
Old debt service cash flows	$ 85,277
New debt service cash flows	78,855
Net Cash Flow Savings (Dissavings)	$ 6,422
Economic Gain / Loss	
Present value of old debt service cash flows	$ 67,258
Present value of new debt service cash flows	62,155
Economic Gain (Loss)	$ 5,103

COLUMBIA REVENUE AND REFUNDING BONDS

(Dollars in thousands)

Series	Coupon Rate (%)	Serial or Term Maturities	Amount
2003A	5.50	7-1-2015	$ 35,100
2004A	5.25	7-1-2017	20,375
2004C	5.25	7-1-16/2017	5,510
2005A	5.00	7-1-2015	7,960
2005C	4.74	7-1-2015	14,955
2006A	5.00	7-1-2020	50,000
2006D	5.80	7-1-2023	3,425
2007A	5.00	7-1-15/2018	51,150
2007B	5.33	7-1-20/2021	9,935
2007D	5.00	7-1-21/2024	24,235
2008A	5.00-5.25	7-1-15/2018	51,205
2008B	5.95	7-1-20/2021	12,025
2008C	5.00-5.25	7-1-21/2024	28,240
2009A	4.00-5.00	7-1-15/2018	73,695
2009B	6.80	7-1-23/2024	9,780
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	7-1-15/2023	281,410
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	0.32-4.05	7-1-15/2030	90,520
2015A	4.00-5.00	7-1-21/2038	330,460
2015B	0.55-3.84	7-1-16/2038	329,175
Revenue bonds payable			**$ 3,522,040**
Estimated fair value at June 30, 2015			**$ 3,850,705**

NUCLEAR PROJECT NO. 1 REFUNDING REVENUE BONDS

(Dollars in thousands)

Series	Coupon Rate (%)	Serial or Term Maturities	Amount
1989B	7.13	7-1-2016	$ 41,070
2005A	5.00	7-1-2015	8,925
2006A	5.00	7-1-15/2016	42,910
2007A	5.00	7-1-15/2017	34,095
2007C	5.00	7-1-16/2017	90,085
2008A	5.00-5.25	7-1-16/2017	146,700
2008D	5.00	7-1-16/2017	11,355
2009A	3.25-5.00	7-1-2015	1,670
2010A	3.00-4.00	7-1-16/2017	26,075
2012A	5.00	7-1-15/2017	111,800
2012B	5.00	7-1-2017	41,285
2012C	1.26	7-1-2015	11,095

Nuclear Project No. 1 Refunding Revenue Bonds *(Continued)*

Series	Coupon Rate (%)	Serial or Term Maturities	Amount
2014C	5.00	7-1-25-2027	197,110
2015A	5.00	7-1-27/2028	117,815
2015B	0.60-0.98	7-1-16/2017	12,435
Revenue bonds payable			**$ 894,425**
Estimated fair value at June 30, 2015			**$ 985,183**

NUCLEAR PROJECT NO. 3 REFUNDING REVENUE BONDS

(Dollars in thousands)

Series	Coupon Rate (%)	Serial or Term Maturities	Amount	
1989B	7.13	7-1-2016	$ 76,145	
1993C	5.75	7-1-15/2018	16,337	(A)
2004A	5.25	7-1-2016	30,810	
2005A	5.00	7-1-2015	10,415	
2006A	5.00	7-1-2016	3,605	
2007A	4.50-5.00	7-1-15/2018	55,755	
2007C	5.00	7-1-16/2018	29,380	
2008A	5.25	7-1-2018	13,790	
2008D	5.00	7-1-16/2017	14,740	
2009A	5.00-5.25	7-1-15/2018	92,210	
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	55,945	
2014C	5.00	7-1-2028	72,305	
2015A	3.00-5.00	7-1-17/2026	79,040	
2015B	0.60-1.38	7-1-16/2018	33,545	
Compound interest bonds accretion			**44,453**	
Revenue bonds payable			**$ 1,128,820**	
Estimated fair value at June 30, 2015			**$ 1,233,092**	

(A) Compound Interest Bonds

NINE CANYON WIND PROJECT REVENUE AND REFUNDING BONDS

(Dollars in thousands)

Series	Coupon Rate (%)	Serial or Term Maturities	Amount
2006	5.00	7-1-15/2016	$ 5,545
2012	3.00-5.00	7-1-15/2023	11,740
2014	4.00-5.00	7-1-15/2023	36,570
2015	4.00-5.00	7-1-17/2030	54,895
Revenue bonds payable			**$ 108,750**
Estimated fair value at June 30, 2015			**$ 120,423**

Total Bonds Payable	**$ 5,654,035**
Estimated fair value at June 30, 2015	**$ 6,189,403**

DEBT SERVICE REQUIREMENTS As of June 30, 2015 (Dollars in thousands)

COLUMBIA GENERATING STATION

FISCAL YEAR*	PRINCIPAL	INTEREST	TOTAL
6/30/2015 Balance:**	$ 114,590	$ 67,846	$ 182,436
2016	81,410	142,495	223,905
2017	96,715	139,690	236,405
2018	426,695	135,645	562,340
2019	416,850	120,172	537,022
2020	357,000	104,838	461,838
2021-2025	1,373,405	304,073	1,677,478
2026-2030	175,360	146,558	321,918
2031-2035	300,785	76,140	376,925
2036-2040	168,310	20,295	188,605
2041-2044	10,920	1,162	12,082
	$ 3,522,040	**$ 1,258,914**	**$ 4,780,954**

* Fiscal year for this report indicates the cash funding requirement year.
** Principal and Interest due July 1, 2015.

NUCLEAR PROJECT NO. 1

FISCAL YEAR*	PRINCIPAL	INTEREST	TOTAL
6/30/2015 Balance:**	$ 53,750	$ 23,043	$ 76,793
2016	239,700	42,336	282,036
2017	286,050	29,425	315,475
2018	-	15,746	15,746
2019	-	15,746	15,746
2020	-	15,746	15,746
2021-2025	62,525	78,731	141,256
2026-2028	252,400	24,975	277,375
	$ 894,425	**$ 245,748**	**$ 1,140,173**

* Fiscal year for this report indicates the cash funding requirement year.
** Principal and Interest due July 1, 2015.

NUCLEAR PROJECT NO. 3

FISCAL YEAR*	PRINCIPAL	INTEREST	TOTAL
6/30/2015 Balance:**	$ 47,815	$ 26,113	$ 73,928
2016	260,810	50,430	311,240
2017	191,230	38,410	229,640
2018	482,075	30,441	512,516
2019	-	7,345	7,345
2020	-	7,345	7,345
2021-2025	36,385	36,723	73,108
2026-2028	110,505	12,756	123,261
	$ 1,128,820	**$ 209,563**	**$ 1,338,383**

* Fiscal year for this report indicates the cash funding requirement year.
** Principal and Interest due July 1, 2015.

NINE CANYON WIND PROJECT

FISCAL YEAR*	PRINCIPAL	INTEREST	TOTAL
6/30/2015 Balance:**	$ 7,130	$ 2,477	$ 9,607
2016	7,440	4,831	12,271
2017	7,640	4,471	12,111
2018	8,010	4,105	12,115
2019	8,425	3,705	12,130
2020	8,835	3,296	12,131
2021-2025	37,425	9,784	47,209
2026-2030	23,845	2,983	26,828
	$ 108,750	**$ 35,652**	**$ 144,402**

* Fiscal year for this report indicates the cash funding requirement year.
** Principal and Interest due July 1, 2015.

NOTE 5 - Net Billing

Security - Nuclear Projects Nos. 1 and 3 and Columbia

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

On May 13, 1994, Energy Northwest's Board of Directors adopted resolutions terminating Nuclear Projects Nos. 1 and 3. The Nuclear Projects Nos. 1 and 3 project agreements and the net-billing agreements, except for certain sections which relate only to billing processes and accrued liabilities and obligations under the net-billing agreements, ended upon termination of the projects. Energy Northwest previously entered into an agreement with BPA to provide for continuation of the present budget approval, billing and payment processes. With respect to Nuclear Project No. 3, the ownership agreement among Energy Northwest and private companies was terminated in FY 1999. (See Note 12)

Security - Packwood Lake Hydroelectric Project

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

NOTE 6 - Pension Plans

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Washington State Public Employees Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. Plan Description

PERS was established in 1947 and its retirement benefit provisions are contained in chapters 41.34 and 41.40 RCW. PERS is a cost-sharing multiple-employer retirement system comprised of three separate pension plans for membership purposes. PERS Plan 1 and PERS Plan 2 are defined benefit plans, and PERS Plan 3 is a defined benefit plan with a defined contribution component. PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs.

PERS 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. Pursuant to RCW 41.45.060, Washington State Department of Retirement Systems (DRS) will allocate a certain portion of employer contributions from Plan 2/3 to Plan 1 in order to fund its unfunded actuarially accrued liability (UAAL).

B. Benefits Provided

PERS provides retirement, disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

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. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERS Plan 1

Provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

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

Members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

PERS Plan 2/3

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. PERS Plan 2 members are vested after the completion of five years of eligible service.

The AFC is the monthly average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by a factor that varies according to age, for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 2, 2013:

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

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

Plan 2/3 benefits include duty and nonduty disability payments, a cost- of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

C. Contributions

PERS Plan 1 Contributions

The PERS Plan 1 member contribution rate is established by statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent.

The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) at the close of Fiscal Year 2014 were as follows:

Actual Contribution Rates	Employer	Employee
Local governmental units	9.21%	6.00%

PERS Plan 2/3 Contributions

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 unfunded actuarial accrued liability (UAAL) and an administrative expense that is currently set at 0.18 percent. The Plan 2/3 contributions related to the Plan 1 UAAL are allocated by DRS and included within the Plan 1 fiduciary net position amounts.

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) at the close of Fiscal Year 2014 were as follows:

Actual Contribution Rates	Employer	Employee Plan 2	Employee Plan 3
Local governmental units	9.21%	4.92%	0%

Both Energy Northwest and the employees made the required contributions during fiscal years 2015, 2014 and 2013. The Company's required employer contributions for the years ending June 30 were as follows (in thousands):

	2015	2014	2013
PERS Plan 1	$ 32	$ 43	$ 57
PERS Plan 1 UAAL	5,679	5,342	3,021
PERS Plan 2/3	7,108	6,564	6,020
Total	$ 12,819	$ 11,949	$ 9,098

D. Pension Costs

PERS Plan 1

At June 30, 2015, Energy Northwest reported a liability of $61,290,964 for its proportionate share of the PERS Plan 1 net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to that date. Energy Northwest's proportion of the net pension liability was based on the contributions received by PERS during the measurement period for employer payroll paid dates from July 1, 2013 through June 30, 2014, relative to the total employer contributions received from all of PERS' participating employers as well as the statutorily required contributions required to fund the unfunded actuarial accrued liability. At June 30, 2013 and June 30, 2014 Energy Northwest's respective proportionate share was 1.186848% and 1.216683%, increasing 0.029835% from June 30, 2013.

For the year ended June 30, 2015, Energy Northwest recognized pension expense of $5,043,331 for its proportionate share of PERS Plan 1 pension expense.

At June 30, 2015, Energy Northwest reported its proportionate share of PERS Plan 1 deferred outflows of resources and deferred inflows of resources from the following sources (in thousands):

	Deferred Out-flows Resources	Deferred Inflows Resources
Differences between expected and actual economic experience	$ -	$ -
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings		7,664
Changes in proportion	-	-
Contributions paid to PERS subsequent to the measurement date	5,711	-
Difference between actual and proportionate employer contributions	-	59
Total	$ 5,711	$ 7,723

$5,711 thousand reported as deferred outflows of resources related to pensions resulting from Energy Northwest contributions to PERS Plan 1 subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to PERS Plan 1 pensions will be recognized in pension expense as follows (in thousands):

Year ended June 30:	Pension Expense Amount
2016	$ (1,935)
2017	(1,935)
2018	(1,935)
2019	(1,918)

PERS Plan 2/3 Pension Costs

At June 30, 2015, Energy Northwest reported a liability of $31,409 thousand for its proportionate share of the PERS Plan 2/3 net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to the measurement date. Energy Northwest's proportion of the net pension liability was based on Energy Northwest contributions received by PERS during the measurement period for employer payroll paid dates from July 1, 2013 through June 30, 2014, relative to the total employer contributions received from all of PERS' participating employers. At June 30, 2013 and June 30, 2014 Energy Northwest's respective proportionate share was 1.551499% and 1.553883%, increasing 0.002384% from June 30, 2013.

For the year ended June 30, 2015, Energy Northwest recognized pension expense of $5,035 thousand for its proportionate share of the PERS Plan 2/3 pension expense.

At June 30, 2015, Energy Northwest reported its proportionate share of the PERS Plan 2/3 deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Out-flows Resources	Deferred Inflows Resources
Differences between expected and actual economic experience	$ -	$ -
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	-	33,294
Changes in proportion	81	96
Contributions paid to PERS subsequent to the measurement date	7,108	
Total	$ 7,189	$ 33,390

$7,108 thousand reported as deferred outflows of resources related to pensions resulting from Energy Northwest contributions to the PERS Plan 2/3 subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to the PERS Plan 2/3 will be recognized in pension expense as follows (in thousands):

Year ended June 30:	Pension Expense Amount
2016	$ (8,328)
2017	(8,328)
2018	(8,328)
2019	(8,325)

E. Actuarial Assumptions

The total pension liability (TPL) for each of the plans was determined using the most recent actuarial valuation completed in 2014 with a valuation date of June 30, 2013. The actuarial assumptions used in the valuation were based on the results of Office of State Auditor's (OSA) 2007-2012 Experience Study.

Additional assumptions for the subsequent events and law changes are current as of the 2013 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2014. Plan liabilities were rolled forward from June 30, 2013 to June 30, 2014, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions:

- Inflation 3.00% per year
- Active Member Payroll Growth 3.75% per year
- Investment Rate of Return 7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 report's Combined Healthy Table and Combined Disabled Table. The Society of Actuaries published the document. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

The long-term expected rate of return on pension plan investments was determined using a building block method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs).

The CMAs contain three pieces of information for each class of assets WSIB currently invests in:

- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other asset class

WSIB uses the CMAs and their target asset allocation to simulate future investment returns at various future times.

The long-term expected rate of return of 7.50 percent approximately equals the median of the simulated investment returns over a 50 year time horizon, increased slightly to remove WSIB's implicit, small, short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a 10 to 15 year period, becomes amplified over a 50 year period.

F. Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major class included in the pension plans' target asset allocation as of June 30, 2014, are summarized in the following table:

The inflation component used to create the table is 2.70 percent and represents WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	.80%
Tangible Assets	4.10%
Real Estate	5.30%
Global Equity	6.05%
Private Equity	9.05%

G. Discount Rate

The discount rate used to measure the total pension liability was 7.50% for PERS Plans 1 and 2/3. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the asset sufficiency test included an assumed 7.70% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.70 percent.) Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS Plans 2 and 3.)Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent was used to determine the total liability.

H. Pension Liability Sensitivity

The following table (in thousands) presents Energy Northwest's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate of 7.50 percent as well as what the Energy Northwest's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Energy Northwest's proportionate share of the PERS Plan 1 net pension liability/(asset):	$ 75,547	$ 61,291	$ 49,053
Energy Northwest's proportionate share of the PERS Plan 2/3 net pension liability/(asset):	$ 131,016	$ 31,410	$ (44,671)

The pension liability has been allocated to the business units based on the percentages listed in Note 1. The total pension liability for each unit as of June 30, 2015 is as follow (in thousands):

	Energy Northwest's proportionate share of the PERS Plan 1 net pension liability:	Energy Northwest's proportionate share of the PERS Plan 2/3 net pension liability:	Total
Columbia	$ 58,600	$ 30,031	$ 88,631
Packwood	202	104	306
Business Development	1,796	920	2,716
Nine Canyon	521	267	788
Nuclear Project No. 1	172	88	260
Total	$ 61,291	$ 31,410	$ 92,701

H. Pension Plan Fiduciary Net Position

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued DRS 2014 CAFR. 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.

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.

NOTE 7 - Deferred Compensation Plans

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

For the 401(k) plan, Energy Northwest may elect to make an employer matching contribution for each of its employees who is a participant during the plan year. The amount of such an employer match shall be 50 percent of the maximum salary deferral percentage. During FY 2015 Energy Northwest contributed $3.5 million in employer matching funds while employees contributed $11.8 million.

NOTE 8 - 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 55 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 2015 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, 2015, was $0.4 million for these benefits.

During FY 2015, 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 2015 for this and other allocated costs; Columbia at 96 percent, Business Development at 3 percent, and Project 1, Nine Canyon, Packwood and Project 3 receiving the residual amount of 1 percent.

NOTE 9 - 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, 2015.

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 $13.36 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 10 - Asset Retirement Obligation (ARO)

Energy Northwest recognizes 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 12)

As of June 30, 2015, Columbia has a capital decommissioning net asset value of zero and an accumulated liability of $138.3 million for the generating plant, and for the Independent Spent Fuel Storage Installation (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.

As of June 30, 2015, Nuclear Project No. 1 has a capital decommissioning net asset value of zero and an accumulated liability of $16.7 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, 2015, Nine Canyon has a capital decommissioning net asset value of $0.5 million and an accumulated liability of $1.4 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, 2015. 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 thousands)

Columbia Generating Station		
Balance At June 30, 2014	$	131,443
Current year accretion expense		6,874
ARO at June 30, 2015	**$**	**138,317**
ISFSI		
Balance At June 30, 2014	$	2,265
Current year accretion expense		33
ARO at June 30, 2015	**$**	**2,298**
Nuclear Project No. 1		
Balance At June 30, 2014	$	16,608
Current year accretion expense		108
ARO at June 30, 2015	**$**	**16,716**
Nine Canyon Wind Project		
Balance At June 30, 2014	$	1,341
Current year accretion expense		55
ARO at June 30, 2015	**$**	**1,396**

NOTE 11 - 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 10 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 June 2014.

Energy Northwest's estimate of Columbia's decommissioning costs in FY 2015 dollars is $470.1 million (Columbia - $465.4 million and ISFSI - $4.7 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 $113.6 million in constant dollars (based on the 2015 study) and is updated biannually along with the decommissioning estimate. Both decommissioning and site restoration estimates (based on 2015 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, 2015, totaled approximately $223.0 million and $36.9 million, respectively. The fair value of cash and investment securities in the site restoration fund for Nuclear Project No. 1 is $31.7 million.

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 trusts are funded by BPA ratepayers and managed by BPA in accordance with NRC requirements and site certification agreements; the balances in these external trust funds are not reflected on Energy Northwest's balance sheet.

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, 2015, is $1.4 million. These contributions will occur through FY 2044; cash payments will begin for decommissioning and site restoration in FY 2045.

NOTE 12 - 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 10.

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 $2.9 million in network revenue bonds and $5.7 million in note payables outstanding, based on their December 30, 2014 audited financial statements. 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 $.8 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 2015 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-SAB). 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 parties have continued to engage in pretrial discovery. The case is set for a two week trial In July 2016. The outcome of this matter cannot be predicted at this time.

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 13 - **Nuclear Fuels**

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

DOE and Energy Northwest have entered into an agreement for the transfer of the DUF6 to Energy Northwest. The agreement addresses delivery and transfer of title of the DUF6, return of residual DUF6 after enrichment, storage of the EUP, and payment of DOE's costs. The costs for the handling of the DUF6 and storage of the EUP are anticipated to be $5 million or less. As of June 30, 2015, Energy Northwest had recorded approximately $0.6 million in charges to the DOE for delivery of the DUF6, storage and loading of the EUP, which is capitalized as cost of the fuel being purchased.

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

Energy Northwest and TVA have entered into an agreement for the sale and purchase of a portion of the SWU and Feed Component of the EUP. The sales under the agreement are expected to total approximately $731 million. The first delivery to TVA was on May 15, 2015 and the payment was received June 14, 2015 for $21.8 million. The total gain reported for the sale was $3.9 million reported on the Statements of Revenues, Expenses, and Changes in Net Position under Other. The remaining sales under this agreement are scheduled to take place between September 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 increased $66.0 million. Fees for disposal of fuel in the reactor are expensed as part of the fuel cost.

The current period operating expense for Columbia was $37.9 million for amortization of fuel used in the reactor. There were no DOE spent fuel disposal charges.

Energy Northwest has an Independent Spent Fuel Storage Installation (ISFSI), which is a temporary dry cask storage facility to be used until DOE completes its plan for a national repository. ISFSI will store the spent fuel in commercially available dry storage casks on a concrete pad at the Columbia site. 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 $1.8 million for dry cask storage costs which are recorded in nuclear fuel expense. The next ISFSI loading campaign is scheduled for March of 2018 for a total of 9 casks.

On August 28, 2014, Energy Northwest and the United States entered into a Settlement Agreement ("Agreement") under Energy Northwest v. United States, No. 11-447C (Fed. Cl. filed July 7, 2011). 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 was recorded in FY 2014, and received in FY 2015. In addition to settling the pending litigation, the Agreement provided that Energy Northwest could be reimbursed by the government for its allowable expenses, as defined in the Agreement, related to the U.S. Department of Energy's (DOE) continued failure to accept used nuclear fuel under the Standard Contract Energy Northwest signed with DOE in 1983.

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

Under the Agreement, Energy Northwest submitted its first claim to DOE by the deadline. The first claim covers FY13-14 (a catch-up claim). EN sought reimbursement of $16,016,574. DOE's final determination, which was accepted by EN, was for payout of $15,143,888. Payout could be as early as October 2015. The $15.1 million expected to be received from DOE was accrued as an offset against the fuel amortization where the related costs are reported.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ENERGY NORTHWEST'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (Dollars in thousands)

(Unaudited)

	PERS 1		PERS 2/3	
Measurement Date Ended June 30	2014	2013	2014	2013
Proportion of the net pension liability (asset)	1.22%	1.19%	1.55%	1.55%
Proportionate share of the net pension liability (asset)	$ 61,291	$ 71,094	$ 31,410	$ 66,351
Covered-employee payroll	439	772	144,158	139,637
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	13961.50%	9209.07%	21.79%	47.52%
Plan fiduciary net position as a percentage of the total pension liability	61.19%	55.70%	93.29%	84.60%

SCHEDULE OF ENERGY NORTHWEST'S CONTRIBUTIONS (Dollars in thousands)

(Unaudited)

	PERS 1									
Fiscal Year Ended June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	$ 32	$ 43	$ 57	$ 70	$ 88	$ 104	$ 245	$ 202	$ 175	$ 113
Contributions in Relation to the Contractually Required Contribution Subtotal	(32)	(43)	(57)	(70)	(88)	(104)	(245)	(202)	(175)	(113)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-Employee Payroll	$ 351	$ 439	$ 772	$ 996	$ 1,610	$ 1,933	$ 2,894	$ 3,297	$ 3,964	$ 4,785
Contributions as a Percentage of Covered Employee Payroll	9.12%	9.79%	7.38%	7.03%	5.47%	5.38%	8.47%	6.13%	4.41%	2.36%

	PERS 2/3									
Fiscal year Ended June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	$ 12,787	$ 11,906	$ 9,041	$ 8,760	$ 6,533	$ 6,225	$ 9,522	$ 6,016	$ 4,505	$ 2,016
Contributions in Relation to the Contractually Required Contribution	(12,787)	(11,906)	(9,041)	(8,760)	(6,533)	(6,225)	(9,522)	(6,016)	(4,505)	(2,016)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-Employee Payroll	$ 154,080	$ 144,158	$ 139,637	$ 134,777	$ 133,276	$ 123,367	$ 124,301	$ 105,464	$ 104,971	$ 97,117
Contributions as a Percentage of Covered Employee Payroll	8.30%	8.26%	6.47%	6.50%	4.90%	5.05%	7.66%	5.70%	4.29%	2.08%
PERS Plan 1 UAAL*	$ 5,679	$ 5,342	$ 3,021	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Notes to Schedules

Energy Northwest implemented GASB 68 for the year ended June 30, 2015. There were no changes in actuarial assumptions between the valuation date of June 30, 2013 and the measurement date of June 30, 2014.

*DRS allocates certain portion of contributions from PERS Plan 2/3 to PERS Plan 1 in order to fund its unfunded actuarially accrued liability (UAAL).