



PLACE HIGHEST PRIORITY ON PUBLIC HEALTH AND SAFETY

SPAIN ABNEY, Operations

- FY12
- FY13
- FY14



5% without a lost-time injury ...and counting



ELECTRIC POWER FOR NORTHWEST UTILITIES SINCE 1957

TOTAL GENERATION 10,136,395 MWh

BASELOAD POWER

A diverse mix of energy generated at Energy Northwest provides enough safe, reliable, affordable and environmentally responsible power for more than one million homes



Renewable Generation



JAMEY RICH Master Rigger



AGGREGATED DEMAND RESPONSE PILOT PROJECT

BRENDA WIESNER Health Physics

The metric tons of greenhouse gases Columbia prevents from entering the atmosphere



SMALL MODULAR REACTOR

ENERGY STORAGE



SAFE, RELIABLE, PREDICTABLE

OPERATIONS & Maintenance

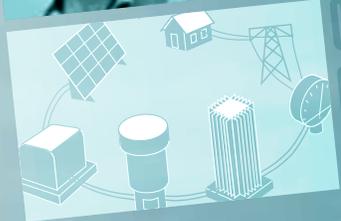
ZERO LOST TIME ACCIDENTS

98.8% Nine Canyon Wind Project Adjusted Availability Factor



4.1 Million

COLLIN SMITH Construction & Project Management



COLUMBIA GENERATION STATION

Balancing the NEW ENERGY HORIZON

JESSICA HANSEN Facilities & Commercial Engineering



Energy Northwest 2014 Annual Report





JOHN PETERSON
Engineering/Fire Protection

AARON ELSEY
Technical Services Engineering

KAITLIN CARTER
System Engineering

EXCELLENCE in
ENGINEERING

CONTENTS

4	A Message to our Stakeholders
6	Executive Board
7	Board of Directors
8	Senior Leadership
9	Project Generation
10	Columbia Generating Station
12	Nine Canyon Wind Project
14	Packwood Lake Hydroelectric Project
14	White Bluffs Solar Station
15	Operations and Maintenance
16	Generation Project Development
18	Applied Process Engineering Laboratory
18	Calibration Services Laboratory
20	Environmental & Analytical Services Laboratory
20	Industrial Development Complex
22	Environmental Stewardship
24	Community Service
26	CEO Recognition
27	FINANCIAL DATA & INFORMATION
28	Management Report on Responsibility for Financial Reporting
28	Audit, Legal and Finance Committee Chair's Letter
29	Independent Auditor's Report
30	Energy Northwest Management's Discussion and Analysis
39	Current Debt Ratings
40	Statement of Net Position
42	Statements of Revenues, Expenses and Changes in Net Position
43	Statements of Cash Flows
45	Notes to Financial Statements

KAITLIN CARTER worked with a team to develop a high-risk work plan. The plan was implemented and resulted in improved reliability and predictability of the steam supply to the seal steam evaporator. The main purpose of the seal steam evaporator is to provide sealing steam to the main turbine. A loss of steam would allow air to be pulled into the condenser creating high condenser pressure.

JOHN PETERSON maintained high standards of quality in completing design, construction and testing of fire protection features in two new buildings on-site at Columbia.

AARON ELSEY demonstrated initiative and ownership to develop a mockup of a motor control device for a high pressure core spray pump. In addition, he went to the vendor's test facility and provided oversight for the test.



SID MORRISON

MARK REDDEMANN

A MESSAGE TO OUR STAKEHOLDERS

Energy Northwest's projects soared above previous record generation numbers to bring carbon-free electricity to the Pacific Northwest in fiscal year 2014. Our dedicated team of professionals continues to focus on our Excellence Model and apply our agency's vision to the region's future energy balance.

We had a lot to celebrate this year, from safety and generation records to operating milestones.

Packwood Lake Hydroelectric project commemorated 50 years of operation and Columbia Generating Station will celebrate 30 years of commercial operation this December.

Most importantly, our employees have reached these historic milestones safely.

Energy Northwest also earned the Association of Washington Business Workplace Safety Award. The association recognized Team Energy Northwest for achieving a "remarkable" milestone of 10 million hours without a lost-time injury. By the end of the fiscal year the team surpassed 12 million work hours without a lost-time accident. Recognition by AWB coincided with Columbia breaking its operational generation record. In fiscal 2014 Columbia generated 9.8 million megawatts of electricity - a record for a non-refueling year.

12,000,000

hours without a
lost-time injury
...and counting

ZERO:
Lost Time
Accidents

9.8 Million
megawatts of electricity Columbia generated
in fiscal 2014 - a **new record**

UNDER BUDGET:
Operations & Maintenance
& Capital Expenditures

In calendar year 2013, the facility generated 8.5 million MWh of electricity – a record for a refueling year.

We attribute the success of Energy Northwest to our employees. They represent innovation, and they maintain our resources to the highest standards of excellence to provide safe, reliable, cost-effective, responsible power generation and energy solutions. We ended the year by spending 99.64 percent of the approved Columbia operations & maintenance and capital budgets of \$304.9 million, thus underscoring our dedication to investing in Columbia, while maintaining fiscal discipline and our responsibility to Northwest ratepayers.

Finally, our sincere thanks to all Energy Northwest team members who volunteered their time and talents to support the needs of the community in which we live and work. Together we are making progress on all our generation and regional energy initiatives, meeting our commitment to excellence to our industry, our peers, and our community.

Respectfully,

Sid Morrison

Chair, Executive Board

Mark Reddemann

Chief Executive Officer

“OUR DEDICATED TEAM OF PROFESSIONALS CONTINUES TO FOCUS ON OUR EXCELLENCE MODEL AND APPLY OUR AGENCY’S VISION TO THE REGION’S FUTURE ENERGY BALANCE.”

EXECUTIVE BOARD



SID MORRISON
Chair
Outside Director
Zillah, Wash.



JACK JANDA
Vice Chair
Inside Director
Shelton, Wash.



LORI SANDERS
Secretary
Inside Director
Kennewick, Wash.



MARC DAUDON
Assistant Secretary
Gubernatorial
Appointee
Seattle, Wash.



LINDA GOTT*
Inside Director
Shelton, Wash.



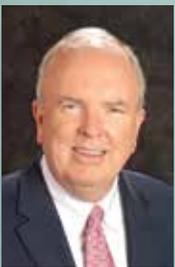
DAN GUNKEL**
Inside Director
Goldendale, Wash.



JAMES MOSS
Gubernatorial
Appointee
Edgewood, Wash.



WILL PURSER
Inside Director
Sequim, Wash.



SKIP ORSER
Outside Director
Raleigh, N.C.



DAVE REMINGTON
Gubernatorial
Appointee
Spokane, Wash.



TIM SHELDON
Outside Director
Potlatch, Wash.



KATHY VAUGHN
Inside Director
Lynnwood, Wash.

Use Resources
Cost Effectively

Place Highest
Priority on Public
Health and Safety

CRITICAL

BOARD SELF

EVALUATION

MANAGEMENT

FULFILL FIDUCIARY RESPONSIBILITIES

Conduct

Integrity and Ethical

Demonstrate

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.

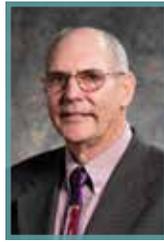
* Linda Gott’s term began June 17, 2014
** Dan Gunkel’s term ended June 17, 2014



LINDA GOTT
President
Commissioner,
Mason County PUD 3



TERRY BREWER
Vice President
Commissioner,
Grant County PUD 2



BILL GORDON
Secretary
Commissioner,
Franklin County PUD



JUDY RIDGE
Assistant Secretary
Commissioner,
Asotin County PUD



DOUG AUBERTIN
Commissioner,
Ferry County PUD



NANCY BARNES
Commissioner,
Clark Public Utilities



BARNEY BURKE
Commissioner,
Jefferson County PUD



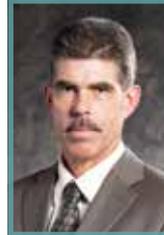
ARIE CALLAGHAN
Commissioner,
Grays Harbor County PUD 1



ANN CONGDON
Commissioner,
Chelan County PUD



BILL GAINES
Director of Utilities,
Tacoma Public Utilities



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



BUZ KETCHAM
Commissioner,
Cowlitz County PUD 1



CURT KNAPP
Commissioner,
Pend Oreille County PUD



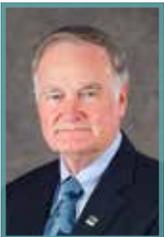
CLYDE LEACH
Commissioner,
Skamania County PUD



PHIL LUSK
Power Resources Manager,
City of Port Angeles



M.L. NORTON
General Manager,
City of Centralia



WILL PURSER
Commissioner,
Clallam County PUD



SHAN ROWBOTHAM
Commissioner,
Kittitas County PUD



LORI SANDERS
Commissioner,
Benton County 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/or 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 developing programs and projects, establishes long-term strategies in direct support of the Energy Northwest vision, and provides essential hands-on leadership to foster continual process improvement and strengthen organizational core values in the workforce.

JIM GASTON
General Manager,
Energy Services
& Development

BRAD SAWATZKE
Vice President, Nuclear
Generation; Chief
Nuclear Officer

BRENT RIDGE
Vice President,
Corporate Services;
Chief Financial Officer

MARK REDDEMANN
Chief Executive Officer

GROVER HETTEL
Vice President,
Operations

BOB DUTTON
General Counsel;
Chief Ethics Officer

ALEX JAVORIK
Vice President,
Engineering



PROJECT GENERATION IN FISCAL YEAR 2014

Columbia's generating capacity is 1,170-megawatts, enough energy to power more than a million homes.

COLUMBIA GENERATING STATION

9,781,923 MWh

239,391 MWh

NINE CANYON WIND PROJECT

The total Nine Canyon generating capability is 95.9 MW, enough energy for approximately 39,000 homes.

Packwood has produced 4,735,798 megawatt-hours of electricity since commercial operation began in 1964.

PACKWOOD LAKE HYDROELECTRIC PROJECT

115,040 MWh

41,852 kwh

WHITE BLUFFS SOLAR STATION

White Bluffs demonstration project has produced 568,287 net kilowatt-hours of electricity since commercial operation began in 2002.



FISCAL 2014 TOTAL GENERATION
10,136,395 MWh

COLUMBIA: SAFE, RELIABLE, PREDICTABLE

RICHARD
SCHULTZ

DOC
OWENS

JAMEY
RICH

RYAN
DOWNING

KEVIN
SMITH

TIM
ALLBEE



COLUMBIA GENERATING STATION

Columbia Generating Station is a boiling water reactor, using nuclear fission to heat water into high pressure steam. The steam spins turbines that are connected to a generator, producing emissions-free electricity. Columbia demonstrates Energy Northwest’s commitment to operating safely and efficiently.

Electricity produced at Columbia is provided at-cost to the Bonneville Power Administration, which delivers the power to utilities throughout Washington and other western states.

Nuclear power has proven itself safe for more than 40 years of operation at nuclear plants across the U.S. Working in a nuclear energy facility is far safer than working in the financial or insurance industries.

9,781,923 net megawatt-hours of electricity to the power grid

10% Columbia produces approximately 10 percent of the energy generated in Washington state.

365 Columbia was online every day during fiscal year 2014

4.1 Million the metric tons of greenhouse gases Columbia prevents from entering the atmosphere

RESIDUAL HEAT REMOVAL PUMP-2B REPAIR TEAM

Tim Allbee, Ryan Downing, Doc Owens, Jamey Rich, Richard Schultz and Kevin Smith successfully planned and completed, error-free, the replacement of a residual heat removal pump. During the performance of the work, they constantly looked ahead for potential barriers and worked with Engineering and Radiation Protection to remove barriers early on. As a result, the work on the pump replacement was completed with essentially no mechanical or assembly problems.

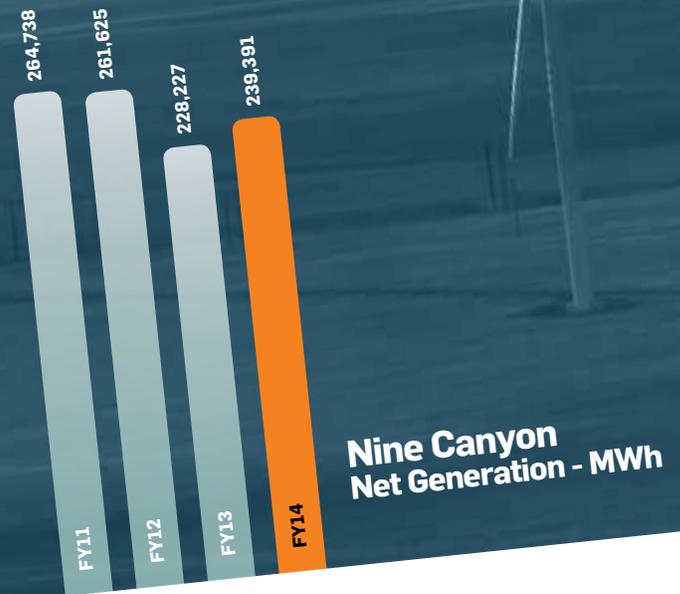


“ Columbia continues to strive for excellence. The teamwork and communication I witness on a daily basis keeps the station operating safely and reliably. ”

– **BRAD SAWATZKE**
Vice president, nuclear generation;
chief nuclear officer

Columbia - Net Generation - MWh

NINE CANYON WIND PROJECT IS ONE OF THE LARGEST PUBLIC-OWNED WIND PROJECTS IN THE NATION.



NINE CANYON WIND PROJECT

With a vision to be the region’s leader in power generation, Energy Northwest partnered with Walla Walla Community College to host the state’s first wind energy technician training program at the community college level. This increases the availability of locally skilled workforce entering the growing wind energy job market.

Nine Canyon 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 – Nine Canyon’s total installed capacity is 95.9 megawatts of clean, renewable energy.

Reaching its 11th year of renewable energy production, Nine Canyon generated more than 239,000 MWh of electricity during fiscal year 2014.

239,391

net megawatt-hours
of electricity to the
power grid

98.8%

Adjusted Availability Factor



**JENNI
KNIGHTEN**

O&M/Professional Services

Jenni Knighten evaluated the long-range costs for extending the Nine Canyon warranty. Based on her extensive research, all project participants approved to extend the contract.

In an effort to provide public outreach, Nine Canyon has hosted several tours and presentations in fiscal 2014. Nine Canyon employees spoke to more than 300 members of the community, promoting renewable energy.

Energy Northwest's Nine Canyon Wind Project utilizes employees' expertise in local wind energy technician training programs, such as those at Walla Walla Community College and Columbia Gorge Community College.

Nine Canyon is aligned on the hilltops southeast of Kennewick, Wash., and the turbines are positioned to take advantage of persistently strong winds along the Columbia River Gorge. The turbines convert those winds into electrical energy.

Each turbine has its own miniature weather station that monitors wind direction and speed. Motors atop the turbines rotate the turbines into the wind and sophisticated control systems ensure the blades turn at the optimal speed to produce electricity.

The turbines are self-starting and begin generating electricity when wind speed reaches eight miles per hour. Generation increases as the wind speed increases, with full power achieved at about 35 mph. If winds exceed 55 mph on a sustained basis, the turbines shut down automatically by pitching the blades to a stopped position while engaging a large disk brake and restart when the winds fall below 45 mph. The pitch of the blades is automatically adjusted to maximize power generation from the available wind.

PACKWOOD LAKE HYDROELECTRIC PROJECT

The 27.5 megawatt Packwood Lake Hydroelectric Project has produced low-cost energy for Northwest ratepayers for 50 years.

Generation totals for fiscal year 2014 were 115,040 megawatt-hours – up 10.93 percent from 2013 – primarily due to above average snowfall in the Cascade Mountains and a late spring runoff. The capacity factor for fiscal 2014 was 50.5 percent and the project attained 100 percent availability.

Packwood Lake is located in Lewis County, Wash., in the Gifford Pinchot National Forest, approximately 20 miles south of Mt. Rainier. The facility was Energy Northwest’s first electric power generation project.

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

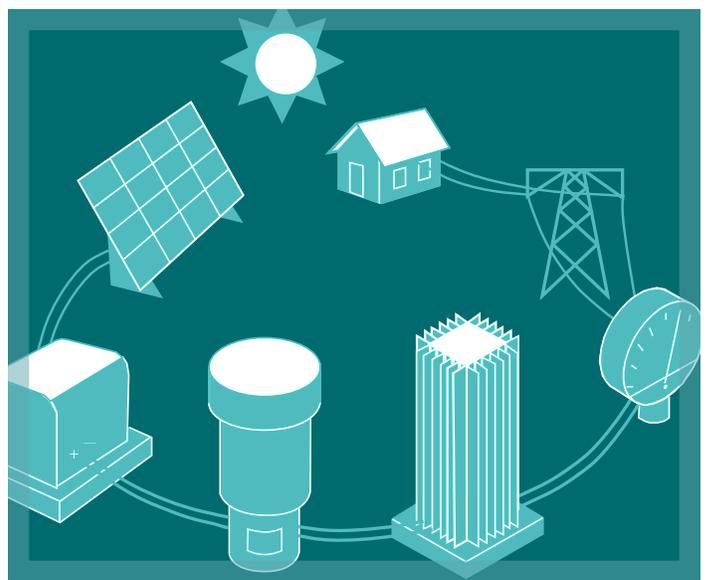
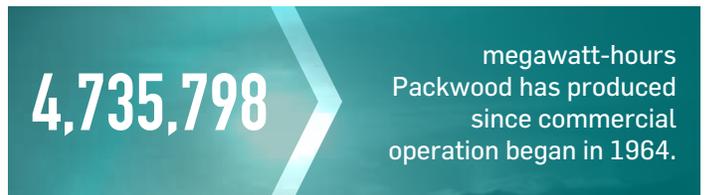
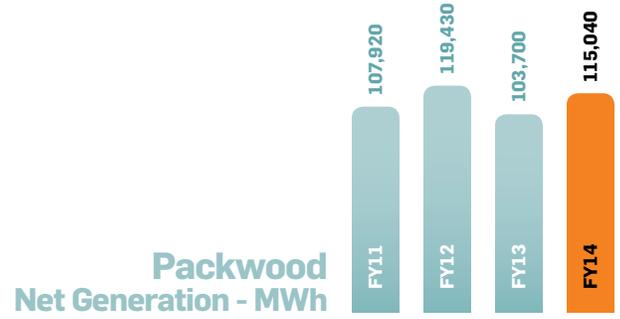
WHITE BLUFFS SOLAR STATION

White Bluffs Solar Station, a 242-panel demonstration facility with a rating of 38.7 kilowatts direct current, is located at the Industrial Development Complex near Columbia Generating Station.

The solar plant began operation in May 2002 and, at the time, was the region’s largest photovoltaic solar facility. The collaborative project is funded by Energy Northwest, the Bonneville Power Administration, the Bonneville Environmental Foundation and the U.S. Department of Energy. For more than 12 years, the generation project has provided reliable and efficient clean energy.

British Petroleum, the solar panel manufacturer, continues to support the 20-year warranty of the PV panels.

The project generated 41,852 net kilowatt-hours of electricity during fiscal year 2014.



SPAIN ABNEY

Operations

Spain Abney supported the presentation of Columbia Generating Station's Operations Training Programs to the National Nuclear Accrediting Board. The board unanimously renewed the programs for the next four year cycle. This is an important milestone on Energy Northwest's Training Excellence journey.

**OPERATIONS & MAINTENANCE**

Energy Northwest supports its members in the areas of operations and maintenance of generating facilities and electric utility automation. During fiscal 2014, Operations and Maintenance Services engaged the agency's member utilities with solutions for supervisory control and data acquisition systems, power plant optimization and developed the technical specifications for a demand response control network. The demand response program targets residential, commercial and industrial electric customers.

Energy Northwest recently added to its Operations and Maintenance portfolio, signing a contract with the city of Burbank,

Calif. to operate and maintain the Tieton Hydroelectric Project of Rimrock Lake in the Cascades.

Energy Northwest provides operations and maintenance services to Olympic View Generating Station, owned by Mason County Public Utility District 3. Olympic View is comprised of two 2.8 megawatt generating units powered by natural gas-fired reciprocating engines. The plant may operate remotely, depending on load requirements.

Operations and Maintenance also provides project management, project engineering and craft labor support for the agency's members' power generation projects.

GENERATION PROJECT DEVELOPMENT

Advanced Nuclear

Energy Northwest joined the Western Initiative for Nuclear, a collaboration to study the demonstration and deployment of a small modular reactor plant in the Western United States by signing teaming agreements with NuScale Power and Utah Associated Municipal Power Systems. The Western Initiative for Nuclear has a goal to develop the first small modular nuclear reactor project in the United States, currently scheduled to come online in the mid-2020s with a preferred location within the Idaho National Laboratory site. Under the proposed structure, UAMPS will own the project, NuScale will provide the SMR technology and Energy Northwest will provide operations and maintenance services. NuScale received grant matching funds from the Department of Energy to assist in the completion of NuScale’s design certification process with the Nuclear Regulatory Commission. The NuScale SMR design represents the next generation of commercial nuclear power plants and will deliver safe, reliable, affordable and carbon-free energy.

www.energy-northwest.com/OurEnergyProjects/SMR

SMR Small Modular Reactor

UAMPS Utah Associated Municipal Power Systems

Under the proposed structure, **UAMPS** will own the project, **NuScale** will provide the SMR technology and **Energy Northwest** will provide operations and maintenance services to the project.



Energy Storage

Following six months of successful field testing at the Nine Canyon Wind Project, the 500 kwh Battery Energy Storage System, developed by Powin Energy, was redeployed to the City of Richland’s distribution system. The battery storage unit operations and testing focused on several key distribution scale applications such as peak load shaving and distribution system support. The final phase of the three planned field deployments is for the BESS to operate “behind the meter” within partner Pacific Northwest National Laboratory’s Richland campus starting in July 2014. Concurrently, the BESS will be integrated into Energy Northwest’s regional demand response pilot program. This will allow the BESS to leverage its storage capacity, and communication and control capabilities to the success of Energy Northwest’s Demand Response Program. The BESS demonstration project provided significant technical innovation and operating experience during the last year of testing for the participants which include Energy Northwest, Powin Energy, PNNL, City of Richland and the Bonneville Power Administration. The ultimate goal of the energy storage project is to develop multiple value streams to enhance the overall cost effectiveness of energy storage for Pacific Northwest utilities and ultimately enable commercial deployment of energy storage in the region.

Demand Response

Energy Northwest’s Energy Services and Development group, and five public power partners are working closely with BPA to develop structures and technical implementation methods for a first of a kind regional demand-side resource. The Aggregated Demand Response Pilot Project provides up to 25 megawatts of fast-responding customer-side load reduction for BPA’s use as a regional grid balancing asset. The expected online date is the first quarter of 2015. As a demand-side alternative to more conventional balancing services from thermal or hydroelectric generating facilities, the demand response network developed and managed by Energy Northwest coordinates numerous customer-side loads, such as major industrial centers, commercial and institutional facilities, and residential loads. These demand-side resources change their power use in an expedited and reliable manner through communications and control infrastructures, similar to demand response systems elsewhere in the nation. Beyond the project’s 18-month pilot run, Energy Northwest intends to expand the portfolio of offered products, add additional utility partners and loads, and grow the network into a fully functional and competitive grid-scale regional balancing resource by public power and for public power.

Energy Northwest continues to identify and advance low-risk and least-cost renewable generation development opportunities, anticipating future requirements for regional utilities. During 2013, Energy Northwest affiliated with neoen Renewables, an international developer of energy projects, to advance utility-scale photovoltaic solar projects in south-central Washington. Development efforts are underway for three prospective sites in the Richland, Wash. area, including Energy Northwest’s Industrial Development Complex, with potential commercial operation dates as early as 2019. Additionally, Energy Northwest maintains close ties with other developers in the region and tendered a variety of competitively-priced wind, biomass and solar generation resource opportunities to its member utilities.

Renewable Resources

*The Aggregated Demand Response Pilot Project provides up to **25 megawatts** of fast-responding customer-side load reduction for BPA’s use as a regional grid balancing asset with an expected online date in the first quarter of 2015.*

AGGREGATED
 DEMAND
 RESPONSE
 PILOT
 PROJECT
 UTILITY-SCALE
 PHOTOVOLTAIC
 SOLAR PROJECTS
 neoen
 Renewables
 Generation
 NEOEN RENEWABLES



Small Modular Reactor
 grid balancing
 POWIN
 ENERGY
 STORAGE
 ENERGY
 REGIONAL
 DEMAND-SIDE
 RESOURCE



APPLIED PROCESS ENGINEERING LABORATORY

Energy Northwest offers the Applied Process Engineering Laboratory as a lease facility for laboratory-based research and development. Pacific Northwest National Laboratory is an anchor tenant, occupying approximately 50 percent of APEL. This provides significant financial sustainability for the leasing operation. Energy Northwest Environmental and Analytical Services utilizes six laboratory spaces for environmental and materials sample and test work in support of Columbia Generating Station and commercial customers IsoRay Medical, Environmental Assessment Services and Freestone Environmental. Approximately 20 percent of the leasable space is available for business start-ups or as specialized testing labs for emerging technologies.

APEL is a key part of the regional commitment to technology innovation, especially in clean energy, environmental sustainability and biotechnology. A participating member of the Tri-Cities Research District Innovation Partnership Zone, APEL is a “launch pad” as regional technical expertise and patented research are leveraged into new ventures. APEL provides an environment rich with resources, technical assistance and connections to potential partners and customers, which fosters collaborative innovation and technology commercialization.

Fiscal year 2014 mirrored the constrained federal and state economies. The trend in technology innovation brought inquiries primarily from existing businesses in need of specialized test facilities within a controlled operating environment. APEL’s building-wide permitted air and water systems meet that intermittent need with less cost to the entrepreneur. Unfortunately, no grassroots start-up ventures joined the APEL community this year.

APEL’s Advisory Board represents the major institutions that sponsor APEL and its mission including Energy Northwest, the Port of Benton, the Department of Energy, Washington State University-Tri-Cities, PNNL, the City of Richland and the Tri-Cities Industrial Development Council. APEL is self-funded through lease revenues.

PNNL

Pacific Northwest National Laboratory occupies approximately **50 percent** of APEL

LAUNCH PAD

Regional technical expertise and patented research are leveraged into new ventures.

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.

In addition to providing services to its primary customer, Columbia, ENSL performs work in the commercial sector, which has expanded the laboratory’s capabilities, increased the technical expertise of the staff and enhanced the quality program.

ENSL is accredited to International Standard ANSI/ISO/IEC 17025 by the American Association for Laboratory Accreditation. The laboratory was first accredited in January 2009 and has maintained laboratory accreditation. The accreditation process is performance based and requires the laboratory, through on-site assessments, to demonstrate competence in meeting stringent technical and quality requirements. ENSL’s current accreditation is valid through Jan. 31, 2015. Preparations for the next accreditation renewal will take place in the first half of fiscal 2015.

Maintaining accreditation, enhancing capabilities and continually making improvements to ENSL’s technical and quality programs, are all factors in securing contracts with several major clients. Major laboratory clientele includes Bechtel, Washington

TORQUE • FORCE • PRESSURE • VACUUM • MASS • DIMENSIONAL • ELECTRICAL
ELECTRONIC • TEMPERATURE • HUMIDITY • FLOW • VIBRATION • LIGHT • SOUND
www.energy-northwest.com/DoingBusinessWithUs

Closure Hanford, Washington River Protection Solutions, CH2M Hill, PNNL, AREVA, Columbia Energy & Environmental, High-Line Engineering, Intermech, Energy Solutions and Mid-Columbia Engineering. ENSL has provided commercial calibration services for the last 16 years. In addition, ENSL has provided on-site outage support to Columbia and other nuclear facilities through the Utilities Service Alliance shared-personnel program, Packwood Lake Hydroelectric Project and Hermiston Generating Facility. Laboratory employees also provide support through on-site audits

and surveillances of vendors for qualification and placement on the Energy Northwest Evaluated Suppliers List.

The ENSL has also been involved with educational outreach in the Tri-Cities through participation in the annual Science Technology Engineering and Math Conference and the World Metrology Day. This participation includes classroom instruction to students at local schools in hands-on applied physics, as well as hosting students at the ENSL laboratory facilities for work-based learning experiences.



ENSL Energy Northwest Standards Laboratory

USA Utilities Service Alliance

STACEY PRESNELL
Technical Training

ROB LOWE Jr.
Standards Laboratory

Stacey Presnell and Rob Lowe Jr. are involved with the Nuclear Technology Program at Columbia Basin College in Pasco. Their assistance at CBC is instrumental in supporting the next generation of nuclear professionals.

ENVIRONMENTAL & ANALYTICAL SERVICES LABORATORY

For more than 16 years, Energy Northwest's Environmental and Analytical Services Laboratory has provided 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.

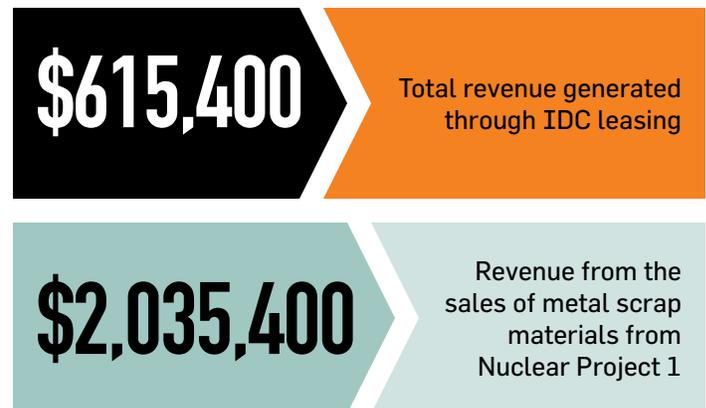
Services provided to Columbia Generating Station and outside clients include metals quantification, general chemistry, microbiological testing, radiological monitoring, lubricant condition monitoring, material verification, commercial-grade dedication of materials, and aquatic and terrestrial monitoring. This includes working with the Washington Geological Survey as part of a Department of Energy geothermal grant. Energy Services and Development financially supported the project to participate in the chemical analysis of mineral springs samples collected throughout the state of Washington.

The Radiological Environmental Monitoring Program for Columbia is operated by the laboratory and independently assesses the radiological impact of Columbia operation. The REMP lab collects and analyzes air, water and agricultural samples to ensure any environmental impact is known and quantified.

In support of Energy Northwest's ISO 14001 Environmental Management System commitment, the laboratory monitors noxious weed populations and controls these populations primarily through the use of species-specific insects. Additionally, as part of the Migratory Bird Habitat Enhancement Plan, artificial nest sites were installed during fiscal year 2012 for the burrowing owl, a "species of concern" listed by Washington state. Ongoing monitoring during subsequent fiscal years indicates that burrowing owls are using the artificial nest burrows.

Laboratory employees continue to perform key environmental assessments at the Shepherds Flat Wind Farm located in north-central Oregon. Owned by Caithness Shepherds Flat, LLC, of Sacramento, Calif., the project's 909-megawatt capacity makes it the largest wind generation facility in the United States. Involvement with the project has been ongoing since 2002.

The laboratory staff continues their involvement with educational outreach in the Tri-Cities, including presentations 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. With the laboratory's participation, students learn about 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 Generating Station and is operated by Energy Northwest. A leasing business line has successfully leveraged available outlying buildings by renting office and warehouse space, as well as former power facilities.

Tenants based at the IDC are primarily involved in the ongoing construction and restoration efforts at the Department of Energy's Hanford Site. Reduced federal funding continued through fiscal 2014, causing site support contractors to cut costs. While total leased space declined during fiscal 2014, total revenue generated through IDC leasing was \$615,400.

Energy Services and Development has a strategic plan for the IDC. The declining trend in leasing affords the opportunity to look at ways to efficiently remove unused infrastructure. An asset sales project generated \$2.035M revenue from the sales of metal scrap materials beginning in fiscal 2014. This ongoing initiative reduces site short- and long-term maintenance costs to regional ratepayers.

JESSICA HANSEN
Facilities & Commercial Engineering

JOSH WATT
Information Systems

KIM MORRIS
Human Resources



Jessica Hansen, Josh Watt and Kim Morris were part of the Work-Life Balance committee. The initiative started out as part of the fiscal year strategic plan to address employee work-life balance. The cross-functional committee established a plan and provided recommendations for change.

The cross-functional team, led by Morris, provided recommendations for change; which are now incorporated into agency procedures.

MIKE GIBSON
Information Systems

EDDIE TUBBS
Information Systems

SHERRI SCHWARTZ
Supply Chain Services



Mike Gibson led the Energy Northwest website redesign team. The team's work earned an Outstanding Achievement award from the Interactive Media Council.

Eddie Tubbs served on the agency's reorganization team who were recognized for cumulative efforts to administratively realign three senior leadership teams.

Sherri Schwartz provided support to achieve substantial savings on utility costs at Energy Northwest. She worked over the course of several months with many external entities to review and update contracts or billing agreements to ensure that Energy Northwest receives competitive pricing which included overall savings.

ENVIRONMENTAL STEWARDSHIP

Environmental Stewardship is the cornerstone of the Energy Northwest Environmental Management System and all employees are expected to consider the environment in everything they do. This, along with commitments to regulatory compliance and pollution prevention are keys to continuation of Energy Northwest’s EMS registration to the International Organization for Standardization 14001:2004 standard. Each year Energy Northwest is subjected to third-party oversight by NSF International Strategic Registrations, an accredited registrar, which ensures conformance with the rigorous requirements of the standard.

During fiscal year 2014, Energy Northwest established aggressive environmental targets for hazardous-waste generation, mixed-waste generation, prevention of hazardous material spills and strengthening energy conservation. After several years of successfully achieving aggressive reduction targets for hazardous- and mixed-waste generation, Energy Northwest did not achieve the fiscal 2014 targets. The largest contributor to these numbers within Energy Northwest is Columbia Generating Station, which performs among the best of like plants within the nuclear industry. Consistent with the Energy Northwest EMS commitment to continual improvement, these objectives will receive on-going focus in fiscal 2015.

ISO 14001:2004 sets out the criteria for an environmental management system and can be certified to. It does not state requirements for environmental performance, but maps out a framework that a company or organization can follow to set up an effective environmental management system.

Excellent performance continued in hazardous material spill prevention in fiscal 2014 with one minor spill counted as being preventable across all facilities of Energy Northwest.

To support a strategic initiative to strengthen energy conservation, an environmental objective and target was established with an initial target of 400 MWh of gained electrical efficiency across all

Energy Northwest sites. Significant lighting enhancements at Columbia led the agency to achieving 745 MWh of gained electrical efficiency, achieved primarily through conversion of exterior lighting to LED fixtures and more stringent operational control.

Energy Northwest is committed to taking care of the environment. Energy Northwest’s commitment is formally certified by the International Organization

745 MWh of gained electrical efficiency, achieved primarily through conversion of exterior lighting to LED fixtures

NSF A global independent public health and environmental organization that provides standards development, product certification, testing, auditing, education and risk management services

EARTH DAY 2014
A community cleanup project along the Yakima River.

for Standardization, which underscores the agency's compliance to international environmental standards and provides third-party validation that Energy Northwest's environmental stewardship and management efforts are both effective and sustainable.

The Environmental and Regulatory Programs group continues to provide support to the organization in ensuring rigorous compliance with regulatory requirements and conformance with the elements of the ISO 14001:2004 standard.

To improve the quality of life to members in the Columbia Basin community, more than 40 employee volunteers from Energy Northwest and AREVA teamed up to help make the Tapteal Greenway Association Trail system cleaner and more user-friendly.

The two companies partnered with the association to celebrate Earth Day and involved a community clean-up project along the Yakima River. The team of volunteers filled two large roll-away dumpsters to capacity with littered debris.

"It was very gratifying to see the turnout of volunteers on a cold, wet afternoon," said Steve Vaughn, Environmental Management System coordinator.

The project consisted of developing a path on a currently unused dirt road along the old canal which parallels the Yakima River off of Twin Bridges Road between Highway 240 and the river. Employee volunteers picked up debris and helped to convert the road to an easily accessible and "earth friendly" path that is free and open to the public.

The clean-up activity reflects both organizations' commitment to the local community and the environment.

Through these efforts, environmental stewardship opportunities continue to be identified and supported.

More than 40 employee volunteers from Energy Northwest and AREVA teamed up to help make the Tapteal Greenway Association Trail system cleaner and more user-friendly.



COMMUNITY SERVICE

One of the community and educational outreach opportunities Energy Northwest undertook this year was a series of public service announcements focusing on the value of nuclear energy and Columbia Generating Station, touting Columbia's new informational website: www.ColumbiaValue.com. The PSAs remain available for viewing on the agency's social media sites.



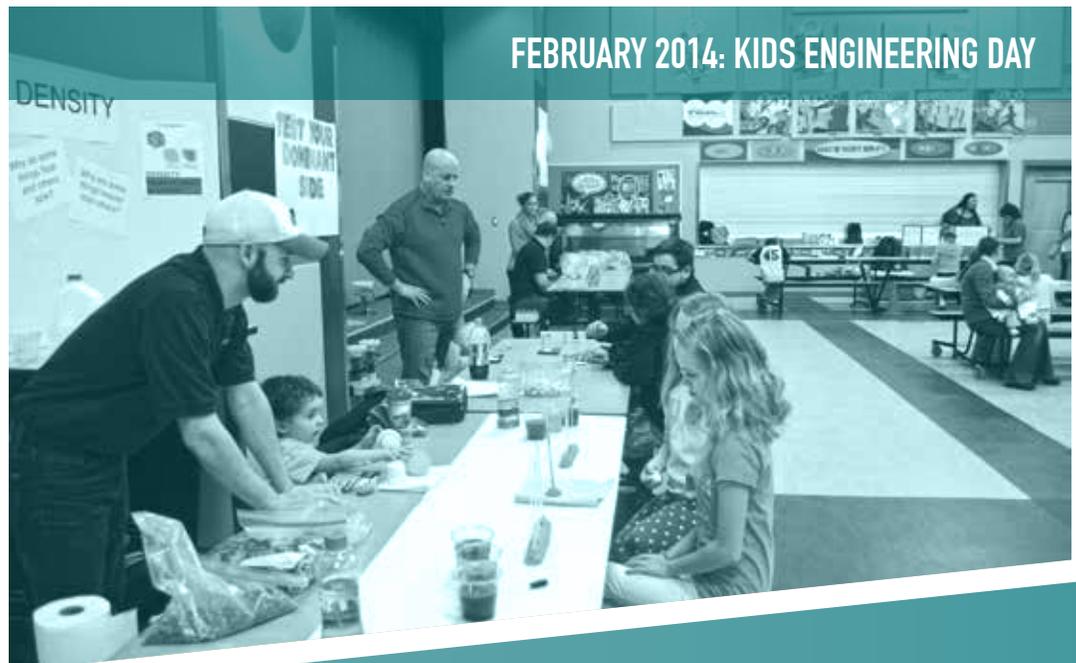
www.ColumbiaValue.com

Energy Northwest employees participated in several energy and environmental-related events throughout the year, such as Kids Engineering Day and Washington Energy Week.

Agency employees also spoke to a wide range of audiences, including many civic and business organizations, through the Energy Northwest Speakers Bureau. Our speakers visited elementary schools, universities, neighborhood associations, international agencies, and other groups throughout the state to raise public awareness and understanding of the Energy Northwest mission, nuclear power generation and regional energy issues.

As a major Washington employer and member of the local Tri-Cities business community for more than 50 years, Energy Northwest strongly believes in supporting the communities and non-profit agencies where its employees work and live.

From agency long-time veterans to the newest employees, Energy Northwest cares for our community through direct, hands-on involvement.



The agency officially sponsors three important community organizations: United Way, Head Start and March of Dimes.

United Way

Energy Northwest employees contributed more than \$72,000 to the United Way of Benton and Franklin counties. These pledges help provide hot meals to elderly neighbors, fund youth developmental programs, provide disaster relief planning for our community and build self-esteem in at-risk youth.

United Way improves lives through their Community Solutions program. The goal is that everyone living in Benton and Franklin counties has a good education; access to healthcare; lives and works in a safe environment; and is a self-sufficient, active member of the community.

March of Dimes

Team Energy Northwest raised more than \$30,000 this year for the March of Dimes, exceeding its goal and once again demonstrating the philanthropy and generosity of its employees. More than 60 Energy Northwest employees, along with their spouses, children and pets, participated in the 3.1-mile walk along the Columbia River during the 2014 Tri-Cities March for Babies event to support neonatal birth centers and local families in need. Energy Northwest was the top team contributor in the March of Dimes’ Southeastern Washington region for 2014.

Head Start

Energy Northwest celebrated 33 years of support to the Benton Franklin Head Start program and earned the Association of Washington Business’ community service award for the agency’s important and enduring service to others in the Head Start Program.

Energy Northwest commits to adopting every Head Start child for the holiday season. During fiscal 2014, employees sponsored more than 400 children.

Each child provided a wish list to Santa and received at least one toy and one clothing item. Energy Northwest employees, dressed as Santa and his elves, distributed the gifts during 11 Head Start parties.

The Head Start program is the most successful, longest-running, national school readiness program in the United States. It provides comprehensive education, health, nutrition and parent involvement services to low-income children and their families.

More than 25 million pre-school aged children have benefited from Head Start, and the number of children served in Benton and Franklin counties has more than doubled during the past two decades.

\$72,000 United Way 

 **March of Dimes**
Saving babies, together **\$30,000**

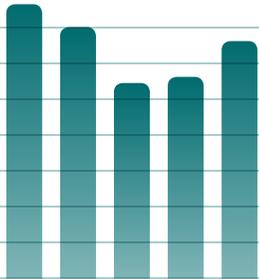
Head Start  **400**
children were sponsored by Energy Northwest employees

CEO

RECOGNITION

Congratulations to Energy Northwest employees who received CEO Leadership Performance awards. During fiscal year 2014, these employees were honored for exemplifying excellence in performance through their achievements and worker practices.

Spain Abney	Eric Fazzari	Kristopher Lapp	Steve Richter
Sabrina Absolon	John Fellman	Jaron Lee	William Robinson
Kenneth Aldridge	Marcus Fellows	Peter Lesperance	Darin Rodabaugh
Robert Alexander	Cassy Fey	Pattie Lilly	Diego Rolon
Timothy Allbee	John Fisher	Jeffrey Lippert	Michael Rowe
Nykki Apodaca	Jacque Fuller	Terry Loux	John Russ
Jeremiah Atkins	Rolly Fuller	Rob Lowe	James Saucedo
Kelly Baker	Richard Garcia	Jeremy Lundquist	Don Schirm
Ruby Barajas	Michael Gibson	Bruce MacKissock	Geoffrey Schneider
Brian Berglin	Mark Giomi	Linda Mar	Richard Schultz
Keith Berrett	Robert Green	Chris Maxwell	Edward Schumacher
Eddie Bickett	Don Gregoire	Michael McLain	David Schumann
John Blake	Dwayne Gregory	Scott Metzger	Jeff Schwartz
Mark Blake	Frank Guendelsberger	Jason Modrell	Sherri Schwartz
Chadd Bliss	Bill Guldemon	Cheri Monroe	Charles Scott
PT Boler	Robert Hammons	Chip Moon	Jason Simmons
Jessica Braun	Paul Hand	Kim Morris	John Slack
Denise Brandon	Jessica Hansen	Abbas Mostala	Angela Smith
Daryl Breard	James Hardman	Zeny Myers	Christopher Smith
David Briggs	Wayne Harper	Erik Noble	Clay Smith
OJ Brooks	Judi Hastings	Dwendell Oaks	Kevin Smith
Steven Brush	Richard Hermann	Kendal Orona	Thomas Smith
Scott Burn	Grover Hettel	Sundy Oltjenbruns	Kyle Sponholtz
James Burns	Johnathan Hicks	Arnold Owens	John Steigers
Kevin Byers	David Hiller	Craig Parker	Danny Stephens
James Cantrell	David Holick	Jessica Parker	Ben Stewart
Barry Carpenter	Michael Holle	Linda Parrella	Tim Stumetz
Kaitlin Carter	Paul Homer	Jim Paul	Ben Sturges
Karen Claussen	Jack Hoskins	Alan Peterman	Gary Swarers
Shane Combs	Jim Hysjulien	Jocelyn Peterman	Sam Szendre
Daniel Dale	Robert Inman	John Peterson	Andy Thome
Stephen Dallas	Eli Jakeman	Danae Powell	Raymond Thomson
James Darling	William Jensen	Tim Powell	Keith Trappett
James Daugherty	Darla Johnson	Lisa Poznanski	Eddie Tubbs
Jason Davis	Matthew Johnson	Stacey Presnell	Kevin VanSpeybroeck
Tanya Dion	Morgan Johnson	Don Queen	Reg Wainwright
Amy Donaldson	Steve Kartchner	Angel Rains	Linda Walker
James Dorwin	Marian Kellett	Garrett Rheaume	Ron Walton
Ryan Downing	Mark Kendrick	Michael Rhodes	Josh Watt
Zach Dunham	Daniel King	Robert Rhodes	Lisa Williams
Aaron Elsey	Jennifer Knighten	Mark Rice	Tammy Wood
AJ Fahnestock	Jennifer Kuklinski	Jamey Rich	Linda Woosley
Sandra Fardell	John Lamendola	William Richards	



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, 2014, internal control procedures are adequate.

M.E. Reddemann

Chief Executive Officer

B. Ridge

Vice President, Corporate Services and Chief Financial/Chief Risk Officer

AUDIT, LEGAL AND FINANCE COMMITTEE CHAIR'S LETTER

The executive board's Audit, Legal and Finance Committee (committee) is composed of 11 independent directors. Members of the committee are Chair Kathy Vaughn, Marc Daudon, Dan Gunkel (July 2013-June 2014), Jack Janda, Jim Moss, Skip Orser, Will Purser, Dave Remington, Lori Sanders, Tim Sheldon, Linda Gott (June 2014, replacing Dan Gunkel) and Sid Morrison, ex-officio. The committee held 10 meetings during the fiscal year ending June 30, 2014.

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinions

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

Emphasis of Matter

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

Other Matter

The accompanying management's discussion and analysis on pages 30 through 39 of the Company's 2014 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 GASB 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 25, 2014

ENERGY NORTHWEST MANAGEMENT'S DISCUSSION AND ANALYSIS

Energy Northwest is a municipal corporation and joint operating agency of the state of Washington. Each Energy Northwest business unit is financed and accounted for separately from all other current or future business assets. The following discussion and analysis is organized by business unit. The management discussion and analysis of the financial performance and activity is provided as an introduction and to aid in comparing the basic financial statements for the fiscal year (FY) ended June 30, 2014, with the basic financial statements for the FY ended June 30, 2013.

Energy Northwest has adopted accounting policies and principles that are in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. Energy Northwest's records are maintained as prescribed by the Governmental Accounting Standards Board (GASB) and, when not in conflict with GASB pronouncements, accounting standards prescribed by the Financial Accounting Standards Board (FASB). (See Note 1 to the Financial Statements.)

Because each business unit is financed and accounted for separately, the following section on financial performance is discussed by business unit to aid in analysis of assessing the financial position of each individual business unit. For comparative purposes only, the table on the following page represents a memorandum total only for Energy Northwest, as a whole, for FY 2014 and FY 2013 in accordance with GASB No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments."

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

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

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

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

The Notes to Financial Statements present disclosures that contribute to the understanding of the material presented in the financial statements. This includes, but is not limited to, Schedule of Outstanding Long-Term Debt and Debt Service Requirements (See Note 5 to the Financial Statements), accounting policies, significant balances and activities, material risks, commitments and obligations, and subsequent events, if applicable.

The basic financial statements of each business unit along with the notes to the financial statements and management discussion and analysis should be used to provide an overview of Energy Northwest's financial performance. The following discussion provides comparative financial information for the years ended June 30, 2014 and 2013. The year of 2013 has been restated to reflect changes in accounting principles per GASB Statement No. 65. (See Note 1 to the Financial Statements.) Questions concerning any of the information provided in this report should be addressed to Energy Northwest at PO Box 968, Richland, WA, 99352.

COMBINED FINANCIAL INFORMATION

June 30, 2014 and 2013 (Dollars in thousands)

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

* Energy Northwest's 2013 Statement of Net Position and Statements of Revenues and Expenses and Changes in Net Position were updated for the impacts of the required retroactive application of GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities," which became effective for Energy Northwest in fiscal year 2014. See Note 1 for a summary of this change in accounting principle.

COLUMBIA GENERATING STATION

Columbia Generating Station (Columbia) is wholly owned by Energy Northwest and its participants and operated by Energy Northwest. The plant is a 1,170-megawatt electric (MWe, Design Electric Rating, net) boiling water nuclear power plant located on the Department of Energy’s (DOE) Hanford Site north of Richland, Washington.

Columbia produced 9,781 gigawatt-hours (GWh) of electricity in FY 2014, as compared to 8,479 GWh of electricity in FY 2013, which included economic dispatch of 62 and 51 GWh respectively. The FY 2014 generation increase of 15.4 percent was due to record generation performance. Additionally, FY 2014 generation was approximately 313 GWh higher than budgeted, reflecting the continuous and successful generation run.

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

Net Position Analysis

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

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

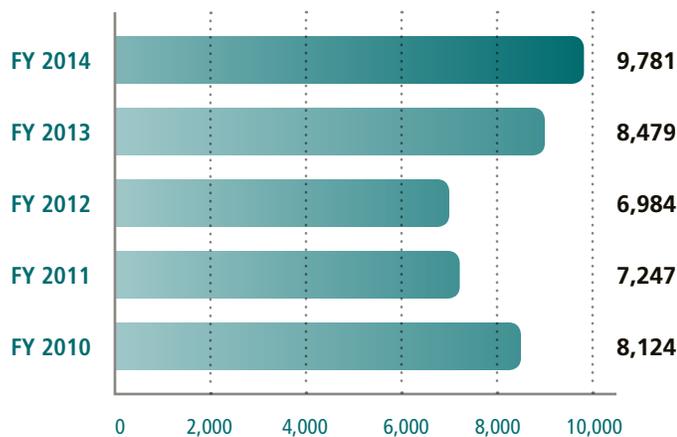
Nuclear fuel, net of accumulated amortization, increased \$13.2 million from FY 2013 to \$999.0 million for FY 2014. During FY 2014 Columbia incurred \$49.1 million in capitalized fuel activity, \$11.2 million of capitalized interest additions and \$47.0 million of amortization.

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

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

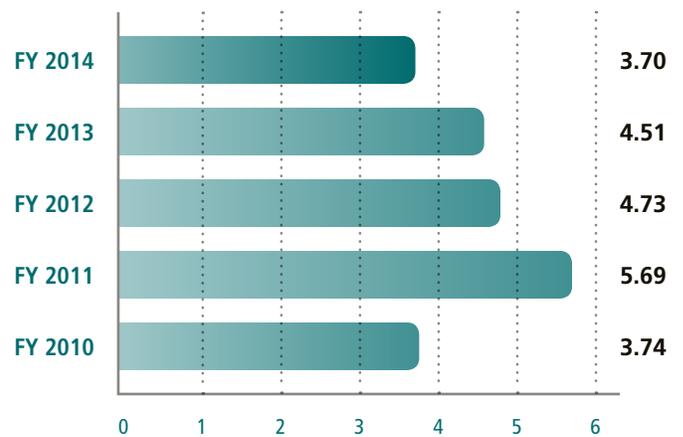
Columbia Generating Station

NET GENERATION - GWhrs



Columbia Generating Station

COST OF POWER - CENTS/kWh



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

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

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

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

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

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

Statement of Revenue and Expenses Analysis

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

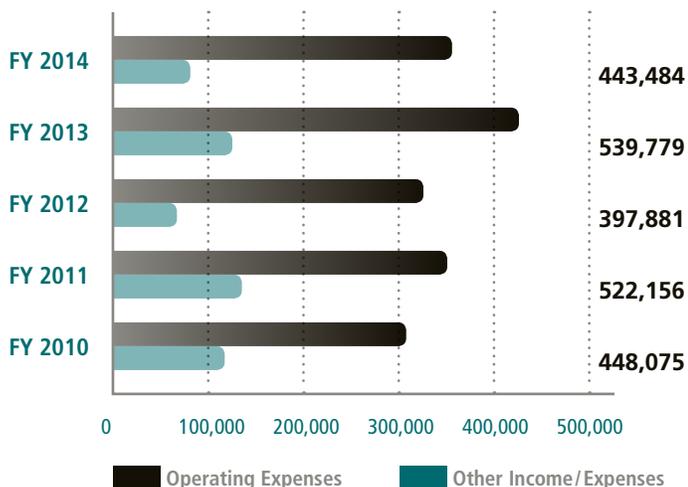
Operating expenses decreased \$55.7 million from FY 2013 costs of \$418.9 million to \$363.2 million in FY 2014. The decreases in costs were due to FY 2013 being a planned refueling year as compared to FY 2014 and were mostly in the operations and maintenance areas amounting to \$70.2 million. The decreased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

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

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

Columbia Generating Station

TOTAL OPERATING COSTS (dollars in thousands)



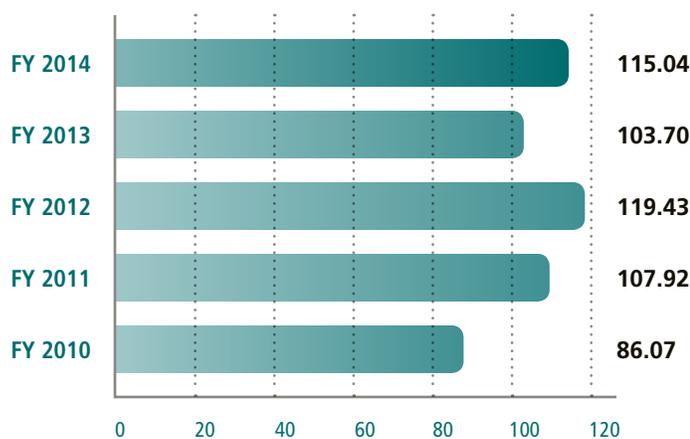
PACKWOOD LAKE HYDROELECTRIC PROJECT

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

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

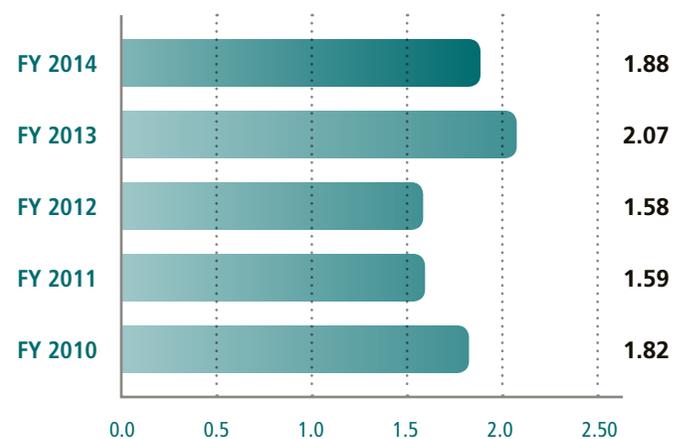
The Packwood Lake Hydroelectric Project

NET GENERATION - GWhrs



The Packwood Lake Hydroelectric Project

COST OF POWER - CENTS/kWh



Net Position Analysis

Total assets increased \$0.2 million from FY 2013, with the major driver being an increase of \$0.2 million in capital activity for utility plant. The corresponding increase to total liabilities of \$0.2 million was the increase in due to participants for the results of operations. Packwood has incurred \$3.7 million in relicensing costs through FY 2013 with no new costs incurred for FY 2014. These costs are shown as Other Charges on the Statement of Net Position. Packwood has been operating under a 50-year license issued by the FERC, which expired on February 28, 2010. Energy Northwest submitted the Final License Application (FLA) for renewal of the operating license to FERC on February 22, 2008. On March 4, 2010, FERC issued a one-year extension to operate under the original license which is indefinitely extended for continued operations until formal decision is issued by FERC and a new operating license is granted. As of June 30, 2014, Packwood continues to be relicensed under this extended agreement.

Statement of Revenue and Expenses Analysis

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

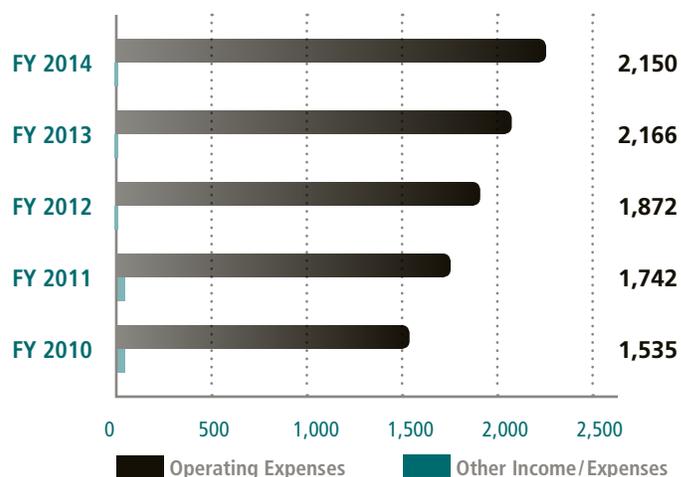
Operating expenses decreased \$28 thousand to \$2.15 million in FY 2014 from \$2.18 million in FY 2013. Operations and maintenance and administrative and general costs decreased \$58 thousand offset by increased costs of \$31 thousand for depreciation, amortization and generation tax.

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

Packwood participants are obligated to pay annual costs of the project (including any applicable debt service), whether or not the project is operable. The Packwood participants also share project revenue to the extent that the amounts exceed costs. These funds can be returned to the participants or kept within the project. As of June 30, 2014 there is \$5.8 million recorded as deferred revenues in excess of costs that are being kept within the project. Packwood participants are currently taking 100 percent of the project generation; there are no additional agreements for power sales.

The Packwood Lake Hydroelectric Project

TOTAL OPERATING COSTS (dollars in thousands)



NUCLEAR PROJECT NO. 1

Energy Northwest wholly owns Nuclear Project No. 1, a 1,250-MWe plant, which was placed in extended construction delay status in 1982, when it was 65 percent complete. On May 13, 1994, Energy Northwest's Board of Directors adopted a resolution terminating Nuclear Project No. 1. All funding requirements are net-billed obligations of Nuclear Project No. 1. Termination expenses and debt service costs comprise the activity of Nuclear Project No. 1 and are net-billed. (See Notes 6 and 13 to the Financial Statements.)

Net Position Analysis

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

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

Statement of Revenue and Expenses Analysis

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

NUCLEAR PROJECT NO. 3

Nuclear Project No. 3, a 1,240-MWe plant, was placed in extended construction delay status in 1983, when it was 75 percent complete. On May 13, 1994, Energy Northwest's Board of Directors adopted a resolution terminating Nuclear Project No. 3. Energy Northwest is no longer responsible for any site restoration costs as they were transferred with the assets to the Satsop Redevelopment Project. The debt service related activities remain the responsibility of Energy Northwest and are net-billed. (See Notes 6 and 13 to the Financial Statements.)

Net Position Analysis

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

Statement of Revenue and Expenses Analysis

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

BUSINESS DEVELOPMENT FUND

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

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

Net Position Analysis

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

Statement of Revenues and Expenses Analysis

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

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

The Business Development Fund receives contributions from the Internal Service Fund to cover cash needs during startup periods. Initial startup costs are not expected to be paid back and are shown as contributions. As an operating business unit, requests can be made to fund incurred operating expenses. In FY 2014 there were no contributions (transfers), which was also the case for FY 2013.

NINE CANYON WIND PROJECT

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

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

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

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

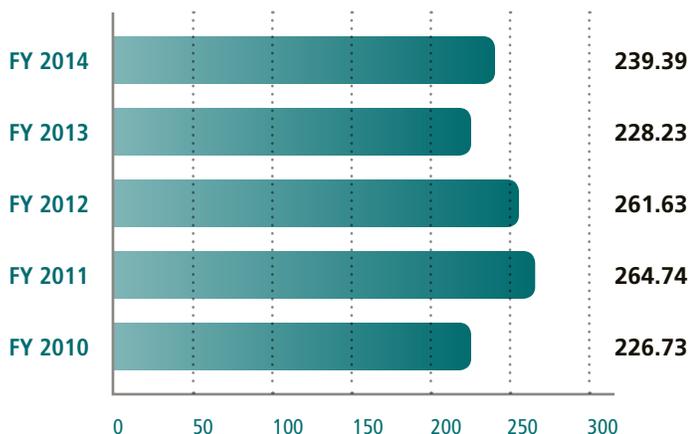
Net Position Analysis

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

In previous years Energy Northwest has accrued, as income (contribution) from the Department of Energy, Renewable Energy Production Incentive (REPI) payments that enable Nine Canyon to receive funds based on generation as it applies to the REPI legislation. REPI was created to promote increases in the generation and utilization of electricity from renewable energy sources and to further the advances of renewable energy technologies. This program, authorized under Section 1212 of the Energy Policy Act of 1992, provides financial incentive payments for electricity produced and sold by new qualifying renewable energy generation facilities. The payment stream from Nine Canyon participants and the REPI receipts were projected to cover the total costs over the purchase agreement. Continued shortfalls in REPI funding for the Nine Canyon project led to a revised rate plan to incorporate the impact of this shortfall over the life of the project. The billing rates for the Nine Canyon participants increased 69 percent and 80 percent for Phase I and Phase II participants respectively in FY 2008 in order to cover total project costs, projected out to the 2030 proposed project end date. The increases for

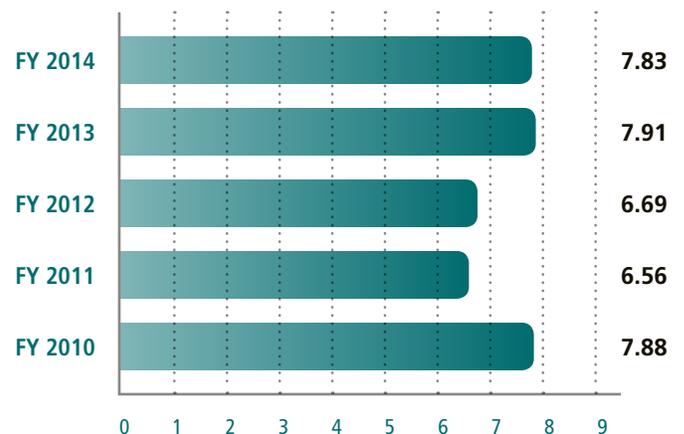
Nine Canyon Wind Project

NET GENERATION - GWh



Nine Canyon Wind Project

COST OF POWER - CENTS/kWh



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

Statement of Revenues and Expenses Analysis

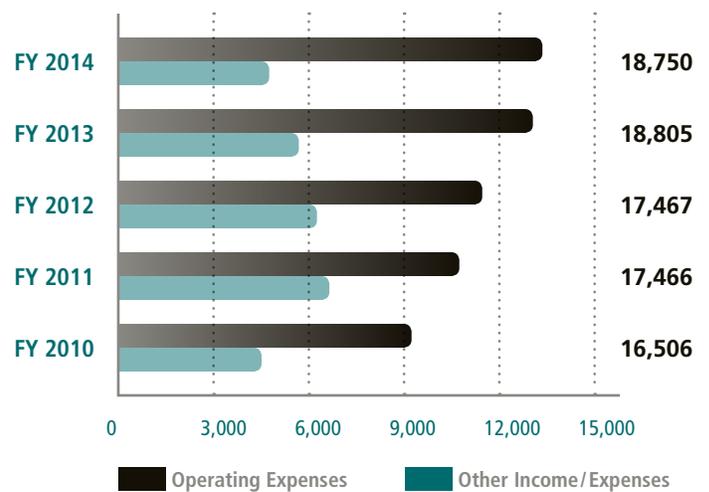
Operating revenues increased \$0.2 million from \$19.0 million in FY 2013 to \$19.2 million in FY 2014. The project received revenue from the billing of the purchasers at an average rate of \$76.33 per MWh for FY 2014 as compared to \$80.06 per MWh for FY 2013 which is reflective of the implementation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

Other income and expenses decreased \$0.5 million from \$5.7 million in net expenses FY 2013 to \$5.2 million in FY 2014. Decreased interest costs of \$0.3 million and decreases in amortized bond expenses of \$0.3 million accounted for the change. Net gain or change in net position of \$0.4 million for FY 2014 was a direct result of the planned average rate increase with lower than budgeted operating costs.

The original plan anticipated operating at a loss in the early years and gradually increasing the rate charged to the purchasers to avoid a large rate increase after the REPI expires. The REPI incentive expires 10 years from the initial operation startup date for each phase. Reserves that were established are used to facilitate this plan. The rate plan in FY 2008 was revised to account for the shortfall experienced in the REPI funding and to provide a new rate scenario out to the 2030 project end date. Energy Northwest did not receive REPI funding in FY 2014 and is not anticipating receiving any future REPI incentives. The results from FY 2014 reflect the revised rate plan scenario and gradual increase in the return of total net position.

Nine Canyon Wind Project

TOTAL OPERATING COSTS (dollars in thousands)



INTERNAL SERVICE FUND

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

Net Position Analysis

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

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

Statement of Revenues and Expenses Analysis

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

CURRENT DEBT RATINGS (Unaudited)

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

STATEMENT OF NET POSITION

As of June 30, 2014 (Dollars in thousands)

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

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

** Energy Northwest's 2013 Statement of Net Position and Statements of Revenues and Expenses and Changes in Net Position were updated for the impacts of the required retroactive application of GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities," which became effective for Energy Northwest in fiscal year 2014. See Note 1 for a summary of this change in accounting principle.

STATEMENT OF NET POSITION

As of June 30, 2014 (Dollars in thousands)

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

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

** Energy Northwest's 2013 Statement of Net Position and Statements of Revenues and Expenses and Changes in Net Position were updated for the impacts of the required retroactive application of GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities," which became effective for Energy Northwest in fiscal year 2014. See Note 1 for a summary of this change in accounting principle.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION As Of June 30, 2014 (Dollars in thousands)

	Columbia Generating Station	Packwood Lake Hydroelectric Project	Nuclear Project No.1 *	Nuclear Project No.3 *	Business Development Fund	Nine Canyon Wind Project	Subtotal	Internal Service Fund	Combined Total
OPERATING REVENUES	\$ 443,484	\$ 2,150	\$ -	\$ -	\$ 5,964	\$ 19,181	\$ 470,779	\$ -	\$ 470,779
OPERATING EXPENSES									
Services to other business units	-	-	-	-	-	-	-	-	-
Nuclear fuel	52,986	-	-	-	-	-	52,986	-	52,986
Spent fuel disposal fee	8,162	-	-	-	-	-	8,162	-	8,162
Decommissioning	6,664	-	-	-	-	86	6,750	-	6,750
Depreciation and amortization	85,144	86	-	-	226	6,804	92,260	-	92,260
Operations and maintenance	176,197	1,883	-	-	7,334	6,236	191,650	-	191,650
Administrative & general	28,929	160	-	-	-	401	29,490	-	29,490
Generation tax	5,122	25	-	-	-	51	5,198	-	5,198
Total operating expenses	363,204	2,154	-	-	7,560	13,578	386,496	-	386,496
OPERATING INCOME (LOSS)	80,280	(4)	-	-	(1,596)	5,603	84,283	-	84,283
OTHER INCOME & EXPENSE									
Other	3,259	1	41,592	47,879	1,236	-	93,967	88,555	93,927
Gain on DOE settlement	23,575	-	-	-	-	-	23,575	-	23,575
Investment income	63	3	15	28	14	44	167	6	167
Interest expense and debt amortization, net of capitalized interest	(107,177)	-	(39,505)	(47,510)	-	(5,216)	(199,408)	-	(199,408)
Plant preservation and termination costs	-	-	(1,517)	(397)	-	-	(1,914)	-	(1,914)
Depreciation and amortization	-	-	(5)	-	-	-	(5)	1,363	(5)
Decommissioning	-	-	(580)	-	-	-	(580)	-	(580)
Services to other business units	-	-	-	-	-	-	-	(89,964)	-
TOTAL OTHER INCOME & EXPENSE	(80,280)	4	-	-	1,250	(5,172)	(84,198)	(40)	(84,238)
INCOME (LOSS)	-	-	-	-	(346)	431	85	(40)	45
TOTAL NET POSITION, BEGINNING OF YEAR **	-	-	-	-	8,917	(26,597)	(17,680)	4,712	(12,968)
TOTAL NET POSITION, END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ 8,571	\$ (26,166)	\$ (17,595)	\$ 4,672	\$ (12,923)

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

** Energy Northwest's 2013 Statement of Net Position and Statements of Revenues and Expenses and Changes in Net Position were updated for the impacts of the required retroactive application of GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities," which became effective for Energy Northwest in fiscal year 2014. See Note 1 for a summary of this change in accounting principle.

STATEMENT OF CASH FLOWS

As of June 30, 2014 (Dollars in thousands)

	Columbia Generating Station	Packwood Lake Hydroelectric Project	Nuclear Project No.1 *	Nuclear Project No.3 *	Business Development Fund	Nine Canyon Wind Project	Internal Service Fund	Combined Total
CASH FLOWS FROM OPERATING AND NONOPERATING ACTIVITIES								
Operating revenue receipts	\$ 457,865	\$ 2,290	\$ -	\$ -	\$ 2,813	\$ 18,936	\$ -	\$ 481,904
Cash payments for operating expenses	(239,026)	(2,174)	-	-	(2,418)	(6,135)	-	(249,753)
Non-operating revenue receipts	100	-	148,565	128,360	-	-	-	277,025
Cash payments for preservation, termination expense	-	-	1,236	18	-	-	-	1,254
Cash payments for services net of cash received from other units	-	-	-	-	-	-	1,785	1,785
Net cash provided by operating and nonoperating activities	218,939	116	149,801	128,378	395	12,801	1,785	512,215
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Proceeds from bond refundings	670,900	-	-	26,702	-	41,392	-	738,994
Payment on refunded debt	(449,525)	-	-	(26,703)	-	(42,776)	-	(519,004)
Principal paid on revenue bond maturities	(61,020)	-	(273,055)	(166,160)	-	(6,835)	-	(507,070)
Payment for bond issuance and financing costs	(6,771)	-	(288)	(405)	-	(741)	-	(8,205)
Proceeds from notes payable	61,273	-	235,445	85,180	-	-	-	381,898
Payment for notes payable	(61,273)	-	-	-	-	-	-	(61,273)
Interest paid on bonds	(141,548)	-	(59,386)	(59,331)	-	(6,032)	-	(266,297)
Interest paid on notes	(115)	-	-	-	-	-	-	(115)
Payment for capital items	(100,456)	(125)	-	-	(196)	(39)	(259)	(101,075)
Nuclear fuel acquisitions	(49,106)	-	-	-	-	-	-	(49,106)
Proceeds from sale of capital assets	37	-	-	-	-	-	-	37
Net cash provided/(used) by capital and related financing activities	(137,604)	(125)	(97,284)	(140,717)	(196)	(15,031)	(259)	(391,216)
CASH FLOWS FROM NON-CAPITAL FINANCE ACTIVITIES								
	-	-	-	-	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchases of investment securities	(188,296)	-	(6,038)	(36,804)	(6,945)	(35,465)	(41,395)	(314,943)
Sales of investment securities	77,617	500	219,488	184,391	4,021	38,034	42,507	566,558
Interest on investments	154	28	55	65	45	110	658	1,115
Net cash provided/(used) by investing activities	(110,525)	528	213,505	147,652	(2,879)	2,679	1,770	252,730
NET INCREASE (DECREASE) IN CASH	(29,190)	519	266,022	135,313	(2,680)	449	3,296	373,729
CASH AT JUNE 30, 2013	169,032	373	99,171	58,997	5,223	18,587	406	351,789
CASH AT JUNE 30, 2014 (NOTE B)	\$ 139,842	\$ 892	\$ 365,193	\$ 194,310	\$ 2,543	\$ 19,036	\$ 3,702	\$ 725,518

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

** Energy Northwest's 2013 Statement of Net Position and Statements of Revenues and Expenses and Changes in Net Position were updated for the impacts of the required retroactive application of GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities," which became effective for Energy Northwest in fiscal year 2014. See Note 1 for a summary of this change in accounting principle.

STATEMENT OF CASH FLOWS

As of June 30, 2014 (Dollars in thousands)

	Columbia Generating Station	Packwood Lake Hydroelectric Project	Nuclear Project No.1 *	Nuclear Project No.3 *	Business Development Fund	Nine Canyon Wind Project	Internal Service Fund	Combined Total
RECONCILIATION OF NET OPERATING REVENUES TO NET CASH FLOWS PROVIDED BY OPERATING AND NON OPERATING ACTIVITIES								
Net income/loss from operations	\$ 80,280	\$ (4)	\$ -	\$ -	\$ (1,596)	\$ 5,602	\$ -	\$ 84,282
Adjustments to reconcile net operating revenues to cash provided by operating activities:								
Depreciation and amortization	132,496	80	-	-	185	6,793	1,364	140,918
Decommissioning	6,664	-	-	-	-	33	-	6,697
Non-operating revenues	-	-	41,593	47,879	-	-	-	89,472
Other	(360)	97	-	-	1,078	770	(40)	1,545
Change in operating assets and liabilities:								
Deferred charges/costs in excess of billings	19,859	(19)	109,745	80,504	-	-	-	210,089
Accounts receivable	(237)	(11)	1	3	348	(245)	(30)	(171)
Materials and supplies	(18,727)	-	-	-	-	-	-	(18,727)
Prepaid and other assets	(326)	(4)	-	-	140	(108)	333	35
Due from/to other business units	(26,067)	(122)	(57)	(23)	(400)	(166)	26,835	-
Accounts payable	25,357	99	(1,481)	15	640	122	(26,677)	(1,925)
Net cash provided by operating and nonoperating activities	\$ 218,939	\$ 116	\$ 149,801	\$ 128,378	\$ 395	\$ 12,801	\$ 1,785	\$ 512,215
Non-cash activities								
Capitalized interest	19,115	-	-	-	-	-	-	19,115

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

** Energy Northwest's 2013 Statement of Net Position and Statements of Revenues and Expenses and Changes in Net Position were updated for the impacts of the required retroactive application of GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities," which became effective for Energy Northwest in fiscal year 2014. See Note 1 for a summary of this change in accounting principle.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Operations and Significant Accounting Policies

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

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

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

Energy Northwest maintains seven business units. Each unit is financed and accounted for separately from all other current or future business units.

All electrical energy produced by Energy Northwest's net-billed business units is ultimately delivered to electrical distribution facilities owned and operated by Bonneville Power Administration (BPA) as part of the Federal Columbia River Power System. BPA in turn distributes the electricity to electric utility systems throughout the Northwest, including participants in Energy Northwest's business units, for ultimate distribution to consumers. Participants in Energy Northwest's net-billed business units consist of public utilities and rural electric cooperatives located in the western United States who have entered into net-billing agreements with Energy Northwest and BPA for participation in one or more of Energy Northwest's business units. BPA is obligated by law to establish rates for electric power which will recover the cost of electric energy acquired from Energy Northwest and other sources, as well as BPA's other costs (see Note 6).

Energy Northwest operates the Columbia Generating Station (Columbia), a 1,170-MWe (Design Electric Rating, net) generating plant completed in 1984. Energy Northwest has obtained all permits and licenses required to operate Columbia. Columbia was issued a standard 40-year operating license by the Nuclear Regulatory Commission (NRC) in 1983. On January 19, 2010 Energy Northwest submitted an application to the NRC to renew the license for an additional 20 years, thus continuing operations to 2043. A renewal license was granted by the NRC on May 22, 2012 for continued operation of Columbia to December 31, 2043.

Energy Northwest also operates the Packwood Lake Hydroelectric Project (Packwood), a 27.5-MWe generating plant completed in 1964. Packwood has been operating under a 50-year license issued by the Federal Energy Regulatory Commission (FERC), which expired on February 28, 2010. Energy Northwest submitted the Final License Application (FLA) for renewal of the operating license to FERC on February 22, 2008. On March 4, 2010, FERC issued a one-year extension, or until the issuance of a new license for the project or other disposition under the Federal Power Act, whichever comes first. FERC is awaiting issuance of the National Oceanic and Atmospheric Administration's (NOAA) Biological Opinion, after which FERC will complete the final license renewal documentation for Packwood. Costs incurred to date for relicensing are \$3.7 million included in other charges.

The electric power produced by Packwood is sold to 12 project participant utilities which pay the costs of Packwood. The Packwood participants are obligated to pay annual costs of Packwood including debt service, whether or not Packwood is operable. The participants also share Packwood revenue. (See Note 6).

Nuclear Project No. 1, a 1,250-MWe plant, was placed in extended construction delay status in 1982, when it was 65 percent complete. Nuclear Project No. 3, a 1,240-MWe plant, was placed in extended construction

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

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

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

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

Energy Northwest's fiscal year begins on July 1 and ends on June 30. In preparing these financial statements, the company has evaluated events and transactions for potential recognition or disclosure through September 25, 2014, the date of audit opinion issuance date.

The following is a summary of the significant accounting policies:

a) Basis of Accounting and Presentation: The accounting policies of Energy Northwest conform to Generally Accepted Accounting Principles (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Energy Northwest has applied all applicable GASB pronouncements and has applied Financial Accounting Standards Board (FASB) standards, as other accounting literature, in those areas not directly prescribed by GASB and to the extent that they do not conflict with or contradict GASB pronouncements. The accounting and reporting policies of Energy Northwest are regulated by the Washington State Auditor's Office and are based on the Uniform System of Accounts prescribed for public utilities and licensees by FERC. Energy Northwest uses an accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Revenues and expenses related to Energy Northwest's operations are considered to be operating revenues and expenses; while revenues and expenses related to capital, financing and investing activities are considered to be other income and expenses. Separate funds and books of accounts are maintained for each business unit. Payment of the obligations of one business unit with funds of another business unit is prohibited, and would constitute violation of bond resolution covenants (See Note 5).

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

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

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

The combined total column on the financial statements is for presentation (unaudited) only as each Energy Northwest business unit is financed and accounted for separately from all other current and future business units. The FY 2014 Combined Total includes eliminations for transactions between business units as required in GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

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

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

GASB 65 CHANGES (Dollars in thousands)

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

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

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

Buildings and Improvements	20 - 60 years
Generation Plant	40 years
Transportation Equipment	6 - 9 years
General Plant and Equipment	3 - 15 years

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

The utility plant and net position of Nuclear Projects Nos. 1 and 3 have been reduced to their estimated net realizable values due to termination. A write-down of Nuclear Projects Nos. 1 and 3 was recorded in FY 1995 and included in Cost in Excess of Billings. Interest expense, termination expenses and asset disposition costs for Nuclear Projects Nos. 1 and 3 have been charged to operations (see Note 11).

- c) Capitalized Interest:** Energy Northwest analyzes the gross interest expense relating to the cost of the bond sale, taking into account interest earnings and draws for purchase or construction reimbursements for the purpose of analyzing impact to the recording of capitalized interest. If estimated costs are more than inconsequential, an adjustment is made to allocate capitalized interest to the appropriate plant account. Capitalized interest costs were \$19.1 million. This amount includes an adjustment

for a correction of an error which relates to prior periods. The cumulative, net effect of the prior period correction recorded in the current year is \$18.7 million, of which \$11.7 million has been capitalized to Nuclear Fuel and \$7 million to Utility Plant. Capitalized interest relating to fiscal year 2014 is \$0.4 million. The correction of the error in the current period is not considered to have a material effect on the fiscal 2014 financial statements.

- d) Nuclear Fuel:** Energy Northwest has various agreements for uranium concentrates, conversion, and enrichment to provide for short-term enriched uranium product and long-term enrichment services. All expenditures related to the initial purchase of nuclear fuel for Columbia, including interest, were capitalized and carried at cost.
- e) Asset Retirement Obligation:** Energy Northwest has adopted ASC 410, Asset Retirement and Environmental Obligations. This standard requires Energy Northwest to recognize the fair value of a liability associated with the retirement of a long-lived asset, such as: Columbia Generating Station, Nuclear Project No. 1, and Nine Canyon, in the period in which it is incurred (see Note 11).
- f) Decommissioning and Site Restoration:** Energy Northwest established decommissioning and site restoration funds for Columbia and monies are being deposited each year in accordance with an established funding plan (see Note 12).
- g) Restricted Assets:** In accordance with bond resolutions, related agreements and laws, separate restricted accounts have been established. These assets are restricted for specific uses including debt service, construction, capital additions and fuel purchases, unplanned operation and maintenance costs, termination, decommissioning, operating reserves, financing, long-term disability, and workers' compensation claims. They are classified as current or non-current assets as appropriate.
- h) Cash and Investments:** For purposes of the Statements of Cash Flows, cash includes unrestricted and restricted cash balances and each business unit maintains its cash and investments. Short-term highly liquid investments are not considered to be cash equivalents, but are classified as available-for-sale investments and are stated at fair value with unrealized gains and losses reported in investment income (see Note 3). Energy Northwest resolutions and investment policies limit investment authority to obligations of the United States Treasury, Federal National Mortgage Association and Federal Home Loan Banks. Safe keeping agents, custodians, or trustees hold all investments for the benefit of the individual Energy Northwest business units.
- i) Accounts Receivable:** The percentage of sales method is used to estimate uncollectible accounts. The reserve is then reviewed for adequacy against an aging schedule of accounts receivable. Accounts deemed uncollectible are transferred to the provision for uncollectible accounts on a yearly basis. Accounts receivable specific to each business unit are recorded in the residing business unit.

j) Other Receivables: Other receivables include amounts related to the Internal Service Fund from miscellaneous outstanding receivables from other business units which have not yet been collected. The amounts due to each business unit are reflected in Due To/From other business units. Other receivables specific to each business unit are recorded in the residing business unit.

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

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

PROJECTS OPERATING LEASE COSTS (Dollars in thousands)					
	2015	2016	2017	2018	2019+
Columbia	\$ 635	\$ 635	\$ 635	\$ 635	\$ 15,240
Nuclear Project No. 1	35	35	35	35	840
Nine Canyon	704	704	704	704	16,896
Business Development Fund	81	81	81	81	1,944
Internal Service Fund	136	136	136	136	3,264
Packwood	110	110	110	110	2,640
Total	\$ 1,701	\$ 1,701	\$ 1,701	\$ 1,701	\$ 40,824

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

n) Debt Premium, Discount and Expense: Original issue and reacquired bond premiums, discounts and expenses relating to the bonds are amortized over the terms of the respective bond issues using the bonds outstanding method which approximates the effective interest method. In accordance with GASB Statement No. 23, Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities, losses on debt refundings have been deferred and amortized as a component of interest expense over the shorter of the remaining life of the old or new debt.

o) Revenue Recognition: Energy Northwest accounts for expenses on an accrual basis, and recovers, through various agreements, actual cash requirements for operations and debt service for Columbia, Packwood, Nuclear Project No. 1 and Nuclear Project No. 3. For these business units, Energy Northwest recognizes revenues equal to expenses for each period. No net revenue or loss is recognized, and no net position is accumulated. The difference between cumulative billings received and cumulative expenses is recorded as either billings in excess of costs (other credits) or as costs in excess of billings (other charges), as appropriate. Such amounts will be settled during future operating periods (see Note 6).

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

LONG-TERM LIABILITIES (Dollars in thousands)

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

p) Capital Contribution: Renewable Energy Performance Incentive (REPI) payments enable Nine Canyon to receive funds based on generation as it applies to the REPI bill. REPI was created as part of the Energy Policy Act of 1992 to promote increases in the generation and utilization of electricity from renewable energy sources and to further the advances of renewable energy technologies.

This program, authorized under section 1212 of the Energy Policy Act of 1992, provides financial incentive payments for electricity produced and sold by new qualifying renewable energy generation facilities. Nine Canyon did not record a receivable for FY 2014 REPI funding as no funds are anticipated to be disbursed to Energy Northwest under this program. The payment stream from Nine Canyon participants and the anticipated REPI funding were projected to cover the total costs of the purchase agreement. Permanent shortfalls in REPI funding for the Nine Canyon project led to a revised rate plan to incorporate the impact of this shortfall over the life of the project. The current rate schedule for the Nine Canyon participants covers total estimated project costs occurring in FY 2014 and estimated total cost recovery projections out to the 2030 proposed end date. During FY 2014 there was no cost recovery obtained from REPI.

q) Compensated Absences: Employees earn leave in accordance with length of service. Energy Northwest accrues the cost of personal leave in the year when earned. The liability for unpaid leave benefits and related payroll taxes was \$20.4 million at June 30, 2014 and is recorded as a current liability.

r) Use of Estimates: The preparation of Energy Northwest financial statements in conformity with GAAP requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Certain incurred expenses and revenues are allocated to the business units based on specific allocation methods that management considers to be reasonable.

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

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

SHORT-TERM LIABILITIES (Dollars in thousands)

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

NOTE 2 – Utility Plant

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

UTILITY PLANT ACTIVITY (Dollars in thousands)

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

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

NOTE 3

AVAILABLE-FOR-SALE INVESTMENTS (Dollars in thousands)

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

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

(2) No investments shown have a maturity greater than one year.

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

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

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

Custodial credit risk, deposits: For a deposit, this is the risk that in the event of bank failure, Energy Northwest's deposits may not be returned to it. Energy Northwest's demand deposit interest bearing accounts and certificates of deposits are covered up to \$250,000 by Federal Depository Insurance (FDIC) while time and savings deposit non-interest bearing accounts are covered up to an additional \$250,000 by FDIC. All interest and non-interest bearing deposits are covered by collateral held in a multiple financial institution collateral pool administered by the Washington state Treasurer's Local Government Investment Pool (PDPC). Under state law, public depositories under the PDPC may be assessed on a prorated basis if the pool's collateral is insufficient to cover a loss. All deposits are insured by collateral held in the multiple financial institution collateral pool. State law requires deposits may only be made with institutions that are approved by the PDPC.

NOTE 4 – Other Charges and Credits for Resources

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

NOTE 5 - Long-Term Debt

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

1299 (2003 Bonds), Resolution No. 1376 (2005 Bonds), Resolution No.1482 (2006 Bonds), Resolution No. 1722 (2012 Bonds), and Resolution No. 1789 (2014 Bonds). No 2001 or 2003 Nine Canyon bonds remained outstanding as of June 30, 2014 under Resolution Nos. 1214 and 1299 respectively.

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

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

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

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

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

BOND PROCEEDS (Dollars in millions)

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

WEIGHTED AVERAGE COUPON INTEREST RATE FOR REFUNDED BONDS

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

WEIGHTED AVERAGE COUPON INTEREST RATE FOR NEW BONDS

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

NET ACCOUNTING LOSS (Dollars in millions)

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

TOTAL DEFEASED (Dollars in millions)

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

2014 REFUNDING RESULTS (Dollars in thousands)

CASH FLOW DIFFERENCE

2014-A (Tax-Exempt) Transaction

Columbia

Prior Debt Service	\$	488,911
EN Interest Contribution		(4,190)
Refunding Debt Service		(479,202)
Net Cash Flow Savings (Dissavings)	\$	5,519

Project 3

Prior Debt Service	\$	27,928
Refunding Debt Service		(26,578)
Net Cash Flow Savings (Dissavings)	\$	1,350

2014-B (Taxable) Transaction

Columbia

Prior Debt Service	\$	62,301
Refunding Debt Service		(64,867)
Net Cash Flow Savings (Dissavings)	\$	(2,566)

Nine Canyon 2014 Transaction

Nine Canyon

Prior Debt Service	\$	52,758
Refunding Debt Service		(46,725)
Net Cash Flow Savings (Dissavings)	\$	6,033

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

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

COLUMBIA GENERATING REVENUE AND REFUNDING BONDS

(Dollars in thousands)

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

NUCLEAR PROJECT NO. 1 REFUNDING REVENUE BONDS

(Dollars in thousands)

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

NUCLEAR PROJECT NO. 3 REFUNDING REVENUE BONDS

(Dollars in thousands)

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

(A) Compound Interest Bonds

NINE CANYON WIND PROJECT REVENUE AND REFUNDING BONDS

(Dollars in thousands)

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

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

COLUMBIA GENERATING STATION

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

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

** Principal and Interest due July 1, 2014.

NUCLEAR PROJECT NO. 3

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

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

** Principal and Interest due July 1, 2014.

*** Adjustment for Compound Interest Bonds accretion; Compound Interest Bonds are reflected at their face amount less discount on the balance sheet.

NUCLEAR PROJECT NO. 1

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

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

** Principal and Interest due July 1, 2014.

NINE CANYON WIND PROJECT

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

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

** Principal and Interest due July 1, 2014.

NOTE 6 - Net Billing**Security - Nuclear Projects Nos. 1 and 3 and Columbia**

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

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

Security - Packwood Lake Hydroelectric Project

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

NOTE 7 - Pension Plans

Substantially all Energy Northwest full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements No. 27, Accounting for Pensions by State and Local Government Employers and No. 50, Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27.

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

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

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

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

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

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

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

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

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

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

Plan 1 members may elect to receive an optional COLA that provides

an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3% annually. To offset the cost of this annual adjustment, the benefit is reduced.

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

PERS Plan 2 members who have at least 20 years of service credit, and are 55 years of age or older, are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

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

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

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

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

Funding Policy

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

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed

to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

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

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

Members Not Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****
<p>* The employer rates include the employer administrative expense fee currently set at 0.18%.</p> <p>** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.</p> <p>*** Plan 3 defined benefit portion only.</p> <p>**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.</p> <p>***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.</p>			

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

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

NOTE 8 - Deferred Compensation Plans

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

For the 401(k) plan, Energy Northwest may elect to make an employer matching contribution for each of its employees who is a participant during the plan year. The amount of such an employer match shall be 50 percent of the maximum salary deferral percentage. During FY 2014 Energy Northwest contributed \$3.2 million in employer matching funds while employees contributed \$10.8 million for FY 2014.

NOTE 9 - Other Employment Benefits – Post-Employment

In addition to the pension benefits available through PERS, Energy Northwest offers post-employment life insurance benefits to retirees who are eligible to receive pensions under PERS Plan 1, Plan 2, and Plan 3. There are 57 retirees who remain participants in the insurance program. In 1994, Energy Northwest's Executive Board approved provisions which continued the life insurance benefit to retirees at 25 percent of the premium for employees who

retire prior to January 1, 1995, and charged the full 100 percent premium to employees who retired after December 31, 1994. The life insurance benefit is equal to the employee's annual rate of salary at retirement for non-bargaining employees retiring prior to January 1, 1995. The life insurance benefit has a maximum limit of \$10,000 for retirees after December 31, 1994. The cost of coverage for retirees remained unchanged for FY 2014 and was \$2.82 per \$1,000 of coverage. Employees who retired prior to January 1, 1995, contribute \$.58 cents per \$1,000 of coverage while Energy Northwest pays the remainder; retirees after December 31, 1994, pay 100 percent of the cost coverage. Premiums are paid to the insurer on a current period basis. At the time each employee retired, Energy Northwest accrued an estimated liability for the actuarial value of the future premium. Energy Northwest revises the liability for the actuarial value of estimated future premiums, net of retiree contributions. The total liability recorded at June 30, 2014, was \$0.5 million for these benefits.

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

NOTE 10 - Nuclear Licensing and Insurance

Nuclear Licensing

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

Nuclear Insurance

Nuclear insurance includes liability coverage, property damage, decontamination and premature decommissioning coverage and accidental outage and/or extra expense coverage. The liability coverage is governed by the Price-Anderson Act (Act), while the property damage, decontamination and premature decommissioning coverage are defined by the Code of Federal Regulations. Energy Northwest continues to maintain all regulatory required limits as defined by the NRC, Code of Federal Regulations and the Act. The NRC requires Energy Northwest to certify nuclear insurance limits on an annual basis. Energy Northwest intends to maintain insurance against nuclear risks to the extent such insurance is available on reasonable terms and in an amount and form consistent with customary practice. Energy Northwest is self-insured to the extent that losses (i) are within the policy deductibles, (ii) are not covered per policy exclusions, terms and limitations, (iii) exceed the amount of insurance maintained, or (iv) are not covered due to lack of insurance availability. Such losses could have an effect on Energy Northwest's results of operations and cash flows. All dollar figures noted below are as of June 30, 2014.

American Nuclear Insurance (ANI) Coverage: The Act provides financial protection for the public in the event of a significant nuclear generation plant incident. The Act sets the statutory limit of public liability for a single nuclear incident at \$13.2 billion. Energy Northwest addresses this requirement through a combination of private insurance and an industry-

wide retrospective payment program called Secondary Financial Protection ("SFP"). Energy Northwest has \$375 million of liability insurance as the first layer of protection. If any US nuclear generation plant has a significant event which exceeds the plant's first layer of protection, every operating licensed reactor in the US is subject to an assessment up to \$127.3 million not including state insurance premium tax. Assessments are limited to \$18.96 million per reactor, per year, per incident, excluding tax. The SFP is adjusted at least every 5 years to account for inflation and any changes in the number of operating plants. The SFP and liability coverage are not subject to any deductibles.

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

NOTE 11 - Asset Retirement Obligation (ARO)

Energy Northwest adopted ASC 410 on July 1, 2002. This standard requires an entity to recognize the fair value of a liability of an ARO for legal obligations related to the dismantlement and restoration costs associated with the retirement of tangible long-lived assets, such as nuclear decommissioning and site restoration liabilities, in the period in which it is incurred. Upon initial recognition of the AROs that are measurable, the probability weighted future cash flows for the associated retirement costs are discounted using a credit-adjusted-risk-free rate, and are recognized as both a liability and as an increase in the capitalized carrying amount of the related long-lived assets. Capitalized asset retirement costs are depreciated over the life of the related asset with accretion of the ARO liability classified as an operating expense on the statement of revenues, expenses, and changes in net position each period. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss if the actual costs differ from the recorded amount. However, with regard to the net-billed projects, BPA is obligated to provide for the entire cost of decommissioning and site restoration; therefore, any gain or loss recognized upon settlement of the ARO results in an adjustment to either the billings in excess of costs (liability) or costs in excess of billings (asset), as appropriate, as no net revenue or loss is recognized, and no net position is accumulated for the net-billed projects.

Energy Northwest has identified legal obligations to retire generating plant assets at the following business units: Columbia, Nuclear Project No. 1 and Nine Canyon. Decommissioning and site restoration requirements for Columbia and Nuclear Project No. 1 are governed by the NRC regulations and site certification agreements between Energy Northwest and the state of Washington and regulations adopted by the Washington Energy Facility Site Evaluation Council (EFSEC) and a lease agreement with the Department of Energy ("DOE"). (See Notes 1 and 13)

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

Nuclear Project No. 1 in FY 2014 current year accretion of \$.6 million and

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

Under the current agreement, Nine Canyon has the obligation to remove the generation facilities upon expiration of the lease agreement if requested by the lessors. The Nine Canyon Wind Project recorded the related original ARO in FY 2003 for Phase I and II. Phase III began commercial operation in FY 2008 and the original ARO was adjusted to reflect the change in scenario for the retirement obligation, with current lease agreements reflecting a 2030 expiration date. As of June 30, 2014, Nine Canyon has a capital decommissioning net asset value of \$0.5 million and an accumulated liability of \$1.3 million.

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

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

Asset Retirement Obligation (Dollars in millions)

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

NOTE 12 - Decommissioning and Site Restoration

The NRC has issued rules to provide guidance to licensees of operating nuclear plants on providing financial assurance for decommissioning plants at the end of each plant's operating life (See Note 11 for Columbia ARO). In September 1998, the NRC approved and published its "Final Rule on Financial Assurance Requirements for Decommissioning Power Reactors." As provided in this rule, each power reactor licensee is required to report to the NRC the status of its decommissioning funding for each reactor or share of a reactor it owns. This reporting requirement began March 31, 1999, and reports are required every two years thereafter. Energy Northwest submitted its most recent report to the NRC in March 2013.

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

Site restoration requirements for Columbia are governed by the site certification agreements between Energy Northwest and the state of Washington and by regulations adopted by the EFSEC. Energy Northwest submitted a site restoration plan for Columbia that was approved by the EFSEC on June 12, 1995. Energy Northwest's current estimate of Columbia's site restoration costs is \$109.0 million in constant dollars (based on the 2013 study) and is updated biannually along with the decommissioning estimate. Both decommissioning and site restoration estimates (based on 2013 study) are used as the basis for establishing a funding plan that includes escalation and interest earnings until decommissioning activities occur. Payments to the decommissioning and site restoration funds have been made since January 1985. The fair value of cash and investment securities in the decommissioning and site restoration funds as of June 30, 2014, totaled approximately \$214.3 million and \$35.9 million, respectively. Since September 1996, these amounts have been held in an irrevocable trust that recognizes asset retirement obligations according to the fair value of the dismantlement and restoration costs of certain Energy Northwest assets. The trustee is a domestic U.S. bank that certifies the funds for use when needed to retire the asset. The trust is funded by BPA ratepayers and managed by BPA in accordance with NRC requirements and site certification agreements; the balances in these external trust funds are not reflected on Energy Northwest's balance sheet.

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

NOTE 13 - Commitments And Contingencies**Nuclear Project No. 1 Termination**

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

Nuclear Project No. 3 Termination

In June 1994, the Nuclear Project No. 3 Owners Committee voted unanimously to terminate the project. In 1995, a group from Grays Harbor County, Washington, formed the Satsop Redevelopment Project (SRP). The SRP introduced legislation with the state of Washington under Senate Bill No. 6427, which passed and was signed by the governor of the state of Washington on March 7, 1996. The legislation enables local governments and Energy Northwest to negotiate an arrangement allowing such local governments to assume an interest in the site on which Nuclear Project No. 3 exists for economic development by transferring ownership of all or a portion of the site to local government entities. This legislation also provides for the local government entities to assume regulatory responsibilities for site restoration requirements and control of water rights. In February 1999, Energy Northwest entered into a transfer agreement with the SRP to transfer the real and personal property at the site of Nuclear Project No. 3. The SRP also agreed to assume regulatory responsibility for site restoration. Therefore, Energy Northwest is no longer responsible to the state of Washington and EFSEC for any site restoration costs.

Nuclear Project No. 1 Site Restoration

Site restoration requirements for Nuclear Project No. 1 are governed by site certification agreements between Energy Northwest and the state of Washington and regulations adopted by EFSEC, and a lease agreement with DOE. Energy Northwest submitted a site restoration plan for Nuclear Project No. 1 to EFSEC on March 8, 1995, which complied with EFSEC requirements to remove the assets and restore the sites by demolition, burial, entombment, or other techniques such that the sites pose minimal hazard to the public. EFSEC approved Energy Northwest's site restoration plan on June 12, 1995. In its approval, EFSEC recognized that there is uncertainty associated with Energy Northwest's proposed plan. Accordingly, EFSEC's conditional approval provides for additional reviews once the details of the plan are finalized. A new plan with additional details was submitted in FY 2003. This submittal was used to calculate the ARO discussed in Note 11.

Business Development Fund Interest in Northwest Open Access Network

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

The Business Development Fund has a 7.38 percent interest in NoaNet with a potential mandate of an additional 25 percent step-up possible for a maximum 9.23 percent. NoaNet has \$9.3 million in network revenue bonds and note payables outstanding, based on their December 30, 2013 audited

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

Other Litigation and Commitments

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

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

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

Energy Northwest v. United States of America, (No. 11-447C), EN-SNF2. Energy Northwest filed a second action against the United States of America (the "Government") in the U.S. Court of Federal Claims in July 2011 for its continuing breach of contract for the Government's failure to dispose of spent nuclear fuel and high-level radioactive waste and the additional damages Energy Northwest incurred or will incur between September 1, 2006, and June 30, 2012. On March 11, 2014, the court awarded Energy Northwest

summary judgment for costs incurred to continue to operate and maintain its dry storage program. This favorable decision ultimately led to the approval by the Executive Board of a settlement agreement with the Government in the amount of \$23.6 million to dispose of the second action. This amount has been recorded within Non-Operating Revenues on the Statement of Revenues, Expenses, and Changes in Net Position. The settlement agreement also provides for a claims process to obtain payment for continuing damages between July 1, 2012, through December 31, 2016, which obviates the need for litigation to recover damages for this time period. The settlement agreement is expected to be fully executed by the parties by fall 2014. Energy Northwest received \$48.7 million in 2011 under the first action that resulted in a Stipulation for Entry of Final Judgment in Favor of Plaintiff Energy Northwest.

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

NOTE 14 – Nuclear Fuels

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

DOE and Energy Northwest have entered into an agreement for the transfer of the DUF6 to Energy Northwest. The agreement addresses delivery and transfer of title of the DUF6, return of residual DUF6 after enrichment, storage of the EUP, and payment of DOE's costs. The costs for the handling of the DUF6 and storage of the EUP are anticipated to be \$5 million or less. As of June 30, 2014, Energy Northwest had recorded \$0.5 million in charges to the DOE for delivery of the DUF6 and storage of the EUP, which is capitalized as cost of the fuel being purchased.

Under the Depleted Uranium Enrichment Program (DUEP), Energy Northwest purchased from USEC all of the Separative Work Units (SWU) contained in the EUP. Upon finalization of the program, Energy Northwest had purchased a total of 481.6 MTU of EUP from USEC at a cost of \$687.2 million, which is recorded in nuclear fuel, net of accumulated amortization, as of June 30, 2013. There have been no additional purchases in fiscal year 2014.

Energy Northwest and TVA have entered into an agreement for the sale and purchase of a portion of the SWU and Feed Component of the EUP. The sales under the agreement are expected to total approximately \$731 million. The sales under this agreement are scheduled to take place between 2015 and 2022.

Energy Northwest has a contract with DOE that requires DOE to accept title and dispose of spent nuclear fuel. Although the courts have ruled that DOE had the obligation to accept title to spent nuclear fuel by January 31,

1998, currently, there is no known date established when DOE will fulfill this legal obligation and begin accepting spent nuclear fuel. On November 19, 2013, the D.C. Circuit Court ordered the DOE to submit to Congress a proposal to reduce the current waste disposal fee to zero, unless and until there is a viable disposal program. On January 3, 2014, the DOE filed a petition for rehearing which was denied by the D.C. Circuit Court on March 18, 2014. Also, on January 3, 2014, the DOE submitted a proposal to Congress to reduce the current waste disposal fee to zero. On May 9, 2014, the DOE notified Energy Northwest that the waste disposal fee will remain in effect through May 15, 2014, after which time the fee will be set to zero. For the year ended June 30, 2014, Energy Northwest incurred expense of \$8.16 million in waste disposal fees, recorded in fuel disposal within Columbia's Statement of Revenues, Expenses, and Changes in Net Position. Until such time as a new fee structure is in effect, Energy Northwest will not accrue any further costs related to waste disposal fees. When the fuel is placed in the reactor the fuel cost is amortized to operating expense on the basis of quantity of heat produced for generation of electric energy. The amount moved to spent fuel for cooling decreased \$55.3 million. Fees for disposal of fuel in the reactor are expensed as part of the fuel cost.

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

Energy Northwest has completed the Independent Spent Fuel Storage Installation (ISFSI) project, which is a temporary dry cask storage facility to be used until DOE completes its plan for a national repository. ISFSI will store the spent fuel in commercially available dry storage casks on a concrete pad at the Columbia site. Nine casks were issued from the cask inventory account in FY 2014 totaling \$9.2 million. Spent fuel is transferred from the spent fuel pool to the ISFSI periodically to allow for future refueling. Current period costs were \$2.3 million for dry cask storage costs which are recorded in nuclear fuel expense.